



IDAHO
DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

July 8, 2016

Re: Opinion Idaho Money Transmitter License –

Dear _____:

You have requested guidance from the State of Idaho, Department of Finance (“the Department”) relative to the Idaho Money Transmitters Act (“Act”) for a business model associated with _____). The Department has reviewed the information submitted by you on behalf of _____ on June 21, 2016 and we provide you the following explanation.

As defined in the business plan, a consumer would purchase a _____ (prepaid access instrument) for fiat currency from a local distributor and then using the prepaid card visit the _____ website where the card would be exchanged for crypto currency.

The Act defines money transmission to include “the sale or issuance of payment instruments or engaging in the business of receiving money for transmission or the business of transmitting money...by any and all means...” Idaho Code §26-2902(11). The Department has interpreted prepaid access instruments to be payments instruments under the Act.

Based on our exchange of electronic correspondence providing explanations of the business plan, the Department finds the business plan is fragmented and unclear on the funds flow for individual transactions. The Department’s review finds _____ would be holding funds for undetermined periods of time for those individuals who choose to delay their visits to the web site to purchase crypto currency. This point is not covered in the business plan.

We expect that a money transmitter’s license would be required for you to engage in digital currency transactions on behalf of Idaho residents. Should you need information regarding the licensure process in Idaho, forms, and information are available on our website at <http://www.finance.idaho.gov>. Should you have further questions do not hesitate to call me at (208)332-8045 or email me at jeff.flora@finance.idaho.gov.

Regards,

Jeff Flora
Financial Examiner/Investigator
Idaho Department of Finance – Securities Bureau
800 Park Lane - Boise, Idaho 83712

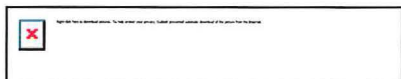
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<http://finance.idaho.gov>

Jeff Flora

From:
Sent: Friday, July 08, 2016 1:27 PM
To: Jeff Flora
Subject: Re: | Business Plan

I apologize, that was not clear. With KYC and AML laws, would require customers wanting to purchase higher amounts, over say \$100, to verify their identity on its website. Then they would be able to purchase higher amounts on a new PIN # from website. This would not apply to purchases at convenience stores, unless we instituted a verification code that the customer could take directly to the convenience store. The cards are 100% closed loop. Once the customer uses the code on the card or uses the PIN, the customer would need to buy another separate card or PIN.

Does that clear things up?



On Fri, Jul 8, 2016 at 2:18 PM, Jeff Flora <Jeff.Flora@finance.idaho.gov> wrote:

Users will be required to sign in to their account and verify their identity on that page to increase their limits.

If I am thinking of your product as a I Tune gift Card, then you please explain what you mean in the answer to question #1, noted above.

Thanks

Jeff

From:]
Sent: Thursday, July 07, 2016 3:24 PM

To: Jeff Flora
Subject: Re: Business Plan

Coleen Hodson


From: Jeff Flora
Sent: Friday, July 08, 2016 10:51 AM
To: Coleen Hodson
Subject: FW: Business Plan

I am of the opinion this company needs to register as a money transmitter. The answer to question (4) seals the deal from my perspective.

Jeff

From:]
Sent: Thursday, July 07, 2016 3:24 PM
To: Jeff Flora
Subject: Re: Business Plan

- 1) What is the effectiveness of handling AML/BSA upon redemption on the website, if all I need is the card and a PIN?. I am looking for the web site to review and I am unable to locate, can you send me a link?

The user page has not been made available currently. Users will be required to sign in to their account and verify their identity on that page to increase their limits. 

- 2) This statement reflect the cards are opened ended and can be replenished? Correct? Do I have to return to the same distributor to get replenish? What is the criteria/guidelines for increasing/replenishing account limits?

The cards cannot be replenished and are not open ended. You must buy another card or PIN in order to receive more cryptocurrency. Please think of this as an iTunes gift card.

- 3) Who will take care of the steps for AML/BSA Compliance upon replenishment /increasing account limits? What if the customer provides the card and PIN number to someone else? How will the company know?

The customer submits information which is then checked against federal records to confirm the identity. We are also considering adding a partner for management such as Deloitte. The person redeeming the card will need to have both the PIN and the phone number associated.

- 4) What is the process if the customer does redeem their cards with a 24-48 hour period. What if the bitcoin price goes up and the customer decides to hold the USD funds on his card. Where is the money sitting until they visit the web site?

The money will be sent to us by the distributor where it will wait in a separate account until redemption.

