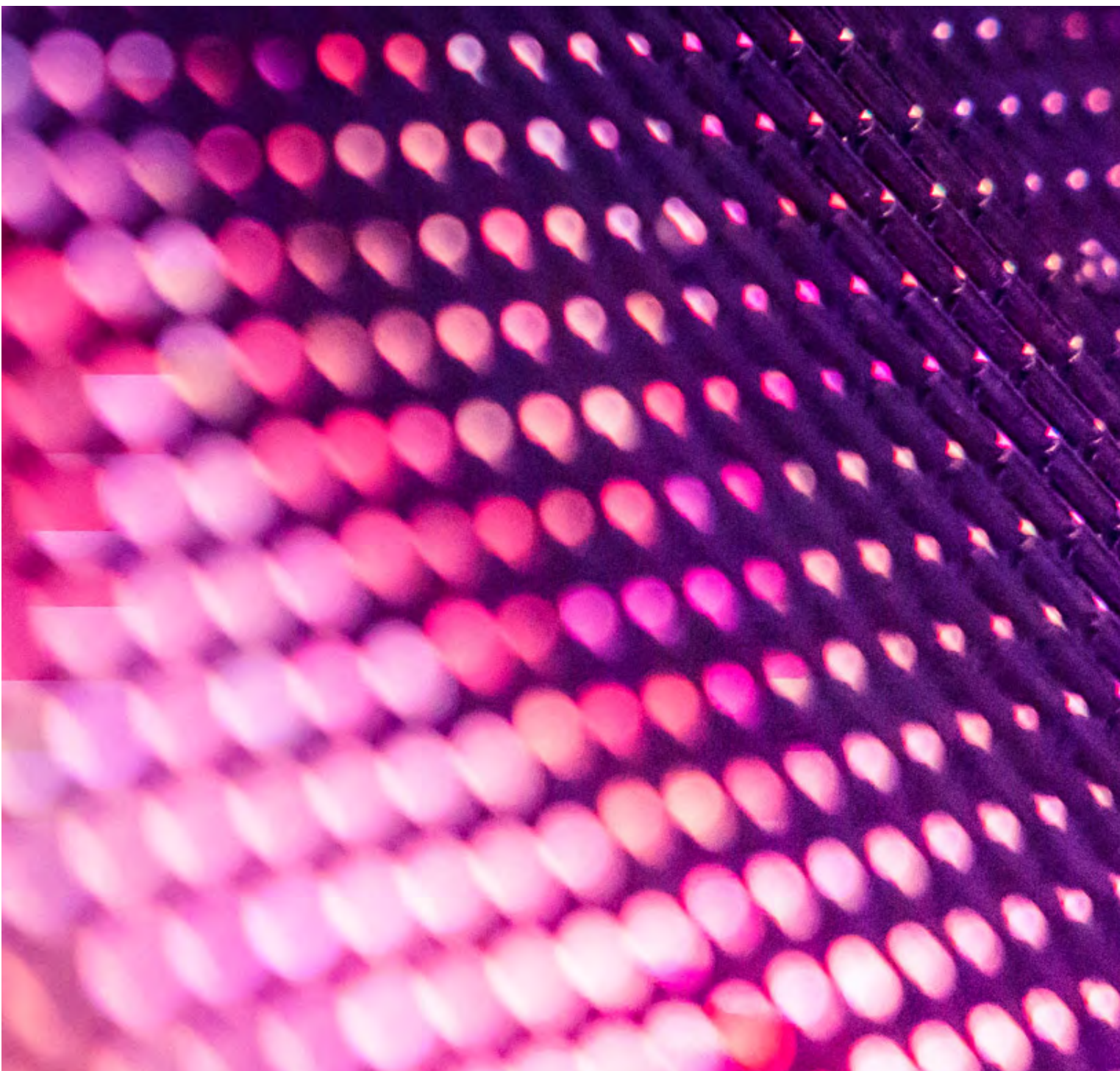**DILENDORF**
LAW FIRM

Money Transmitter Licenses for Web3, Blockchain, Fintech and Payment Sector Companies

DLF is a recognized leader serving companies in digital assets, block-chain, fintech, and payment sectors.
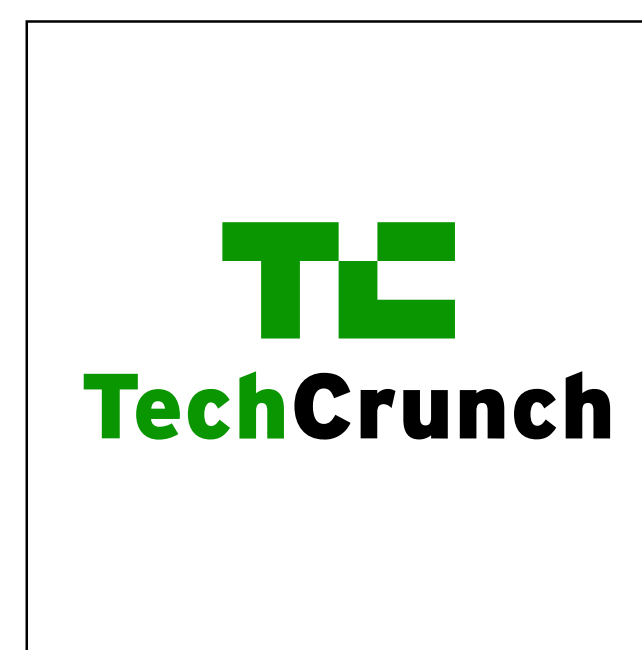
Dilendorf Law Firm ("DLF") specializes in obtaining and maintaining Money Transmitter Licenses ("MTL") for digital asset, blockchain, fintech, and payment sector companies. We have the necessary industry experience, contacts in every state regulatory agency, and cutting-edge technology to streamline clients' MTL application projects in all 50 states, Puerto Rico, and the U.S. Virgin Islands.

