November 1, 2018

Via Electronic Mail and U.S. Mail

Re: Idaho Money Transmitter License Inquiry –

Dear :,

The Idaho Department of Finance (“the Department”) is in receipt of your correspondence of September 7, 2018 requesting guidance on the applicability of the Idaho Money Transmitter Act (“ITMA”) to the business plan of (“ ”). Based upon the information provided, the Department understands intends to offer three services to customers pertaining to digital assets: stored value services, spot exchange services, and custody services. As the ’s business model for stored value services involves receiving and/or transmitting fiat currency for customers, it will be carrying out money transmission as defined by the ITMA. Also the business plan explains the spot exchange service utilizes digital assets from ’s own inventory. The business plan envisions pursuit of a scalable business model which may converge upon transactions which would require purchase virtual currencies to fund customer transactions, which requires licensure in Idaho.

The no action letter referenced in your correspondence varies from the business plan in a number of regards, most importantly, the business was responding to inquiry from the Department and at the time of the opinion the business had halted operation in the state of Idaho.

In conclusion, if elects to offer the above described services to Idaho consumers, an Idaho Money Transmitter license will be required.¹

¹ This decision is based solely on the unique circumstances of the activity described and is not intended to serve as precedent for any other money transmitter or applicant. This letter should not be construed as finding that licensure is or is not required in other jurisdictions where other consumers may reside.
Should you have any questions, please feel free to contact me at Jennifer.Biretz@Finance.Idaho.gov or (208) 332-8081.

Sincerely,

Jennifer Biretz
Securities Bureau, Investigations Supervisor
Idaho Department of Finance
Re:

Dear Department Staff:

I am writing to provide you with background information related to (“”) and its anticipated business activities in Idaho and elsewhere throughout the United States. As outlined below, plans to offer digital asset trade execution and custodial wallet services in Idaho. As further described below, we do not think that the Idaho Department of Finance (the “Department”) will require to obtain a license to engage in money transmission activities prior to offering Service(s) (more fully defined below) in Idaho. However, we understand the Department may have a different view, and hence, we are providing this letter in lieu of an application for a license to engage in money transmission services to help the Department understand Service(s). We respectfully request that the Department confirm our position, or in the alternative, that the Department inform us that should submit an application for licensure prior to offering the Services in Idaho.

BUSINESS OVERVIEW

(“”) launched in Israel in 2007 with the goal of opening global markets to anyone interested, irrespective of wealth. To that end, has developed an online trading platform (available at: ) that is user-friendly to anyone, from beginners to professional traders, and ensures an experience that is rich with knowledge and tools for each customer to make the best possible trading choices while being fully aware of the risk. Since then, has obtained a significant footprint in Europe, with over 10 million users, thanks in part to its simple and intuitive interface – tailored to the beginner and
the advanced alike, as well as its mobile app that allows users to perform any action on the platform on the go.

is now expanding its operations into the U.S. through its subsidiary, LLC, and plans to offer a platform for trading and storing blockchain-based digital assets in Idaho. In brief, will provide its registered users (each, a “Customer”) with: (i) a service that allows the Customer to load U.S. Dollars to the Customer’s account for the purpose of purchasing digital assets (“Stored Value Services”); (ii) a service that allows the Customer to buy and sell digital assets in direct transactions with (“Spot Services”); and (iii) a service that allows the Customer to store their digital assets in a custodial wallet managed by (“Custody Services”) (collectively, the Stored Value Services, Spot Services, and Custody Services are the “Services”). The Services will initially support 12 different digital assets: Bitcoin, Ethereum, Litecoin, XRP, Dash, Bitcoin Cash, Stellar, Ethereum Classic, NEO, EOS, ADA, and IOTA. It is anticipated that will add more digital assets once it determines it can add such digital assets to the Services in a secure and lawful manner. These digital assets are carefully vetted internally and by a leading U.S-based law firm to minimize any risk that the Services would support digital assets that would be classified as securities.

