

June 26, 2024

Abra LLC Settlement Questions and Answers

Q1) What states participated in the settlement?

Currently Arizona, Arkansas, Connecticut, Georgia, Idaho, Iowa, Maine, Minnesota, Mississippi, Nevada, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, South Dakota, Texas, Washington, and Vermont are participating in the settlement. Additional states may join the multistate settlement as the case comes to a close. The June 26, 2024, CSBS announcement coincides with the issuance of the first state to publish its public settlement order, the state of Washington. The other participating states will issue their settlement orders publicly in the coming weeks and months.

Q2) How does state licensing work?

Most nonbank financial services companies subject to state law have a licensing requirement. A license is a grant of privilege by the commissioner (or the commissioner's agency) to conduct specific activity under the law. For example, a money transmitter license allows a company to sell or issue payment instruments or stored value. To receive a license, a company submits an application, with substantive background and financial information, for the commissioner or their designee to review and determine if the license should be approved or granted. The license will typically contain an expiration date by which the entity or person must reapply for or renew the license if they wish to continue in business.

Q3) How many states license cryptocurrency?

In most states, virtual currency transmission is covered under money transmission statutes. Thirty-seven states require a money transmitter license (or similar license) for virtual currency transmission. A handful of these states require licensure only if fiat currency is involved (but do not require licensure for crypto-to-crypto transactions). Additional states have legislation pending.

Q4) How did the states learn that Abra was not licensed?

Last summer, state Money Services Business (MSB) regulators received a referral from state securities regulators, who had become aware of unlicensed money transmission activity when looking into unregistered securities activity. State financial regulators collaborated with the securities regulators and worked on a parallel path to settlement.

A multistate workgroup comprised of representatives from Arkansas, Connecticut, Georgia, Ohio, Oregon, Texas, Washington, and Vermont investigated the allegations. The workgroup determined Abra and CEO William Barhydt likely violated state money transmission laws and commenced negotiations with Abra and Barhydt to resolve the multistate investigation.

The CSBS Non-Depository Supervisory Committee, comprised of state regulators, informed states of the developments and promoted the coordinated efforts of the states. In a Notice of Significant Information (NOSI) sent to all states in June 2023, the NDSC requested that states not take individual enforcement actions against Abra prior to the state securities/MSB regulators coordinated actions.