

ASA HUTCHINSON
GOVERNOR

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COMMISSIONER



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ARKANSAS SECURITIES DEPARTMENT

VIA REGULAR U.S. MAIL

March 25, 2020

CryptoFlip
c/o Rafael Yakobi
1041 Market Street, #340
Sand Diego, CA 92101

Karyn H. Tierney
Arkansas Bar No. 2003120
karyn.tierney@arkansas.gov

RE: CryptoFlip
20-NA-0003

Dear Mr. Yakobi:

The Arkansas Securities Department ("Department") is in receipt of your letter and subsequent information provided thereafter, requesting that the Department issue a no-action letter concerning CryptoFlip's claim of exemption from the licensing requirements of the Arkansas Uniform Money Services Act ("UMSA") as codified at Ark. Code Ann. § 23-55-101 through 1006. A copy of the request letter is attached for reference.

Based upon the specific facts contained in your request the Staff will not recommend that the Arkansas Securities Commissioner take an enforcement against CryptoFlip if it does not obtain a license from the Department prior to engaging in the activities detailed in your request letter.

Please note that the position of the Staff of the Department is based solely upon the representations made in your request letter and information provided and applies only to the facts as set out therein. Different facts or circumstances might and often would require a different response or opinion from the Staff of the Department. The position of the Staff of the Department expressed in this letter only deals with anticipated enforcement action by the Department. Further, the position of the Staff of the Department does not purport to be and should not be interpreted to be a legal opinion.

Sincerely,



Karyn H. Tierney
Arkansas Securities Department



THE CRYPTO LAWYERS

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VIA EMAIL

Arkansas Securities Department
201 E Markham St # 300
Little Rock, AR 72201
ATTN: Dustin Hill

Re: Request for No Action Determination – Money Transmitter License

Dear Mr. Hill:

On behalf of our client, CryptoFlip, we write to confirm that CryptoFlip's proposed virtual currency related activity, as described below, does not require a license under the Uniform Money Services Act (the "UMSA").

CryptoFlip's Business Model: CryptoFlip proposes to sell Bitcoin from its own inventory to residents of the State of Arkansas. CryptoFlip intends to work with existing companies who are licensed under the UMSA and registered with the Financial Crimes Enforcement Network (FinCEN) as money services businesses ("Representatives").

A CryptoFlip customer will place an order for the Bitcoin through the Representative. The Representative will then collect the customer's personal information (in accordance with state laws and the Bank Secrecy Act) and payment in fiat currency. Upon a sale, the Bitcoin will immediately be transferred from CryptoFlip to the customer's wallet. The Representatives will accept the payment on behalf of CryptoFlip, which will be sent via the ACH network into an account owned by CryptoFlip at the end of each day.

CryptoFlip is a DBA of Blue Flag Acquisitions LLC, which is registered as a Money Services Business with FinCEN.¹ It has developed and implemented an anti-money laundering program which includes monitoring and compliance of CryptoFlip's operations, the appointment of a chief compliance officer, and other actions necessary to comply with the Bank Secrecy Act.

Based on our review of the UMSA, we believe it is relatively clear that CryptoFlip's activities do not fall within the realm of the UMSA because CryptoFlip does not receive money for transmission to other places or persons, or facilitate the sending of money from a customer to

¹ MSB registration number 31000138726655. This can be verified by searching the FinCEN database at <https://www.fincen.gov/msb-registrant-search>

a third party, only to the customer themselves. And specifically, that CryptoFlip sells Bitcoin from its own supply, does not post orders on third party exchanges, or receive funds, whether fiat or virtual, for transmission.

We believe this conclusion is consistent with the definition of a money transmitter as set forth in *AR Code §§ 23-55-102(12)(A) and (12)(B)* of the UMSA, in that CryptoFlip's activities as described would not fall under the definition of money transmission under that section. We also note that the same outcome can be reached if CryptoFlip were considered to be acting as an "authorized delegate" of a licensee pursuant to *AR Code § 23-55-102(2)*, as CryptoFlip may engage with an existing licensee via written contract.

To date, CryptoFlip has received confirmation to the same effect, and based on the same facts, from the following states: **Michigan, Missouri, Mississippi, Texas, Georgia, and Kentucky**. Other states are still reviewing our requests, but we have not received any objection to our legal analysis thus far.

We appreciate your review and response. If you have any questions or require any additional information in your review, please do not hesitate to contact me at +1 (619) 317-0722 or rafael@thecryptolawyers.com. We look forward to hearing from you.

Thank you for your consideration.

Sincerely,



Rafael Yakobi, Esq.
Attorney
The Crypto Lawyers

SEE NEXT PAGE FOR FLOW-OF-FUNDS

