
NOTICE

23-BB-04-03/16/2023

TO: PROSPECTIVE ENTITIES THAT ENGAGE OR PLAN TO ENGAGE IN MONEY TRANSMISSION OF VIRTUAL CURRENCY BUSINESS IN THE DISTRICT OF COLUMBIA

FROM: KARIMA M. WOODS, COMMISSIONER

DATE: MARCH 16, 2023

SUBJECT: DISB TO BEGIN INVESTIGATION OF BITCOIN ATMS (BTMs) IN THE DISTRICT TO ENSURE COMPLIANCE WITH THE DISTRICT'S MONEY TRANSMITTER LAWS

As a follow-up to [BULLETIN 22-BB-001-08/04 issued August 4, 2022](#), the DC Department of Insurance, Securities and Banking (DISB) is issuing this Notice to remind industry participants who are engaging in, or planning to engage in, money transmission with Bitcoin or other virtual currency used as a medium of exchange, method of payment or store of value in the District. Such participants must be licensed as a money transmitter in the District of Columbia. DISB will begin actively investigating and monitoring compliance with licensing requirements for money transmitters that operate Bitcoin Teller Machines (BTMs) in the District.

BTMs

BTMs allow customers to buy or sell cryptocurrency from miners or exchange markets. Some BTMs allow for the creation of an online wallet for sellers, enabling them to sell cryptocurrency from their cryptocurrency supply, or to integrate cryptocurrency with exchange markets. Cryptocurrency wallets are pseudo-anonymous; transactions can be instantaneous and moved to other cryptocurrency wallets including international exchanges. The owners or holders of cryptocurrency are not readily identifiable despite the ability to track cryptocurrency transactions through a public ledger. To that end, illegal actors use cryptocurrency wallets to facilitate fraudulent schemes.

DISB Position on Entities Engaging in Bitcoin or Virtual Currency-Related Activity

DISB reinforces its position that transactions involving an entity taking custody or providing storage of Bitcoin and other cryptocurrencies from BTMs and online transactions is engaging in “money transmission.” Such entities require a money transmitter license to operate in the District. Entities engaged in BTM activities in the District of Columbia without first obtaining a money transmission license are in violation of D.C. Official Code § 26-1002. That company or individual would be subject to civil action and regulatory enforcement action for engaging in

such violative conduct, and to criminal prosecution of a felony, which could result in a fine of not more than \$25,000, or imprisonment for not more than five years, or both in accordance with D.C. Official Code § 26–1023 (c).

Please note that DISB does not view transactions where entities proposing to sell and buy Bitcoin and other cryptocurrencies from consumers in exchange for cash payments via kiosks and/or online transactions as engaging in the business of “money transmission.”

DISB Commitment to Monitoring BTM Activities

DISB is aware of illegal activity nationwide that involves the use of BTM’s to engage in fraudulent activities; these fraudulent activities are intended to evade the money laundering laws and regulatory framework surrounding money transmission. In collaboration with our federal and state regulatory counterparts, DISB will continue to monitor the financial landscape to ensure such activities are not occurring in the District of Columbia and District residents are not at risk.

A prospective licensee is encouraged to explore, in consultation with its attorneys or advisors, whether its business activities require a money transmitter license. Any entity engaged in money transmission in the operation of a BTM and found not in compliance with the money transmitter law will be subject to fines and penalties if they fail to apply for a money transmitter license by **April 21, 2023**.

Questions or concerns regarding this Notice may be directed to the DISB Banking Bureau by email at bankingbureau@dc.gov.

If you are a consumer who may have suffered financial harm in the use of a BTM, we encourage you to contact DISB for assistance.

DISB Mission

Our mission is three-fold: (1) cultivate a regulatory environment that protects consumers and attracts and retains financial services firms to the District; (2) empower and educate residents on financial matters; and (3) provide financing for District small businesses.