

Regulating as a
Money Service Business (MSB)

For a Bitcoin Exchange (Trading Platform)

HMRC

IBWT JD Ltd
25/10/2013

Dear Mr Dalais

Our ref ML071381

With reference to your further enquiry unfortunately I cannot give you a timescale of when HM Treasury will make a public announcement regarding the Bitcoin market, however this issue is being looked at in depth especially as this is an ever increasing market and one that is not supervised by either the FCA or HMRC. I would suggest you sign up to the HM Treasury alert system as any further movement on this subject will be publish on their website at www.uktradeinfo.com

Sorry for any inconvenience this may be causing you and hopefully HMRC will reach a decision in the very near future.

[NAME REMOVED FOR CONFIDENTIALITY]

Anti Money Laundering Supervision
Alexander House
7th Floor North West
Southend on sea
Essex SS99 1AG

From: Joel Dalais [mailto: [EMAIL REMOVED FOR CONFIDENTIALITY]]

Sent: 16 July 2013 15:54

To: [NAME REMOVED FOR CONFIDENTIALITY]
(LocalCOMP SME Anti Money Laundering Supervision)

Subject: RE: MLR query - Bitcoin Exchange [Protective Marking: PROTECT - Customer Information]

Hi [NAME REMOVED FOR CONFIDENTIALITY],

Again I must thank you for your previous help in this matter, alas I've had trouble convincing banks and thus acquiring a business bank account, though I persist. One issue I seem to face most often is that the banks that have declined me services are not convinced of HMRC's standing in this issue. I believe a fair few have thought my work and enquiries in this matter and our conversations between myself and you and others of the HMRC officials is fictional.

This has obviously hampered me, and in every case I have not even been able to present proof of the Policy teams decision and of HM Treasury's current view. Though I have at each time tried to inform them of HMRC's standing and of our conversations and tried to present the written proof that you so kindly supplied me with.

I must admit, I am a little chaffed at their view in this matter, and believe it a slight upon HMRC. I have so far had 5 banks decline me business banking services (a basic business bank account) and others I expect will also decline. It is quite troublesome indeed in these economic times that it is so very difficult to start a new business.

Understandably HMRC cannot help with the banks, yet I was wondering would HMRC be publicly posting via your website (or similar) the current official view in this matter, as per our conversation and your Policy teams findings and decision with regards to HM Treasury. I give my full consent for my name and enquiries to be publicly stated if it is deemed required.

If you could let me know whether it would be HMRC's practice to publicly post their stance in this issue, and if it were so, would you be able to let me know what kind of time scale such public statements normally would take to happen. And if so, in what fashion and where it would be stated. Or if HMRC is not likely to post a public statement, then any suggestions in how I might convince banks and potential colleagues that HMRC's views should not be ignored and thought to be fictional. I am vexed in this matter, in how they have disrespected HMRC and HM Treasury, hoping you can set them straight.

Kind regards,

Joel

From: [NAME REMOVED FOR CONFIDENTIALITY]
@hmrc.gsi.gov.uk [mailto: [NAME REMOVED FOR CONFIDENTIALITY]
@hmrc.gsi.gov.uk]
Sent: 04 July 2013 09:49
To: [EMAIL REMOVED FOR CONFIDENTIALITY]
Subject: RE: MLR query - Bitcoin Exchange [Protective Marking: PROTECT - Customer Information]

Dear Mr Dalais

Our ref ML071323

With reference to your enquiry I have today sent confirmation by letter that you are not required to register with HMRC under the Money Laundering regulation at this time.

Yours sincerely

[NAME REMOVED FOR CONFIDENTIALITY]
Anti Money Laundering Supervision
Alexander House
7th Floor North West
Southend on sea
Essex SS99 1AG

From: Joel Dalais [mailto: [EMAIL REMOVED FOR CONFIDENTIALITY]]
Sent: 03 July 2013 15:33
To: MLR Central Intervention Team, - (LocalCOMP SME Anti Money Laundering Supervision)
Subject: RE: MLR query - Bitcoin Exchange [Protective Marking: PROTECT - Customer Information]

Dear [NAME REMOVED FOR CONFIDENTIALITY],

Thank you for your response and your diligence in this matter, it has been greatly appreciated. I am hoping that I might ask for a letter of confirmation of what you've said (in case of inquiry for proof that we've had this discussion). To the current business address.

Joel Dalais
FYB-UK LTD

31 North Down Crescent
Keyham
Plymouth
Devon
PL2 2AR

I will be more than happy to pay for any postage upon delivery.

I am very keen on helping in any way I can if you have any queries with regard to policy development, or Bitcoin itself. I am nominated to sit on the Bitcoin Foundation Law and Policy Committee (and I am a lifetime member of the foundation), whose aim to provide as much help as required by authorities, so if I can assist in anyway possible when the time is right, please feel free to ask.

