On November 25, 2015, Coinbase, Inc. applied to renew its license to transact business as a money transmitter pursuant to Iowa Code chapter 533C.

Iowa Code section 533C.601 requires a licensee to maintain at all times permissible investments of not less than the aggregate amount of its outstanding payment instruments and stored-value obligations issued or sold and money transmitted by the licensee in the United States. Permissible investments, even if comingle with other assets of the licensee, are held in trust for the benefit of the purchasers and holders of the licensee’s outstanding payment instruments and stored-value obligations.

Iowa Code section 533C.602 enumerates the list of investments that are permissible for a licensed money transmitter. The statute does not include virtual currency among the enumerated list of permissible investments. However, Iowa Code section 533C.601, subsection 2 gives the Superintendent the authority to allow, by order, other types of investments once the Superintendent determines that the investment is substantially as safe as other permissible investments. Iowa Code section 533C.602, subsection 2(d), adds that the Superintendent may specify a limit on such investments.

As part of its money transmitting business, customers entrust virtual currency to Coinbase. When Coinbase receives virtual currency from its customers, it undertakes an obligation to make an equivalent amount of virtual currency available to its customers upon demand. The Superintendent has determined that, to the extent Coinbase receives virtual currency from its customers, reserves of equivalent virtual currencies are a permissible investment under Iowa Code section 533C.601, subsection 2. The Superintendent therefore orders that Coinbase may hold virtual currency reserves in satisfaction of its investment obligations under Iowa Code section 533C.601, subsection 1, provided Coinbase holds the same type and amount of virtual currency that it owes to others. This order shall not be construed to
allow Coinbase to otherwise hold virtual currencies in satisfaction of any other investment requirements, the security requirement in Iowa Code section 533C.203, or the net worth requirement in Iowa Code section 533C.206.

Dated this 4th day of February, 2016.

Ronald L. Hansen, Superintendent of Banking

Rodney E. Reed, Finance Bureau Chief