



IDAHO
DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

July 26, 2016

Re: Money Transmitting -

Dear _____:

The State of Idaho, Department of Finance (the "Department"), is in receipt of your letter dated July 21, 2016, responding our inquiry of possible money transmission activities conducted by _____. The Department would like to thank you for the quick response.

Based on the information you provided, it appears that _____ is acting as a virtual currency "exchanger" that exchanges virtual currency for fiat currency. An exchanger that *sells its own inventory* of virtual currency is generally not considered a virtual currency transmitter under the Idaho Money Transmitters Act. Alternatively, an exchanger that holds customer funds while arranging a satisfactory buy/sell order with a third party, and transmits virtual currency and fiat currency between buyer and seller, will typically be considered a virtual currency transmitter.

Given your representation that _____ only transacted in limited amounts for Idaho consumers and those transactions were sourced from already-owned assets, the Department of Finance will take a no action position as to the licensing provisions of the Idaho Money Transmitters Act. The Department also fully understands your position of discontinuing bitcoin offerings to Idaho consumers, as of July 12, 2016. Should your business model change in the future to include currency transmission, do not hesitate to contact the Department for consultation on obtaining a money transmitter license to conduct business in Idaho.

Please feel free to contact me if you have questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jeff Flora".

Jeff Flora
Financial Examiner/Investigator
Idaho Department of Finance
800 Park Lane Suite 200
Boise, ID 83720
Jeff.flora@finance.idaho.gov
(208)332-8045

SECURITIES BUREAU
Bureau Chief – James A. Burns
800 Park Boulevard, Suite 200, Boise, ID 83712
Mail To: P.O. Box 83720, Boise ID 83720-0031
Phone: (208) 332-8004 Fax: (208) 332-8099
<http://finance.idaho.gov>

July 21, 2016

Via Email to Jeff.flora@finance.idaho.gov

Jeff Flora
Financial Examiner/Investigator
Idaho Department of Finance
800 Park Lane, Suite 200
Boise, ID 83720

Re:

Dear Mr. Flora,

This firm represents _____ (the "**Company**"). We are in receipt of the Idaho Department of Finance's (the "**Department**") letter dated July 7, 2016 inquiring about possible money transmission activities conducted by the Company.

The Company is a young start-up working in the virtual currency space. The Company offers its customers the ability to buy and sell virtual currency in exchange for USD. A customer is required to establish an account on the Company's website and provide certain identity information. Before the customer starts using the Company's buy/sell services, the customer must satisfactorily complete the Company's "know your customer" due diligence as required by its AML Program. The customer also provides their bank account or credit card information to the Company for the purpose of paying USD to the Company for the purchase of digital currency. The Company then assists customers to either buy or sell virtual currency in return for USD.

The Company also provides hosted virtual currency wallets. The Company's digital wallets allow customers to store, send, receive, track and manage digital currency through the Company's website or mobile application. Wallet activity does not involve USD, and the Company does not otherwise maintain or transfer fiat currency balances for customers in or through their wallets. Consequently, there is no USD value attached to wallet activity.

The Company has reviewed its records and provides the following responses to your questions.

- **Are your cryptocurrency services offered or used by Idaho consumers and if so how long have your services been available?**

The Company's services are not offered by Idaho consumers. However, the services have been used by Idaho consumers. The Company's first Idaho consumer account was created on June 11, 2015.

- **Do you currently have any Idaho consumers using your web site or mobile applications to buy, sell or transact cryptocurrency and if so how many customers and the total dollar amount of these transactions?**

The Company has 30 Idaho consumer accounts, only two (2) of which have bought or sold virtual currency using the Company's services. A third Idaho consumer received a small amount of virtual currency (valued at US\$2) through the Company as part of an awards program the consumer had with a separate entity. In each instance, the Company sourced the virtual currency from its already-owned assets. This means there was no third party involved in the transaction as would be expected where an exchange business is managing the transaction. The same is true of each instance where an Idaho consumer sold virtual currency. The Company paid the consumer USD and retained the purchased virtual currency as an asset. No third party was involved in the transaction. The total dollar value of all such transactions since June 11, 2015 is \$386.23, which includes \$13.31 in fees. The last transaction occurred on May 23, 2016.