Kind regards,

Joel Dalais

Subject: RE: MLR query - Bitcoin Exchange [Protective Marking: PROTECT - Customer Information]

Date: Wed, 3 Jul 2013 15:15:40 +0100

From: MLRCIT@hmrc.gsi.gov.uk

To: [EMAIL REMOVED FOR CONFIDENTIALITY]

Dear Mr Dalais

Our ref ML071319

With reference to your enquiry at this time there is no requirement to register with HMRC under the Money Laundering regulations, however HMRC recognise that the issuing of Bitcoins represent an emerging development. We are currently in discussions with HM Treasury concerning this market and whether HMRC will be a Supervisor for this market. HMRC will be watching any developments relating to the Bitcoin market and may change our view, therefore I would suggest that you regularly check our news and update section on our website at www.hmrc.gov.uk/mlr and sign up for our e-mail alert system at www.uktradeinfo.com/AboutUs/Pages/EmailAlertServices.aspx

If at any time HMRC recognise Bitcoins as a currency you would then have to register straight away without any prior correspondence from HMRC as this would be your responsibility to register should the ruling change regarding Bitcoins under the Money Laundering regulations.

Yours sincerely

[NAME REMOVED FOR CONFIDENTIALITY]

Anti Money Laundering Supervision
Alexander House
7th Floor North West
Southend on sea
Essex SS99 1AG

From: Joel Dalais [mailto: [EMAIL REMOVED FOR CONFIDENTIALITY]]

Sent: 27 June 2013 17:56

To: MLR Central Intervention Team, - (LocalCOMP SME Anti Money Laundering Supervision)
Subject: RE: MLR query - Bitcoin Exchange [Protective Marking: PROTECT - Customer Information]

Hi [NAME REMOVED FOR CONFIDENTIALITY],

Thank you for your reply it's greatly appreciated. If the Policy team or yourself need more clarification on any points to do with the proposed Bitcoin Exchange, or to do with the Bitcoin protocol itself, then please feel free to ask.

I fully appreciate that this is a new area of commerce (bitcoin) and does not quite mix with conventional digital currencies. I can be contacted by email and/or phone and if necessary will travel to London (though I'm from Plymouth, so I would need a bit of pre-warning if travel was necessary).

Mobile: 07914 446125

Looking forward to hearing from you.

Kind regards,

Joel Dalais

Subject: RE: MLR query - Bitcoin Exchange [Protective Marking: PROTECT - Customer Information]

Date: Thu, 27 Jun 2013 13:49:11 +0100

From: MLRCIT@hmrc.gsi.gov.uk

To: [EMAIL REMOVED FOR CONFIDENTIALITY]

Dear Mr Dalais

Our ref ML061387

With reference to your enquiries I need to discuss this with our Policy team, I hope to have an answer sometime next week.

Yours sincerely

[NAME REMOVED FOR CONFIDENTIALITY]

Anti Money Laundering Supervision

Alexander House

7th Floor North West

Southend on sea

Essex SS99 1AG

From: Joel Dalais [mailto: [EMAIL REMOVED FOR CONFIDENTIALITY]]

Sent: 13 June 2013 15:57

To: MLR Central Intervention Team, - (LocalCOMP SME Anti Money Laundering Supervision)

Subject: RE: MLR query - Bitcoin Exchange [Protective Marking: PROTECT - Customer Information]

Joel [MIDDLE NAME REMOVED AS REQUESTED] Dalais

31 North Down Crescent

Keyham

Plymouth

Devon
PL2 2AR

The Business is;

FYB-UK LTD
31 North Down Crescent
Keyham
Plymouth
Devon
PL2 2AR
Company Number: 8554667

As previously mentioned, I am waiting on,

Data Protection Notification, VAT Registration and the Corporate Compliance Pack from Company House (warehouse department). The MLR100 and the MLR101 are the last registration pieces that I need to complete on behalf of myself and the business. I previously thought that I would also have to register as an EMI (Electronic Money Institute) or small EMI (it was my intention to register as a small EMI) yet the FSA (FCA) informed me that it was not necessary, and that there was no way in fact to register with them, as Bitcoin does not come under their area. Though it was said that at some time in the future they may very well need business involved with Bitcoin to register with them.

The conversation ended stating that myself, and the Business only needs to register under the MLR100 and the MLR101. This is what I am hoping you can confirm verify for me.

The amounts likely to be transacted will range from £10 to maybe over £10,000, maybe. It really depends upon our advertising and marketing, but mostly on the Bitcoin market, as it is a volatile market at the moment, which means that people may only trade transactions under £5,000 for the next 6 months, but if Bitcoin grew in popularity, then there could likely be trades over £10,000. Though I do not expect numerous trades anywhere near £10,000 in our early months.

Please keep in mind that we (as the Business) will only allow fully verified people to deposit or withdraw GBP, so that they can be fully traced by authorities upon appropriate request. Verification will mean providing valid proof of identification, such as driving licence, passport, other similar official documentation, proof of address (utility bills, bank letters, etc).

The forecast I forwarded is a large part speculation, as the Bitcoin market could crash and die tomorrow as far as anyone knows. If the Business were successful I plan to rent suitable office space, hire staff, and so on, there would be expenses growing alongside the gross profit, IF it were successful.

Please let me know if there's any more I can add to assist.