SERVICES AND IDAHO MONEY TRANSMISSION LICENSING REQUIREMENTS

The Department has stated that an “exchanger that holds customer funds while arranging a satisfactory buy/sell order with a third party, and transmits virtual currency . . . between buyer and seller, will typically be considered a virtual currency transmitter” and thus require a money transmitter license.¹ As detailed herein, does not intend to offer an order book or bid/offer matching functionality. Each transaction that occurs on ’s platform will be bilateral between the customer and .

PARENT, HISTORY, AND FUNDING

, a Delaware limited liability company, is a wholly-owned subsidiary of , a BVI limited company. is owned by (14.26%), a Delaware limited partnership, and more than 45 minority shareholders (85.74%).

To date, the affiliates have raised $162 million in funding from investors.

COMPANY BACKGROUND AND OPERATIONS

was founded as on March 21, 2007 in the State of Delaware, with a registered address of . ’s parent company was , a BVI limited company. was a registered introducing broker with the Commodity Futures Trading Commission and a National Futures Association Member. changed its name to on March 23, 2011. changed its name to on July 7, 2013, and then closed its introducing broker business in November 2013.

’s principal place of business is in , .

registered with the Financial Crimes Enforcement Network (”FinCEN”) as a money services business (”MSB”) on July 10, 2018 in connection with its anticipated offering of the Services to U.S.-based Customers. Its MSB Registration Number is . Before offering its Services in any U.S. jurisdictions, will acquire any licenses necessary to lawfully offer the Services, such as licenses to engage in money transmission activity where applicable.

MANAGEMENT

is led by a team of respected and experienced entrepreneurs with considerable experience in the financial services industry.

’s management team is currently comprised of the following people:

, Managing Director,

leads ’s expansion into the United States with a focus on U.S. cryptocurrency and blockchain strategy. Prior to joining , served as Director of Innovation Strategy at Samsung SDS, where he oversaw architecting, development, piloting and learning of experimental AI and IoT solutions and evangelized digital transformation projects at the C-Suite level. also previously led Samsung Electronics America’s retail innovation program, where he spearheaded Samsung’s efforts as the leader in consumer electronics retailing.
, Finance and Operations Director,
is a finance and operations executive with 10+ years of experience in mobile payments, financial advisory, and investment banking. He served as Director of Business Operations at Merlon Intelligence, a VC-backed startup building AML software. Prior to that, was a Business Operations lead at Venmo responsible for scaling operations to support 150%+ YoY growth. also served as Vice President of Strategy at Merrill Lynch Wealth Management, where he devised and implemented field initiatives. received his MBA from Harvard Business School.

, CAMS-Audit, Chief Compliance Officer (Temp),
is a financial services industry compliance professional with subject matter expertise in anti-money laundering and consumer compliance. ’s specific industry focus includes: crypto, KYC/CIP, and advisory services. provides compliance support to various financial institutions such as: money services businesses (MSBs) of all types, payment processors, banks, and trust companies.

, Compliance Operations Counsel,
is a NY-licensed attorney experienced in the representation of emerging technology companies, particularly in the Fintech space. has previously worked with the Wall Street Blockchain Alliance Legal Working Group and several law firms in Israel and New York. has also published articles on legal issues concerning consumer privacy and cybersecurity with Thomson Reuters’ Practical Law and the American Bar Association’s Business Lawyer Journal. received her LLM in Corporation Law from NYU School of Law.

currently serves as the Chief Compliance Officer of . is ’s Compliance Operations Counsel. will also utilize external compliance consulting services (as necessary) to assist the company with its Anti-Money Laundering, Anti-Fraud, OFAC Compliance Program and other federal and state regulatory obligations in Idaho, and anywhere else offers the Services.

BUSINESS ACTIVITIES AND FUNDS FLOW INFORMATION

will offer three primary Services: (i) Stored Value Services; (ii) Spot Exchange Services and (iii) Custody Services.
A. Stored Value Services

A Customer may load U.S. Dollars into its account for the purpose of using such funds to purchase digital assets. When a Customer, “Alex,” adds U.S. Dollars to an account from an external account, the funds continue to belong to Alex, but they are held in a custodial bank account maintained by on behalf of Customers like Alex (“Custodial Bank Account”), as depicted below. The funds are reflected in Alex’s user interface within the platform as a positive U.S. Dollar balance.

