



## COMMONWEALTH OF MASSACHUSETTS

Office of Consumer Affairs and Business Regulation

### DIVISION OF BANKS

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June 14, 2018

Oleksandr Lutskevych  
Chief Executive Officer  
CEX.IO Ltd.  
24<sup>th</sup> Floor One Canada Square, Canary Wharf  
London, E14 5AB, United Kingdom

Dear Mr. Lutskevych:

This letter is in response to your correspondence dated April 16, 2018 to the Division of Banks (Division), in which you request an opinion relative to the applicability of the Massachusetts Foreign Transmittal law, General Laws chapter 169, to the business model of CEX.IO LTD ("CEX").

As indicated in your letter, you are the Chief Executive Officer of CEX, a limited liability company headquartered in the United Kingdom. CEX's proposed business is an online virtual currency platform allowing buyers and sellers of Bitcoin and other virtual currencies to engage in purchase or sale transactions, as well as exchange different types of virtual currency, with one another. CEX is registered with the Financial Crimes Enforcement Network (FinCEN) as a Money Services Business, and therefore is required to comply with all applicable anti-money laundering and "Know Your Customer" reporting requirements. Each customer who has set up an account with CEX will maintain a fiat balance and/or a virtual currency balance. A customer will fund his or her fiat balance with fiat currency, including US dollars, Great Britain pounds, or Euros. A CEX customer may also fund his or her virtual balance with various virtual currencies, including Bitcoin and Ether, among others. All fiat currencies received from customers are stored in CEX's fiat pooled accounts with authorized financial institutions. CEX maintains records of each customer's fiat balance and such balance is also reflected on the customer's profile interface. Likewise, CEX maintains an internal ledger tracking the amount of virtual currency each customer possesses, and all transactions between users are based on this ledger. CEX facilitates customers' purchase and sale of cryptocurrency with fiat currency or exchange of virtual currencies, as described herein, but does not permit the buying, selling or trading of one type of fiat currency for another fiat currency. CEX is not a party to any of the exchange transactions and does not trade on its own account. CEX's revenue are derived primarily from fees it charges customers in connection with transactions made on the exchange.

With regard to the purchase and sale of virtual currencies, CEX's platform offers two options: 1) an Instant Purchase transaction; and 2) an Order Book Exchange transaction. In an Instant Purchase transaction, a customer is able to purchase cryptocurrency for a "spot price" - a price determined based upon the open market orders on CEX's market. In the Instant Purchase transaction, the customer is not able to select the price that he or she wants to pay for the cryptocurrency, only the amount of cryptocurrency.

Mr. Oleksandr Lutskevych

June 14, 2018

Page 2

The cryptocurrency that is purchased comes from another CEX user and does not come from CEX itself. Users in an Instant Purchase transaction are never identified to each other. With an Order Book Exchange transaction, the CEX user is able to identify a particular price at which the user would like to buy or sell cryptocurrency and place an order for that particular price and amount of cryptocurrency. This order will be matched with another CEX user or users who wish to sell the cryptocurrency at the specified price. If none exists, the transaction will not occur until the virtual currency becomes available at that specified price. As is the case for Instant Purchase transactions, users in an Order Book Exchange transaction are also never identified to each other.

CEX does not accept funds for transmission to a specific party and users may not instruct CEX to transmit currency to the account or wallet of a third party. As noted in your correspondence, the purpose of a customer utilizing CEX is not the transmission of currency to a foreign country or a specific person, but rather, to enable users to purchase and sell virtual currency, or engage in exchanges of different types of virtual currency, through the use of the CEX platform.

As Massachusetts does not presently have a domestic money transmission statute, your request must be analyzed for its applicability under Massachusetts General Laws chapter 169, the foreign transmittal agency statute. Chapter 169 requires 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. In the virtual currency transaction exchange system operated by CEX, the user is not transmitting funds to recipients in a foreign country. The user is placing either dollars into a pooled account, or virtual currency into his/her own virtual currency wallet, and engaging in purchases, sales, or exchanges of virtual currency through the CEX system. CEX does not accept user funds for the purpose of transmitting those funds or their equivalents to foreign countries, as CEX users do not know the identity of the other party to a transaction, and cannot control the identity of the person with whom a purchase, sale, or exchange is transacted. Accordingly, based on the facts presented, CEX 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.

Please be advised that the Division continues to monitor the evolution and use of virtual currencies such as Bitcoin, and there may be regulatory changes in the future applicable to such currencies.

Sincerely,



Merrily S. Gerrish  
Deputy Commissioner of Banks  
and General Counsel

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