- **Is your company relying on any exemptions from money transmitting regulations? If so please explain.**

The regulatory landscape for virtual currencies has been in flux since its introduction. Virtual currency does not fit under the traditional definition of fiat currency, nor was it expressly included in most states' money transmission laws. This is beginning to change with the adoption of laws specific to bitcoin licensing or amendments to the existing money transmitter statutes that make clear a state's intent to regulate virtual currency exchanges.

The Company's belief that its activities in Idaho were appropriate took several factors into consideration. The Company believed the definition of "payment instruments" under Idaho law was not broad enough to encompass virtual currencies. Also, it noted that "money" was not defined and believed it likely did not include virtual currency. This position would have been consistent with federal law which has not considered virtual currency to be legal tender. Additionally, the Company's transactions in Idaho were two party transactions, which the Company felt did not meet the typical meaning of money transmission. The Company believed it was akin to a sale of goods.

Nevertheless, given the uncertainty surrounding the laws, the Company elected, as of July 12, 2016, to no longer offer its Idaho consumers the opportunity to purchase or sell virtual currency through its website, mobile application or otherwise. The Company also elected on July 12, 2016

Jeff Flora
July 21, 2016
Page | 3

to terminate its provision of virtual currency wallets to Idaho consumers. The Company has stopped buy/sell transactions for Idaho consumers on its website and mobile application and has notified Idaho consumers of its decision to terminate their wallets. It will be assisting these consumers in transferring any virtual currency in their wallets to another provider. Importantly, these decisions were made independent of and prior to the Company's receipt of your letter on July 14, 2016.

The Company places a high degree of importance on regulatory compliance, exemplary performance and customer service. To our knowledge, all Idaho consumers have been satisfied with the services they received from the Company. The Company has not received any complaints from any Idaho consumer (verbal or written), or from any private consumer advocacy group, the Department, or any other regulatory agency on behalf of any Idaho consumer.

The information herein has been provided voluntarily to the Department. It does not constitute an admission of any wrongdoing or violation of Idaho law, and the Company reserves its rights in relation thereto.

If you have any questions, please feel free to call or email me at your convenience.

Sincerely,



IDAHO
DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

July 7, 2016

RE: Money Service Transmission

Dear _____ :

The Idaho Department of Finance ("Department") is charged with the administration and enforcement of several Idaho statutes, including the Idaho Money Transmitters Act. In this regard we regulate payment processors, money orders sellers, and other business models that constitute money transmission under the Act.

Your company has come to the attention of the Department as possibly offering a wide range of options related to the buying, selling and conversion of cryptocurrency (i.e. BitCoin, LiteCoin and Dogecoin) via your website _____, and your mobile applications. Per Idaho Code §26-2902(11), this activity may fall under the definition of a money transmitter. In that regard, we request a response to the following questions.

- Are your cryptocurrency services offered or used by Idaho consumers and if so how long have your services been available?
- Do you currently have any Idaho consumers using your web site or mobile applications to buy, sell or transact cryptocurrency and if so how many customers and the total dollar amount of these transactions?
- Is your company relying on any exemptions from money transmitting regulations? If so please explain

This inquiry is made pursuant to Idaho Code §26-2914. This request should not be construed as a finding that any violation exists or has occurred, but that further information may be required to make an appropriate determination regarding your business processes. A favorable response is requested by July 29, 2016.

SECURITIES BUREAU
800 Park Boulevard, Suite 200, Boise, ID 83712
Mail To: P.O. Box 83720, Boise ID 83720-0031
Phone: (208) 332-8004 Fax: (208) 332-8099
<http://finance.idaho.gov>

PROTECTING THE INTEGRITY OF IDAHO FINANCIAL MARKETS SINCE 1905

If you have any questions regarding this request, please contact the undersigned.

Sincerely,



Jeff Flora
Financial Examiner/Investigator
Idaho Department of Finance
800 Park Lane Suite 200
Boise, ID 83720
Jeff.flora@finance.idaho.gov
(208)332-8045