Kind regards,

Joel

From: MLRCIT@hmrc.gsi.gov.uk [mailto:MLRCIT@hmrc.gsi.gov.uk]

Sent: 13 June 2013 15:29

To: [EMAIL REMOVED FOR CONFIDENTIALITY]

Subject: RE: MLR query - Bitcoin Exchange [Protective Marking: PROTECT - Customer Information]

Dear Mr Dalais

Please can you supply your full address including post code to enable me to reference your enquiry.
Yours sincerely

[NAME REMOVED FOR CONFIDENTIALITY]

Anti Money Laundering Supervision
Alexander House
7th Floor North West
Southend on sea
Essex SS99 1AG

From: Joel Dalais [mailto: [EMAIL REMOVED FOR CONFIDENTIALITY]]

Sent: 12 June 2013 14:52

To: [NAME REMOVED FOR CONFIDENTIALITY] (LocalCOMP SME Anti Money Laundering Supervision)

Subject: RE: MLR query - Bitcoin Exchange [Protective Marking: PROTECT]

It has been made apparent to me, that if customers were to transact in amounts under £1,000 then they would not need to be verified? But customers that wished to transact with values over £1,000 need verification (as per MLR)? Is this correct?

Our Business model is aimed towards requiring verification for ALL customers that wish to deposit or make withdrawals with gbp (along with only being able to register 1 bank account per customer account, which would exist regardless in both models).

If you could seek clarification on these points during investigating my query, which model is correct? It would be greatly appreciated.

Thank you and kind regards,

Joel

From: [NAME REMOVED FOR CONFIDENTIALITY]@hmrc.gsi.gov.uk [mailto: [NAME REMOVED FOR CONFIDENTIALITY]@hmrc.gsi.gov.uk]

Sent: 11 June 2013 12:55

To: [EMAIL REMOVED FOR CONFIDENTIALITY]

Subject: RE: MLR query - Bitcoin Exchange [Protective Marking: PROTECT]

Importance: High

Dear Joel

Can you please define in more detail the Money Transmitter activities the business carries out? Are the transactions large amounts or lots of small amounts?

Kind Regards

[NAME REMOVED FOR CONFIDENTIALITY]

[NAME REMOVED FOR CONFIDENTIALITY]

/Assistant Officer / Registration Team / Anti Money Laundering Supervision / 01702 366694 [NAME REMOVED FOR CONFIDENTIALITY]@hmrc.gsi.gov.uk

HM Revenue & Customs / 7th Floor SC / Alexander House / 21 Victoria Avenue / Southend on Sea / Essex / SS99 1AG

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From: Joel Dalais [mailto: [EMAIL REMOVED FOR CONFIDENTIALITY]]

Sent: 11 June 2013 11:40

To: [NAME REMOVED FOR CONFIDENTIALITY](LocalCOMP SME Anti Money Laundering Supervision)

Subject: MLR query - Bitcoin Exchange

Hi [NAME REMOVED FOR CONFIDENTIALITY],

What is Bitcoin - <https://www.youtube.com/watch?v=Um63QQz3bjo>

Please see below for an explanation on what a Bitcoin Exchange is.

My query is – As a Bitcoin Exchange, what registration forms does the Business need to complete?

From my understanding it is the;

MLR100

MLR101 (for myself)

Primarily this query is concerning the MLR, making SURE that the Business is abiding by all criteria, specifically, that the HMRC website states that registering as a MLR we need to register with FCA also, yet they have told me they we do not need to, and that it is not possible to register with them since it is Bitcoin. Though at some point in the future it may very likely be the case that we will have to register with them, and they will let us know in appropriate due time.

Can you please clarify and verify that this is the case. That to operate as a MSB the Business only needs to register the MLR100 and MLR101 with HMRC.

To let you know, the company is in the process of registering its Corporate Compliance, Contracts, Data Protection Services and VAT registration.

If you could let me know asap, it would be greatly appreciated, as I have meetings with my bank later this week to discuss the Business account that will need to be opened, and ideally I will be able to correctly reference the correct regulations that we will be registering under.

Thank you and kind regards,

Joel

A Bitcoin Exchange

What is it?

An online exchange platform where users can buy/sell Bitcoins from each other.

How do customers use it?

Customers simply need to register a new account at the website.

To use the exchange properly customers need to be verified.

To deposit GBP they need to be verified.

To get verified customers have to provide valid proof of identify, via passport, driving license, proof of address, etc, etc

The points of interaction are:

Deposits – Made from verified customers bank accounts to the Business account. Deposits will be verified then the customers linked account on the Exchange platform will be credited the equal amount of GBP.

Customers are then able to buy/sell Bitcoin via the Business's exchange platform with only customer service interaction from us (for any issues that might arise).

Customers are also able to withdraw their Bitcoin from their Business digital Bitcoin wallet to their own personal digital Bitcoin wallet or any other digital Bitcoin wallet of their choice.

The Bitcoin trail is fully tracable & transparent via the Blockchain. Which can be viewed in various places, but we reference this location as the easiest; <http://blockchain.info/>

Withdrawals – Made from the Business account to the verified customers accounts. The withdrawal amounts will be verified then the equal amount will be transferred to the verified customers bank account from the Business account.

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