



STATE OF CONNECTICUT
DEPARTMENT OF BANKING
260 CONSTITUTION PLAZA • HARTFORD, CT 06103-1800



Jorge L. Perez
Commissioner

February 22, 2019 #1

Re:

Dear

Your letter dated April 13, 2018, in which you inquire as to whether requires a money transmission license in Connecticut to engage in certain activities involving virtual and fiat currency with Connecticut persons, has been referred to me for response. Based upon the following analysis, it is the opinion of this Department that's proposed activities would require licensure under Part V of Chapter 668, Sections 36a-595 to 36a-612, inclusive, of the Connecticut General Statutes "Payment Instruments. Money Transmission" ("Money Transmission Act").

The facts presented to this Department for consideration are as follows: is a limited liability trust company located in which provides custodial and exchange services to its customers, including holding cash and bitcoin as agent and facilitating the trading of virtual currency and fiat currency. The Department acknowledges the classification of as a trust company and its argument that trust companies are exempt from licensure requirements, however, the Money Transmission Act does not include a licensure exemption for trust companies, so the distinction is inconsequential. Customers must apply for permission to use's platform and, if approved, may deposit fiat currency into their account. The account is then transmitted to a custodial account held at a federally-insured bank, which thereafter maintains the deposit account holding the funds with the customer's unique identifier. Customers can also deposit bitcoin into a client account, which is then held on an offline server. controls these deposits, maintains the virtual ledgers for each customer and controls the offline storage. Once a customer's account is funded, a customer can convert bitcoin to fiat currency and vice versa, and can initiate a transaction by entering into interface the amount and price at which the customer wishes to buy or sell virtual currency. then automatically pairs orders between customers, and executes and clears the transactions. If a customer wishes to withdraw money, sends instructions on the transfer of funds to the depository holding the customer's money. Fiat currency will be transferred from the customer's account with the exchange to the bank account designated by, and owned by, the customer.

Section 36a-597(a) of the Connecticut General Statutes provides, in pertinent part, that:

No person shall engage in the business of money transmission in this state, or advertise or solicit such services, without a main office license issued by the commissioner as provided in sections 36a-595 to 36a-612, inclusive, except as an authorized delegate of a person that has been issued a license by the commissioner and in accordance with section

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36a-607. Any activity subject to licensure pursuant to sections 36a-595 to 36a-612, inclusive, shall be conducted from an office located in a state, as defined in section 36a-2. A person engaged in the business of money transmission is acting in this state under this section if such person: (1) Has a place of business located in this state, (2) receives money or monetary value in this state or from a person located in this state, (3) transmits money or monetary value from a location in this state or to a person located in this state, (4) issues stored value or payment instruments that are sold in this state, or (5) sells stored value or payment instruments in this state.

Section 36a-596(9) of the Connecticut General Statutes defines the term “money transmission” to include “engaging in the business of issuing or selling payment instruments or stored value . . .”. Section 36a-596(15) defines the term “stored value” to mean “monetary value that is evidenced by an electronic record. For purposes of this subdivision, ‘electronic record’ means information that is stored in an electronic medium and is retrievable in perceivable form”. Section 36a-596(8) defines “monetary value” to mean “a medium of exchange, whether or not redeemable in money”.

“Virtual currency”, as defined by Section 36a-596(18), is treated similar to fiat currency under Connecticut’s money transmission scheme. Section 36a-596(18) defines the term to mean “any type of digital unit that is used as a medium of exchange or a form of digitally stored value or that is incorporated into payment system technology”. Fiat money is currency that a government has declared to be legal tender, but it is not backed by a physical commodity and value is therefore derived from the relationship between supply and demand. Bitcoin has been treated as a currency similar to fiat by this state under the governing statutes. Cash is also fiat money. It has been this Department’s position that, unless otherwise exempted by Section 36a-609 of the Connecticut General Statutes, if these digital currency exchanges hold or transmit fiat or virtual currency on behalf of Connecticut residents, they would be engaging in money transmission in this state and require licensure. However, if the exchanges simply match buyers and sellers of virtual currency or exchange the currency directly without holding or transmitting any virtual or fiat currency on behalf of other persons, said exchange would not require a money transmission license.

Although does not have a physical place of business in this state, it does propose to engage in the business of money transmission in this state, presumably via mail and Internet. In particular, receives money or monetary value from persons located in this state for current or future transmission when it receives either bitcoin via the Internet or other monetary value through the mail for conversion into bitcoin, such as cashier’s checks, money orders or cash, and holds such monetary value in accounts for Connecticut persons. represents that it maintains ownership or control of virtual currency deposited by customers as it holds the virtual currency in offline accounts on the customer’s behalf. Section 2.2 of the Terms and Conditions/User Agreement specifically states: “All crypto assets transferred to us by Members for use in trading on the Exchange are deposited by the Exchange into, and are held in, an omnibus client account, controlled by the Exchange.” That virtual currency is then exchanged between customers by virtue of the platform and facilitation. Although accounts are located and money is held in the transactions occur through platform in and maintains no Connecticut place of business, customers are still initiating transactions from Connecticut, including deposits, withdrawals, transfers and exchanges of virtual or fiat currency. Therefore, based on the foregoing, licensure as a money transmitter is required to engage in the proposed activities in Connecticut.

Please note that any variance in the facts described above may change this Department's analysis as to how the Money Transmission Act applies to activities and whether any other provision under the jurisdiction of this Department would apply.

If you should have any further questions, please do not hesitate to contact the undersigned at (860) 240-8141.

Very truly yours

JORGE L. PEREZ
BANKING COMMISSIONER

By: 

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