
A QUICK GUIDE TO OPERATING A VIRTUAL CURRENCY KIOSK

February 2017

If you are thinking of investing in a virtual currency exchange kiosk here are **quick** points regarding your basic obligations to help you get to operation. This is a two pronged process: **FEDERAL and STATE**. We will set out a few **BASIC** points and then go into further detail.

OVERVIEW: FEDERAL AND STATE

1. Choose the State/s you will be operating in. Evaluate the state's current money transmission laws and evaluate whether licensure will apply to the operation of your kiosk.^{1 2}
2. Register as a money services business ("MSB") with the United States financial crimes enforcement network ("finCEN"). <http://bsaefiling.fincen.treas.gov/Enroll.html>
3. Open a bank account in the name of the limited liability company (or legally formed entity)³ which will operate your kiosk

FEDERAL

1. **Register as an MSB with finCEN:** <http://bsaefiling.fincen.treas.gov/Enroll.html>
2. Once you have enrolled as an E-Filer with the BSA E-Filing system, log in and go to the menu on the left. Under "File FinCEN Reports" click on: **REPORT 107 - RSMB** and fill out the form. Submit the form. You will be given your unique MSB number.
3. System requirements to register as an MSB with finCEN:

¹ It is advisable to consult with an attorney skilled in these matters to evaluate the states's laws and write a legal opinion or memo.

² Money Transmitters in the US are part of a larger group of entities called Money Service Businesses or MSBs. Under federal law, 18 USC § 1960, businesses are required to register for a Money Transmitter license where their activity falls within the state definition of a money transmitter.

³ Formation of a legal entity is good business practice: Who owns the business? Who makes decisions for the business? Can interest be transferred? Does the business pay income tax on its profits? These questions are non exhaustive but should be considered.

For the E-BSA, you should have at least have one computer with an internet connection that meets the following specifications:

- Intel Pentium III or greater processor.
- A connection to the Internet of at least 56 kbps. The speed of your connection should accommodate the file sizes you plan to upload to the E-BSA system.
- At least 1GB RAM.
- 200 MB of free disk space.
- Windows XP Professional with Service Pack 2 or 3, Windows 7 Service Pack 1 or later, Windows 8.
- Web browser:
 - 128-bit encryption. The encryption level of Internet Explorer browsers may be checked by clicking Help > About Internet Explorer. Review "Cipher Strength" for bit encryption level.
 - Internet Explorer 8.0 or higher, FireFox 19.0.2 or higher, Chrome 25 or higher
 - You cannot access BSA E-Filing using the Apple platform (currently under testing).
- **A firewall for your organization that permits access through port 443 for the Secure Sockets Layer (SSL protocol).** SSLv3 is used to encrypt all data submitted to BSA E-Filing.
- **User IDs for all users who will directly access BSA E-Filing.** The use of user IDs for BSA E-Filing ensures that individuals have the proper authority to access and use BSA E-Filing. User IDs are provided free of charge to BSA E-Filing users.
- **You will need to install the Adobe Reader.** If you experience difficulty deploying the Forms Reader in such an environment, contact the BSA E-Filing Help Desk for assistance. Contact your system administrator if you have questions regarding your computer configuration.

STATE

1. Use LLC to set up bank account for operations.⁴
2. Consult an attorney to evaluate state regulations regarding money transmission laws⁵ as they pertain to the operation of your DASH kiosk
3. Once you have received clarification on whether or not your business practices fall within the licensing scope of the state you plan to operate in and you have a **written** compliance policy, you are more or less ready to operate.

NOTES ON COMPLIANCE

Your status as an MSB⁶ will confer some responsibilities which will include (but is not limited to):

1. Each money services business, shall develop, implement, and maintain an effective anti-money laundering program. An effective anti-money laundering program is one that is reasonably designed to prevent the money services business from being used to facilitate money laundering and the financing of terrorist activities.
2. The program shall be commensurate with the risks posed by the location and size of, and the nature and volume of the financial services provided by, the money services business.
3. The program shall be in writing, and a money services business shall make copies of the anti-money laundering program available for inspection to the Department of the Treasury upon request.
4. At a minimum, the program shall: Incorporate policies, procedures, and internal controls reasonably designed to assure compliance.
5. Steps for verifying customer identification.
6. Filing Reports.
7. Creating and retaining records.
8. Responding to law enforcement requests.

⁴ Two way kiosks can be cash heavy.

⁵ Some States require a money transmitter license. Each state has its own licensing requirements.

⁶ You may have additional compliance and licensure requirements, dependant on the State of operation.

Registration of an MSB is the responsibility of the owner or controlling person of the MSB and must be filed by the registration deadline. The form, Registration of Money Services Business, FinCEN Form 107, must be completed and signed by the owner or controlling person and filed within 180 days after the date on which the MSB is established.

- Registration must be renewed every two years. Re-registration is required in limited circumstances.
- A copy of the filed registration form and other supporting documentation must be retained at a location in the United States for a period of five years.
- Penalties. Civil and criminal penalties may be imposed for violation of the registration requirement.

Registration

- Each MSB must initially be registered by filing a completed form, FinCEN Form 107, Registration of Money Services Business, within 180 days after the date on which the MSB is established
- One Form for each MSB
- Only one registration form is required to be filed for each MSB in any registration period.
- Structure and Ownership
- One form is required regardless of the manner in which the MSB business is structured, e.g. as a sole proprietorship (individual owner), as a partnership (partner owners), as a corporation (shareholder owners) or other structure.
- Branches
- One form is required regardless of the number of branches or branch offices at which MSB services are offered by the MSB. However, the number of branches must be reported on the form.
- Agents
- One form is required regardless of the number of agents the MSB has authorized to sell or distribute its MSB services. However, the number of agents must be reported on the form.

DISCLAIMER: The contents of this quick guide (“guide”) are intended to convey general information only and not to provide legal advice or opinions. The contents should not be construed as, and should not be relied upon for, legal or tax advice in any particular circumstance or fact situation. The information presented in this document may not reflect the most current legal developments. Further, this guide may contain technical inaccuracies or typographical errors. No action should be taken in reliance on the information contained herein. An attorney should be contacted for advice on specific legal issues.

DASH.ORG