Super Lawyers | The Washington Post | FT FINANCIAL TIMES | Forbes | Bloomberg Law | COINTELEGRAPH | NBC NEWS | Nasdaq

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High-Level Summary — MTL Licensing Requirements

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Forty-nine (49) states, Puerto Rico, and the U.S. Virgin Islands require that businesses engaging in "money transmission" in their state must obtain a license before doing so.

"Money transmission" generally means: (1) receiving money (including cryptocurrencies) for transmission from persons located in their state; or (2) issuing or selling payment instruments, stored value, or prepaid access to persons located in their state.

2

High-Level Summary — MTL Licensing Requirements

A few states may interpret their laws broadly to cover sending money into their state. Some states also regulate the exchange and transmission of virtual currency as money transmission.

Most states regulate companies providing money transmission services to both individuals and businesses, but some states (IN, NC, PA, VA, WY) do not license and regulate companies providing money transmission services to businesses for commercial purposes (the scope of such exemptions vary).

Money Transmission Business Models

The existing MTL regulatory framework could apply to the following money transmission business models:

1. Cross-border remittance platforms facilitating payments between the U.S., Mexico, India, European and African Countries.

2. Cryptocurrency exchanges and payment platforms.

3. Defi platforms that perform money transmission (definition of money transmission will apply to the DApp, the owners/operators of the DApp, or both).

4. Peer-to-Peer (P2P) cryptocurrency traders and liquidity pool providers.

5. Play-to-Earn Blockchain Games.

6. Stablecoin issuers.

7. NFT Marketplaces that sell NFTs that are used for payment or investment purposes.

8. Metaverse businesses and payment processors; and

9. Other types of FinTech platforms.

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MTL License Application Process Generally

The first step in the MTL application process is scheduling introductory meetings with the key states where the Company plans to operate and conduct money service business ("MSB") activities. Preliminary actions include reviewing and proposing the Company's organizational structures and management teams.

The goal of having kick-off meetings with the key states is to present the Company's MTL business model to state regulators.

MTL License Application Process Generally

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After the meetings, we would proceed with the information and document collection process to prepare applicable forms, applications, and cover letters. We proactively maintain communication with the states to prosecute the application approvals.

Based on the feedback gathered during the introductory session, we would guide the Company in adjusting its MTL business model (if needed) to expedite the application process.

Most states use the Nationwide Multistate Licensing System and Registry ("NMLS") to streamline the information and document collection at the state level.

Our Services

1. Viability Assessment

Providing best practice recommendations and practical tips to streamline the MTL application process.

Customized license research based on the Company's activities performed within each state.

Providing a detailed overview of and explanation of each state's MTL requirements.

Providing a cost-benefit analysis considering legal, surety bond, state license application, and renewal fees

Our Services

2. Application Process

Completing and filing license applications, both paper-based and electronic (NMLS) and FinCen registration.

Coordinating personal disclosures, fingerprinting, and third-party background checks.

Preparing BSA/AML/OFAC compliance policies, procedures, risk assessment & training programs.

Coordinating surety bond acquisition with a specialized money transmission bond broker and advising on the requirements for every state.

Our Services

3. Development of the Application Materials

Preparing the Company's formation and corporate governance documents, including article of incorporation, MTL by-laws, and resolutions.

Guidance memos and overall drafting of the Company's comprehensive business plan and multi-year financial proformas.

Coordinating with the Company's Registered Agent company to obtain all necessary state business registrations.

Assistance with developing the flow of funds structures and narratives.

Our Services

4. I.T./Cybersecurity Audits

Assisting with completing I.T. and cybersecurity state audits of web applications as part of the MTL application process.

Producing business continuity, disaster recovery, and information security policy, procedure, and risk assessment documents.

Coordinating third-party compliance audits and inspections required by MTL state regulators.

Coordinating directly with state regulators on any follow-up questions or documentation regarding independent cybersecurity audits.

Our Services

5. Maintenance of Approved Licenses and State Compliance

Assisting clients with quarterly and annual state license maintenance, including license renewals and material event filings.

Coordinating annual state exams and audits.

