Ms. Syracuse,

Thank you for taking the time to review the community's reaction to the proposed NY State bitcoin license (bitlicense) legislation. Having a government body who is willing to interface with the people their policy most affects is encouraging. Having said that, I'd like to highlight a
few of my concerns regarding the proposed legislation.
Section 200.1 (n) (4) lumps exchanges (those who turn virtual currency into fiat currency and vice versa) in with commercial sites, who only convert one way (virtual currency into goods and services). These two services are separate and should be considered as such. It appears that Section 200.3 (c) (2) attempts to provide said separation, but I believe it would be made more clear to refer to 200.3 (c) (2) within 200.1 (n) (4) to make clear that conversion of virtual currency to "other value" is explicitly referring to an exchange process of some sort, and not simple commercial sales.
Section 200.1 (n) (5) states that anyone "issuing" a virtual currency must have a license. A virtual currency as defined in 200.1 (m) is basically a piece of software that people choose to run. This implies that should the legislation go into effect, the creator of Bitcoin would have to apply for a Bitlicense. The creation of software should not fall under the regulation of a financial authority. How this software is used with regards to monetary exchanges may fall under such authority, but simply writing the code that creates the network should not require that a developer obtain a license.

Section 200.3 (c) (1) appears to exempt existing banks from the requirement of obtaining a Bit license. This seems to favor existing banking infrastructure and I feel that this gives an unfair advantage to large banks who are already at an unfair advantage due to extensive regulation in the financial space which requires large amounts of capital. All businesses utilizing bitcoin as a payment system should be required to adhere to the same regulation, regardless of size or influence or adherence to other, unrelated regulation.

Section 200.8 (b) seems to say that bitcoin related companies cannot maintain any investments in bitcoin denominated assets. This seems to me an attempt to prevent front running, but I believe this should only apply to exchanges, and not all bitcoin related companies, since many bitcoin related companies are operating strictly within the bitcoin economy and therefore may have a difficult time trading into USD.

Section 200.9 (b) may require clarification. Mining pools hold mining revenue for participants. Does this section imply that these mining pools must maintain a separate balance that equals the balance they are holding for their participants? That creates undue burden on these
companies.

Section 200.9 (c) may have unintended consequences. All full nodes "technically" assist in the transfer of bitcoins from one individual to another, since they can and do forward the transfer transaction throughout the network. This propagation is the primary means of alerting others to the transfer, and thus could be seen as a part of the transfer process.

Section 200.15 (d) (1) has a glaring hole. It is impossible to prevent a transaction from sending an address bitcoin. As such, requiring companies to collect information about receiving payments gives high potential for abuse, since there is literally no way to accurately ascertain where an anonymous payment has come from. This prevents companies who accept payments on behalf of their customers (such as payment processors) from being able to collect bitcoin at all. Additionally, anonymous payments can be sent to businesses without their permission. How should a business handle reception of a transaction from an unknown identity? How do not for profit organizations accept bitcoin donations of small amounts? Are they required to collect data for every donor?

Section 200.15 (i) leaves companies open to abuse. By sending lots of small transactions that regulation specifies to be illegal, an attacker could force a company to pay large amounts of money in miner fees to return the illegal money. Otherwise, how are "illegal" transactions to be handled?

Section 200.16 enforces cyber security on any bitlicensed company. Are such stringent cyber security laws levied against traditional companies? It appears that this legislation is overly cumbersome for a bitcoin company vs a traditional company.

Section 200.17 similarly forces disaster recovery on any bitlicensed company. Again, are such stringent laws levied against traditional companies?

Finally, there is concern among the community that legislation that took 6 months to draft is only given 45 days for community review. Is it possible to extend the review period so as to allow the community more time to work through the ramifications of the proposed legislation?