



PUBLIC PROTECTION  
CABINET

Department of Financial Institutions

## GUIDANCE

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### Virtual Currency & the Kentucky Money Transmitter Act of 2006

The Kentucky Department of Financial Institutions (KDFI) issues this guidance to promote compliance with KRS Chapter 286.11, the Kentucky Money Transmitters Act of 2006 (the “Act”), specifically relating to money transmission activities involving virtual currencies. The KDFI will apply existing requirements of the Act to various business models involving virtual currency as described in this guidance. Regulatory requirements under other sections of Kentucky’s Financial Services Code or under the Kentucky’s Securities Act may apply to certain transactions.

KRS 286.11-003 contains the following definitions:

- "Monetary value" means a medium of exchange whether or not redeemable in money;
- "Money transmission" means engaging in the business of receiving money or monetary value to transmit, deliver, or instruct to be transmitted or delivered, money or monetary value to another location inside or outside the United States by all means, including but not limited to wire, facsimile, electronic transfer, or issuing stored value;
- "Money transmitter" means a person that is engaged in money transmission; and
- "Stored value" means monetary value that is evidenced by an electronic record.

Common examples of virtual currencies include, but are not limited to, the following: digital currency, cryptocurrency, cryptoasset, and digital asset. The Act covers transactions involving virtual currencies if monetary value was transmitted, delivered, or instructed to be transmitted or delivered to another location by any means, including electronic transfer. Virtual currencies can be represented by a digital token, a digital coin, transactions captured through centralized or distributed ledger (a blockchain), or the other types of technology utilized to transmit value.

#### **Application of the Act to Virtual Currency Transactions:**

Transactions regulated by the Act involve monetary value (either fiat currency or virtual currency), a third party that transmits the currency to another location, and the third party transmitting the monetary value to another location to be received by the original sender or another party. The KDFI will consider the following factors when determining if activities involving virtual currencies are covered by the Act:

1. Monetary Value: Does the virtual currency involved in the transaction meet the definition of monetary value;
2. Money Transmission: Is the third party transmitting monetary value to a wallet that is not hosted by the third party (i.e., another location); and
3. Money Transmitter: Is the third party receiving the monetary value from the original sender in the business of transmitting, delivering, or instructing to be transmitted or delivered the monetary value to *another location* inside or outside the United States by any means?