What is the effectiveness of handling AML/BSA upon redemption on the website, if all I need is the card and a PIN?. I am looking for the web site to review and I am unable to locate, can you send me a link?

The user page has not been made available currently. Users will be required to sign in to their account and verify their identity on that page to increase their limits.

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The money will be sent to us by the distributor where it will wait in a separate account until redemption.



Web: _____

On Wed, Jul 6, 2016 at 3:56 PM, Jeff Flora <Jeff.Flora@finance.idaho.gov> wrote:

– Thank you for the responses to my questions. The responses now bring up additional questions. See red comments below.

Jeff

From: _____]
Sent: Tuesday, July 05, 2016 2:53 PM
To: Jeff Flora
Subject: Re: _____ Business Plan

Hey Jeff, here are the answers to your questions.

1) Who are your distributors?

_____ currently plans to distribute through _____ in your state.

2) What processes is _____ going to use to vet the distributors for AML/BSA compliance and to be a qualified distributor?

All distributors are vetted through _____. AML/BSA compliance is handled upon redemption on our website.

What is the effectiveness of handling AML/BSA upon redemption on the website, if all I need is the card and a PIN?. I am looking for the _____ web site to review and I am unable to locate, can you send me a link?

The customer will be required to input verification information to increase their account limits.

This statement reflect the cards are opened ended and can be replenished? Correct? Do I have to return to the same distributor to get replenish? What is the criteria/guidelines for increasing/replenishing account limits?

Who will take care of the steps for AML/BSA Compliance upon replenishment /increasing account limits? What if the customer provides the card and PIN number to someone else? How will the company know?

3) How will the exchange get their funds?

We will pay the exchange daily with our reserves.

4) How long will the distributors be required to hold the funds before disbursing and who and where will they disburse the funds? It does not appear they will know which exchange the customer uses?

The funds will be send to us after 24-48 hours. **The cards will have been redeemed at this point.** is a referral service for one exchange ().

What is the process if the customer does redeem their cards with a 24-48 hour period. What if the bitcoin price goes up and the customer decides to hold the USD funds on his card. Where is the money sitting until they visit the web site?



On Thu, Jun 23, 2016 at 12:27 PM, Jeff Flora <Jeff.Flora@finance.idaho.gov> wrote:

Good Afternoon —

In reading through the business plan for , I read the following statement. “The customer’s money is held by our distributor, while the cryptocurrency from the exchange is sent directly to the customer. never touches the customer’s fiat money or cryptocurrency”.

Who are your distributors?

What processes is going to use to vet the distributors for AML/BSA compliance and to be a qualified distributor?

How will the exchange get their funds?

How long will the distributors be required to hold the funds before disbursing and who and where will they disburse the funds? It does not appear they will know which exchange the customer uses?

Thanks

Jeff

Jeff Flora CFE

Idaho Department of Finance

Financial Examiner/Investigator III

Securities Bureau -Money Transmitters

800 Park Blvd 2nd Floor

Boise, Idaho 83712

Telephone: [\(208\)-332-8045](tel:(208)332-8045)

Jeff.flora@finance.idaho.gov

Coleen Hodson

From: Jeff Flora
Sent: Wednesday, July 06, 2016 7:13 AM
To: Coleen Hodson
Subject: FW: | Business Plan

Another discussion item..

Jeff

From:]
Sent: Tuesday, July 05, 2016 2:53 PM
To: Jeff Flora
Subject: Re: | Business Plan

Hey Jeff, here are the answers to your questions.

Who are your distributors?

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All distributors are vetted through . AML/BSA compliance is handled upon redemption on our website. The customer will be required to input verification information to increase their account limits.

How will the exchange get their funds?

We will pay the exchange daily with our reserves.

How long will the distributors be required to hold the funds before disbursing and who and where will they disburse the funds? It does not appear they will know which exchange the customer uses?

The funds will be send to us after 24-48 hours. The cards will have been redeemed at this point.
exchange ().

is a referral service for one

On Thu, Jun 23, 2016 at 12:27 PM, Jeff Flora <Jeff.Flora@finance.idaho.gov> wrote:

Good Afternoon Michael –

In reading through the business plan for , I read the following statement. “The customer’s money is held by our distributor, while the cryptocurrency from the exchange is sent directly to the customer. never touches the customer’s fiat money or cryptocurrency”.

Who are your distributors?

What processes is going to use to vet the distributors for AML/BSA compliance and to be a qualified distributor?

How will the exchange get their funds?

How long will the distributors be required to hold the funds before disbursing and who and where will they disburse the funds? It does not appear they will know which exchange the customer uses?

Thanks

Jeff

Jeff Flora CFE

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