



IDAHO

DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

May 6, 2016

Re: Bitcoin Vending Machine / ATM

Dear _____ :

You propose to establish a freestanding Bitcoin Automated Teller Machine (BATM)¹. The sole use of this machine will be to allow consumers to place cash into the BATM for the purpose of purchasing bitcoin. In association with this BATM, you have represented that:

- 1) The BATM will not utilize a third party to access a clearinghouse to "exchange" Bitcoins.
- 2) Customers wishing to purchase bitcoin at the BATM will need to find and install an e-wallet of their choosing prior to placing funds into the BATM. The owner/operator of the BATM will not assist customers in setting up an e-wallet nor will the BATM owner/operator establish e-wallets for the customer. The BATM owner/operator will not hold or otherwise control the private keys of any customer using the BATM.
- 3) The owner/operator will sell only bitcoin then owned by the owner/operator. The owner/operator is neither a bitcoin "miner" nor an "Exchanger" as enumerated under guidance issued by FinCen. While the BATM may be connected to an exchanger for the purposes of determining bitcoin pricing and potential reloading of the BATM, the owner/operator will not act as an exchanger and the BATM will not accept transactions once the owner/operator's inventory in the BATM has been depleted.
- 4) The ATM will be a "one way" ATM. Specifically, the ATM will accept only legal tender and dispense bitcoin out for instant purchase by the customer.

Based solely upon the specific facts outlined above, the Department of Finance will take a no action position as to the licensing provisions of the Idaho Money Transmitters Act. Should your business plan deviate from the facts outlined above, it is possible that the Department would take

¹ For purposes of this guidance, the Department does not presently differentiate between ATMs, kiosks or vending apparatus. Guidance from other regulators should be sought regarding the cash aspect and any federal currency handling and reporting obligations.

SECURITIES BUREAU
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<http://finance.idaho.gov>

a different position than the one noted in this letter². Further, it is this Department's expectation that you would keep and maintain specific business records to the extent that federal Money Services Business regulations (see <http://www.fincen.gov>) require the keeping of such records.

Should you have any questions or need additional information, please feel free to contact the undersigned at (208) 332-8045.

Sincerely,



Jeff Flora

Financial Examiner / Investigator
Idaho Department of Finance

² Should you need to raise funds for the purpose of implementing your business plan, you may need to consider compliance with state and federal securities laws. Investment contracts and profit sharing agreements are most often securities which are regulated as to disclosure standards and securities qualification requirements.

Jeff Flora

From: Coleen Hodson
Sent: Friday, May 06, 2016 10:14 AM
To: Jeff Flora
Subject: FW: Bitcoin ATM - no 3rd party involvement

Jeff
Will you please work up a response to this. As I mentioned, Jim provided guidance similar to this and you can find it on our website and in xythos.
Please let me know if you have questions and we can discuss.
Thx
Coleen

From: Norman Real
Sent: Friday, May 06, 2016 9:29 AM
To: Coleen Hodson
Subject: FW: Bitcoin ATM - no 3rd party involvement

Hi Coleen,

Please see the opinion request bellow.

Thank you,

Norman

From: [mailto:]
Sent: Thursday, May 05, 2016 8:59 AM
To: Norman Real
Subject: Bitcoin ATM - no 3rd party involment

Dear Norman,

Thank you for taking the time to talk with me yesterday afternoon about the possibilities of the deployment of a Bitcoin Automated Teller Machine (BATM) in Northern Idaho.

The reason for the call was to help clarify the statement about virtual currencies, specifically the last portion of the paragraph on your website,

"Virtual Currency Exchangers. If you act as a virtual/digital currency exchanger and accept legal tender (e.g., government backed/issued "fiat" currencies) for later delivery to a third party in association with the purchase of a virtual currency, then you must be licensed as a money transmitter with the Department of Finance."

link: <http://www.finance.idaho.gov/MoneyTransmitter/MoneyTransmitter.aspx>

Per your request and for the purposes of us both having clarification on the underlined portion above, here are a couple of bullet points that should help with understanding how I read the above statement and how our BATM operates:

- The way that I read the underlined statement above is similar to what Texas has recorded regarding Bitcoin and other virtual currencies:
 - "If the machine never involves a third party, and only facilitates a sale or purchase of Bitcoins by the machine's operator directly with the customer, there is no money transmission because at no time is money received in exchange for a promise to make it available at a later time or different location."

(Noted on page 4 in the last bullet point of this link: <http://www.dob.texas.gov/public/uploads/files/consumer-information/sm1037.pdf>)

- Our BATM doesn't use a 3rd-party or access a clearinghouse to "exchange" Bitcoins.
- Our BATM has Bitcoins stored in the BATM's individual wallet for instant purchase by the customer.
- Our BATM is like a coin converting machine that you put your dollar in and get quarters out of for parking, vending machines and the arcade. You put your dollar in, you get bitcoin out instantly.
- The reason that we store Bitcoins on the BATM's individual wallet is we like our customers to have instant gratification. We also completely eliminate the potential of connection issues in the event that a 3rd-party's system is unreachable.

I hope those bullet points help with the clarification of how our BATM works.

Please let me know if you have any questions and I look forward to your reply.

Respectfully,