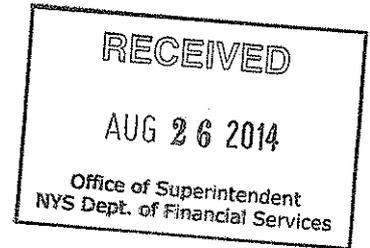


August 22, 2014

DFS Office of General Counsel - Dana V. Syracuse  
New York State Department of Financial Services  
One State Street  
New York, NY 10004  
email: [dana.syracuse@dfs.ny.gov](mailto:dana.syracuse@dfs.ny.gov)



Re: Comments on Proposed Regulations under the NYS DFS Title 23, Chapter 1, Part 200. Virtual Currencies or "New York State Department of Financial Services (DFS)... proposed Bitlicense regulatory framework for virtual currency businesses" [www.dfs.ny.gov/legal/vcrf\\_submit\\_comments.htm](http://www.dfs.ny.gov/legal/vcrf_submit_comments.htm)

Dear General Counsel Dana V. Syracuse:

The Board of Directors of Hudson Valley Current, Inc. (HV Current), a New York State nonprofit corporation, respectfully submits the following comments on the proposed NYS DFS Virtual Currencies regulations.

HV Current is dedicated to providing education to our community and facilitating trade between local businesses in order to strengthen the local economy. We are succeeding in encouraging diverse, small-scale community enterprises that provide sustainable sources of food, housing, energy, jobs and other vital resources. In order to provide our members with a platform through which they can sell their products and services, HV Current administers a mutual credit system that uses a digital unit of exchange called the Current.

There are many fundamental differences between the HV Current and private sector entities trading in Bitcoin or other crypto-currencies. These differences include the following:

- We are a nonprofit corporation,
- We are geographically limited to Ulster and Dutchess counties,
- We provide a clearinghouse for a mutual credit system,
- We have a limited membership that trades goods and services,
- Trades are relatively small-sized transactions and in small volumes,
- The Current is used exclusively to strengthen small local businesses and for social and educational purposes,
- The Current is NOT convertible to US Dollars, or any other currency, and is not a speculative commodity of any kind.

Due to the broad definitions of "fiat currency," "transmission," and "virtual currency" in the proposed regulations, the HV Current may be found to engage in activities that

come under said regulations. For reference, the definitions found in the proposed regulations are given below.

*(d) "Fiat Currency" means government-issued currency that is designated as legal tender in its country of issuance through government decree, regulation, or law.*

*(l) "Transmission" means the transfer, by or through a third party, of Virtual Currency from one Person to another Person, including the transfer from the account or storage repository of one Person to the account or storage repository of another Person.*

*(m) "Virtual Currency" means any type of digital unit that is used as a medium of exchange or a form of digitally stored value or that is incorporated into payment system technology. Virtual Currency shall be broadly construed to include digital units of exchange that (i) have a centralized repository or administrator; (ii) are decentralized and have no centralized repository or administrator; or (iii) may be created or obtained by computing or manufacturing effort...*

However, there are several important differences between HV Current and the for-profit entities that the NYS DFS intends to regulate. As a local nonprofit we have a different organizational structure than a for-profit entity; our digital unit of exchange is not speculative, can be transmitted only within a geographically restricted region, and is not convertible to fiat currency. This eliminates many of the dangers that the proposed Virtual Currencies regulations are meant to guard against. Yet, it is our concern that community development projects such as the HV Current will be inadvertently impacted to negative affect.

Given the above, HV Current would like to make the following recommendations for addressing the concerns of nonprofit corporations such as ours.

The regulations should be amended as follows:

1. Add defined categories of exemption, for example:
  - (a) nonprofit organizations
  - (b) geographically limited projects
  - (c) non-convertible currencies
2. Clarify a process that would enable a nonprofit corporation such as ours to apply to the NYS DFS for an exemption from these regulations. Ideally, this process would be expeditious and affordable for nonprofit organizations.
3. We propose that definition (m) be amended as follows (additional language in bold and red):

*(m) Virtual Currency means any type of digital unit **CONVERTIBLE TO FIAT CURRENCY** that is used as a medium of exchange or a form of digitally stored value or that is incorporated into payment system technology. Virtual Currency shall be broadly construed to include digital units of exchange that (i) have a*

*centralized repository or administrator; (ii) are decentralized and have no centralized repository or administrator; or (iii) may be created or obtained by computing or manufacturing effort. Virtual Currency shall not be construed to include DIGITAL UNITS ADMINISTERED BY NONPROFIT ORGANIZATIONS THAT ARE TRANSMITTED WITHIN A GEOGRAPHICALLY RESTRICTED REGION AND THAT CANNOT BE CONVERTED INTO, OR REDEEMED FOR, FIAT CURRENCY NOR digital units that are used solely within online gaming platforms with no market or application outside of those gaming platforms, nor shall Virtual Currency be construed to include digital units that are used exclusively as part of a customer affinity or rewards program, and can be applied solely as payment for purchases with the issuer and/or other designated merchants, but cannot be converted into, or redeemed for, Fiat Currency.*

It is our concern that the proposed regulations, if not amended, will likely hamper or destroy local, nonprofit community development projects such the HV Current due to the prohibitive expense of a license application, enormous cost in manpower and resources associated with compliance, and donor and volunteer reluctance due to a lack of regulatory clarity.

Thank you for taking the time to consider our comments. If you have any questions, please call [REDACTED] or email [REDACTED]

Sincerely,

Chris Hewitt, Executive Director  
David McCarthy, Board President  
Maria Reidelbach, Board Chair  
Barbara Miller, Board Treasurer  
Nancy Eos MD, Board Secretary  
Cheryl Schneider, Board Member  
Pamela Boyce Simms, Board Member

CC:

**Benjamin Lawsky**, Superintendent, NYS Department of Financial Services  
**Matt Anderson**, NYS Department of Financial Services  
**The Honorable Andrew M. Cuomo**, Governor of New York State  
**Janelle Orsi Esq.**, Executive Director, Sustainable Economies Law Center  
**Carolyn Hansen Esq.**, HV Current legal counsel  
**John J. Bonacic**, NYS Senator, 42<sup>nd</sup> Senate District  
**Terry Gipson**, NYS Senator, 41<sup>st</sup> Senate District  
**Bob Dandrew**, Director, Local Economies Project  
**James L. Seward**, NYS Senator, 51<sup>st</sup> Senate District  
**Cecilia Tkaczyk**, NYS Senator, 46<sup>th</sup> Senate District  
**Kevin A. Cahill**, NYS Assemblymember, Assembly District 103  
**Frank Skartados**, NYS Assemblyman, Assembly District 104  
**James G. Sheehan**, Chief of the Attorney General's Charities Bureau