Handling renewals of surety bonds and the FinCen registration.

Assisting with completing independent reviews of the Company's compliance with statutory and regulatory requirements and best practices under the Bank Secrecy Act ("BSA"), the Office of Foreign Asset Control ("OFAC"), and consumer protection compliance regulations.

General Licensing Requirements

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While each state has its unique application requirements, almost all states require some form of the following application items:

1. Registration with FinCEN.
2. Company's Formation Documents.
3. BSA/AML Compliance Program.
4. Independent Audit and Review of BSA/AML Compliance Program.
5. Management & Organizational Charts.
6. Flow of Funds Diagrams.
7. Reference Letters from Company's Clearing Banks in the U.S.
8. Business Plan.

General Licensing Requirements

2

9. Surety Bonds.

10. Independent I.T./Cybersecurity Audits.

11. Audited Financial Statements (including for startup companies).

12. Fingerprints/Background checks/Credit Reports for officers/owners of the Company.

13. Personal Financial Statements for officers/owners of the Company.

14. Maintaining a Minimum Net Worth.

15. Company's Document Samples (samples of receipts, customer, operating, and third-party agreements).

BSA/AML/OFAC Compliance & Consumer Protection Program

The Bank Secrecy Act (BSA) requires all money service businesses ("MSBs") to establish and maintain an effective, written AML Compliance Program reasonably designed to prevent the MSB from being used to facilitate money laundering and the financing of terrorist activities.

DLF will assist the Company with creating a comprehensive BSA/AML/OFAC Compliance & Consumer Protection Program that provides best practices in the following areas (see next page):

BSA/AML/OFAC Compliance & Consumer Protection Program

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1. BSA/AML Compliance Program and Procedures.
2. Suspicious Activities Report (SAR) Filing Procedures.
3. OFAC Policy.
4. Graham-Leach-Bliley (GLBA) Policy.

5. Vendor Due Diligence Policy.
6. Customer Complaint Policy.
7. Transaction Monitoring Policy.
8. Law Enforcement Request Policy.
9. Elder Abuse Policy.

10. Unfair, Deceptive, or Abusive Acts and Practices (UDAAP) Policy.
11. E-Sign Policy.
12. Market Manipulation Policy.
13. Disaster Recovery Policy.
14. Data Retention Policy.

Representative Clients

mercuryo · Coinify · Satang · Allnodes · APLAUZ OWN E-MONEY · ALGOCAP REAL ESTATE · crescent
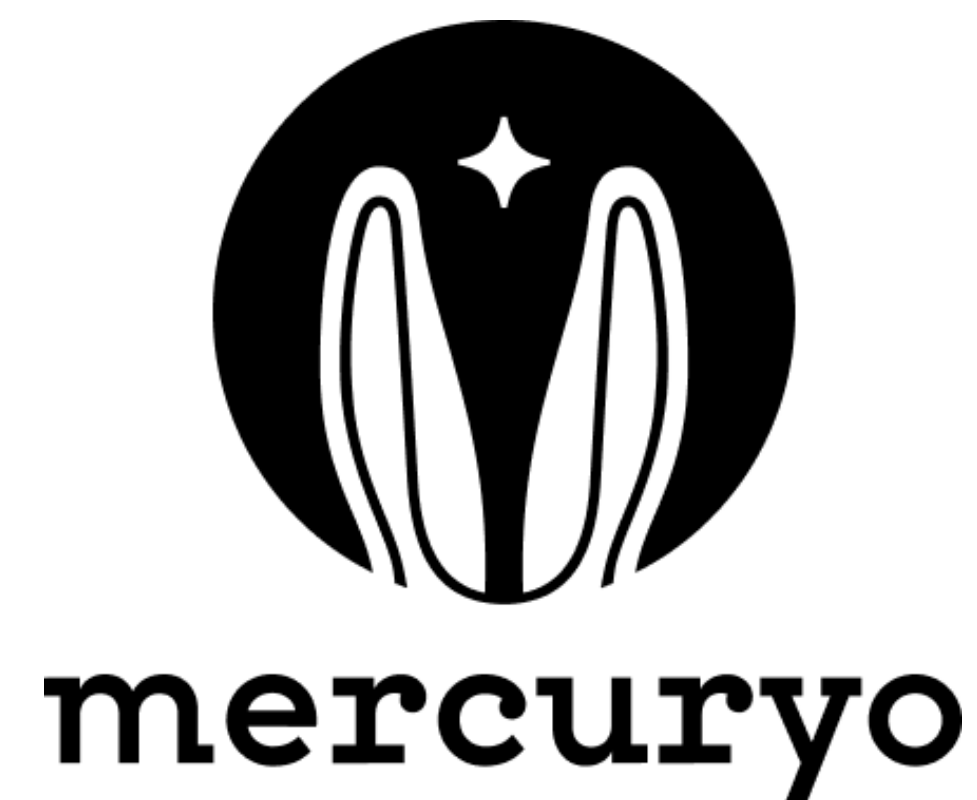
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