



COMMONWEALTH OF MASSACHUSETTS

Office of Consumer Affairs and Business Regulation

DIVISION OF BANKS

1000 Washington Street, 10TH Floor, Boston, MA 02118-6400
(617) 956-1500 · Fax (617) 956-1599 · TDD (617) 956-1577
www.Mass.Gov/DOB

MIKE KENNEALY
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

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GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

April 25, 2022

Scott K. McClain
Attorney
Merle, Brown & Nakamura, P.C.
90 Broad Street, Suite 2201
New York, New York 10004-2271

Dear Mr. McClain:

This letter is in response to your correspondence dated September 17, 2021, to the Division of Banks (Division) in which you request an opinion relative to the registration and licensing requirements for your client, Secure Cash, LLC (Secure Cash or the Company) and its business model in the Commonwealth.

Secure Cash is a Florida limited liability company formed March 19, 2019. The Company is engaged in business as an armored courier and is not currently licensed as a money transmitter or other form of financial institution in any state jurisdiction. Upon commencement of business activities in a state, the Company will register as a foreign corporation. As of July 14, 2021, the Company registered with FinCEN as a money services business (MSB) conducting business as a “cryptocurrency exchange” in accordance with FinCEN rulings and applicable Bank Secrecy Act (BSA) regulations.

According to your letter, there are currently operating in the state of Massachusetts and other states a number of cryptocurrency kiosk operators who provide services exchanging fiat currency for Bitcoin or other cryptocurrencies. During the course of normal business operations, these cryptocurrency kiosk operators (Customers) accumulate significant amounts of cash, which creates security risks and cash management difficulties for these operators. Secure Cash seeks to offer a service whereby the kiosk operator’s cash funds will be shipped via secure transport to a vault location, the funds will be counted and verified, and Secure Cash will return to the same customer the same amount of funds represented in the approved cryptocurrency (e.g., Bitcoin) minus a transaction fee. Your letter notes that Secure Cash will not engage in third-party transfers as a money transmitter.

Secure Cash's digital currency inventory will be maintained on Secure Cash's own digital wallet. The Company’s digital currency inventory will be acquired via regulated exchanges. With regard to such purchases by Secure Cash, funds will be transferred from Secure Cash's own operating account via wire transfer to the exchange. Consistent with Bank Secrecy Act regulations and FinCEN guidance, Secure Cash maintains a robust BSA/AML/OFAC program, including: BSA/AML policies and procedures, including customer identification program, transaction monitoring procedures, and OFAC screening protocols; appointment of a chief compliance officer and support personnel; an employee BSA/AML training program; and periodic independent review of the BSA/AML/OFAC program. Additionally, Secure

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Cash will maintain a robust cybersecurity program, disaster recovery program, and vendor management program.

According to your letter, Secure Cash will offer its service only to vetted and approved companies engaging in business as kiosk operators. With respect to the process of your business model, your letter establishes a step-by-step summary of how transactions will work. Customer's U.S. dollar cash funds generated from consumer kiosk transactions will be placed in secure tamper evident containers at customer's location. Customer's cash funds will be shipped to a secure vault location via armored courier where the funds will be counted and verified. Secure Cash will then electronically transmit from Secure Cash's own wallet address directly to the customer's own wallet address cryptocurrency represented in an amount corresponding to the cash funds received from the customer, minus a transaction fee. All such transmissions shall be done via encrypted electronic transmission. All customer information and transaction activity will be recorded and maintained in the appropriate transaction ledger. The cash funds received at the vault location will then be deposited into Secure Cash's own depository account with its bank. Your letter also notes that Secure Cash will occasionally purchase additional cryptocurrency assets which it will maintain in its own secure and encrypted cryptocurrency wallet environment.

Your letter makes it clear that the service being provided by Secure Cash will be limited only to the acceptance of currency from the approved customer and delivery of cryptocurrency assets in the same amount back to that same customer, minus the transaction fees. Secure Cash will not act as a repository with respect to its customer's funds because Secure Cash will not, at any stage, hold either physical currency or cryptocurrency assets on behalf of its customers or any other parties. All cash movements will be handled by an outside armored courier that will be contracted out by Secure Cash. Secure Cash will not engage directly or indirectly in the exchange of U.S. dollars for any foreign fiat currencies, or the exchange of cryptocurrencies for any foreign fiat currencies. Secure Cash will offer no foreign currency exchange services. As confirmed in your follow up communication with the Division, Secure Cash does not operate outside of the United States. Furthermore, you have stated that cash from customers is delivered to a cash vault within the state where the crypto currency kiosk is operated, and that cash is not transported over state lines.

Massachusetts General Laws chapter 169 requires that all persons who engage or are financially interested in the business of receiving deposits of money for the purpose of transmitting the same or equivalents thereof to foreign countries obtain a foreign transmittal agency license from the Division. Secure Cash would not be engaging in the business of accepting money for transfer to "foreign countries" since it does not operate outside of the United States. The purpose of the service offered by Secure Cash is not for the transmission of funds to a foreign country but rather to provide secure storage, transportation, and cash management services to cryptocurrency kiosk operators. All transactions with customers will take place entirely within Massachusetts, and thus Secure Cash's activities do not constitute foreign money transmission. Furthermore, Secure Cash's proposed service would occur only between Secure Cash and its proposed customer with no third parties involved. Specifically, regulation 209 CMR 45.00 provides that transactions which are not for personal, family, or household purposes are not foreign money transmission. Since Secure Cash states that it only engages in the described transactions with "customers", which it defines as "only approved companies engaging in business as cryptocurrency kiosk operators," it is clear from the facts submitted by Secure Cash that the proposed activity is for a commercial purpose and is not for a personal, family, or household purpose. Based on the facts presented, Secure Cash is not required to be licensed as a foreign transmittal agency by the Division.

The conclusions reached in this letter are based solely on the facts presented. Fact patterns which vary from those stated above may result in a different position statement by the Division.

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The Division continues to monitor the development of these evolving payment systems such as bitcoin and there may be regulatory changes in the future governing these digital currencies.

Sincerely,

/s/ Barbara Keefe
Deputy Commissioner of Banks
and General Counsel

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