When Alex transfers funds out of an account to an external bank account, will deduct U.S. Dollars from the U.S. Dollar balance in Alex’s user interface and wire or otherwise transfer such funds to the external bank account, as depicted below. will charge a $25 fee for each withdrawal of U.S. Dollars.

B. Spot Exchange Services

By way of the Spot Exchange Services, will enable a Customer to buy digital assets from, or sell digital assets to, (as the counterparty), in exchange for U.S. Dollars.

When Alex purchases a digital asset, such as a virtual currency (“VC”), from , that VC will be taken from ‘s inventory and added to Alex’s VC balance, and contemporaneously, U.S. Dollars will be deducted from Alex’s U.S. Dollar balance and added to ‘s bank account.
Since the VC and U.S Dollar funds move between accounts controlled by , the transfers can occur simultaneously and near-instantly.

As detailed above, all funds received by in connection with the Stored Value Service are deposited into ‘s Custodial Bank Account on an omnibus basis. Likewise, all Customer withdrawals out of the U.S. Dollar balance will be withdrawn from ‘s Custodial Bank Account. At all times, will maintain a ledger reflecting the precise amount of U.S. Dollars that belongs to each Customer and is stored in the Custodial Bank Account.

For each depository institution where maintains an Custodial Bank Account, the company also expects to have an operational bank account. The operational bank account will not contain any user funds, rather it will contain funds that belong to for its own use in accepting revenues or other payments and in paying operational costs and fees.

When facilitating the digital asset side of a spot exchange, expects to acquire inventory on a just-in-time basis from one of its corporate affiliates. For example, Alex will initiate a transaction by placing a digital asset purchase order through the account interface. does not expect to maintain a significant inventory of digital assets, so immediately upon receipt of Alex’s order, will request the requisite amount of the digital asset from one of its corporate affiliates in accordance with intercompany agreements in place between and its affiliates. The affiliate will immediately and programmatically transfer the requisite amount of the digital asset from its own inventory to , and will immediately and programmatically thereafter transfer the digital assets from ‘s inventory to Alex’s virtual currency balance.
C. Custodial Services

Customers that purchase and sell digital assets using ‘s platform will not receive their digital assets in a Customer-controlled wallet, rather, will maintain custody of the digital assets on behalf of its Customers on an omnibus basis. If a Customer wishes to withdraw the value of their holdings from the platform, the Customer must first sell the digital assets to and then can withdraw U.S. Dollars.

Each Customer may create one or more allocation strategy, visible to other Customers, which specifies how much, as a percentage matter, of various digital assets the Customer will purchase and hold in connection with the given strategy (each, a “Customer Allocation Strategy”). will also create and publish to Customers one or more allocation strategy (each, an “Allocation Strategy,” and collectively, the Customer Allocation Strategy and Allocation Strategy are the “Allocation Strategies”).

In connection with each of the Company’s Services, offers Customers a tool that enables a Customer to designate a specified amount of funds in the Stored Value Service to track and copy other digital asset Allocation Strategies of another Customer or of (the “Allocation Copy” tool). If the Customer elects to use this tool, when the copied Allocation Strategy trades a virtual currency and thereby changes the percentages or types of digital assets associated with that particular Allocation Strategy, then the copier will trade automatically at the same price and same time on a proportional basis. By virtue of providing the Stored Value Services, Spot Services, and Custodial Services, will facilitate each transaction necessary to rebalance Customer accounts using the Allocation Copy tool.

* * *

We hope this letter helps clarify ‘s service model and provides useful context for the business. Please let us know if you believe the above-described activity would require to obtain a license from the Department prior to operating its business in Idaho. is led by a team of respected and experienced entrepreneurs with considerable experience in the financial services industry, who understand that may be required to apply for a license at a future date in order to continue its operations in Idaho.

If you have any questions, please do not hesitate to contact us.
Sincerely,

cc: