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19 October 2014

Dana V. Syracuse  
DFS Office of General Counsel  
New York State Department of Financial Services  
One State Street  
New York, NY 10004

**Re: NYS DFS Bit License**

Mr. Syracuse:

I write to provide your office with an opinion from an ordinary concerned citizen. I am not an accredited investor, nor do I represent a large financial institution. My opinions are my own. I have worked in a variety of financial institutions for nearly twenty years. I have been involved with anti-money laundering projects for about a decade.

I urge the New York State Department of Financial Services to adopt the proposed BitLicense and strengthen it so that only sophisticated, accredited investors are able to speculate with Bitcoin or any other virtual currency.

Article I, Section 8, of the United States Constitution, provides that only the U.S. Congress has the ability to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures. Section 16 of the Federal Reserve Act of 1913 only authorizes the use of the Federal Reserve Note, i.e., the US dollar, as currency in America. New York State does not have the authority to determine the definition of currency nor regulate currency.

Bitcoin is a sophisticated credit linked financial product requiring specialized knowledge and experience to properly evaluate the associated risks. A Bitcoin center located in Lower Manhattan has offered "Master" Bitcoin trading classes for \$1,500.00. This is not a financial product consumers should be exposed to.

"The main risk of investing in Bitcoin is that it's a financial instrument unlike any other that we've ever had," says Gil Luria, an analyst with the brokerage firm Wedbush Securities. "It's more difficult to value, more difficult to understand, and at this point in time, more difficult to buy and sell than any other financial instrument." *With a Bitcoin ETF, Risk Isn't Virtual*, The Wall Street Journal, September 7, 2014.

Bitcoin promoters readily acknowledge how risky and unsafe Bitcoin is. This article includes the following paragraph: The Winklevoss [proposed Bitcoin ETF] fund will keep the private keys—the numbers Bitcoin holders use to authorize transactions in the currency—locked in a vault where they will be inspected by a security firm twice a year, according to SEC filings. But the section on risk factors in the SEC filing for the ETF warns investors that private keys could be stolen by hackers or otherwise lost. Indeed, it warns, the whole Bitcoin system could be hijacked by "botnets"—networks of computers that have been taken over by hackers.

Since Bitcoin was created a few short years ago, a review of the headlines informs any prudent investor that Bitcoin is primarily used to trade in illegal goods and services or to facilitate fraudulent activities.

May 2013, *Treasury Identifies Virtual Currency Provider Liberty Reserve as a Financial Institution of Primary Money Laundering Concern under USA Patriot Act Section 311*; December 2013, *A Bloomberg TV Host Gifted Bitcoin On Air And It Immediately Got Stolen*; August 2014, *Bitcoin Advocate Charles Shrem to Plead Guilty Plea Stems From Alleged Drug Scheme Involving Virtual-Currency Exchange*; September 2014, *Feds say Bitcoin miner maker Butterfly Labs ran "systematic deception."*

Bitcoin's most attractive attribute is its purported anonymity. Already, government agencies have been forced to spend time and scarce resources investigating Bitcoin related fraud. There have been prosecutions which demonstrate beyond a shadow of a reasonable doubt Bitcoin's anonymity feature has made it the preferred tool for individuals wanting to engage in illegal trade and activities.

In 2014, Consumers may not need additional payment or investment options. We can already choose to pay in cash, swipe Debit/Credit cards and make electronic payments, including wire transfers or ACH transfers. Consumers have several options to transfer funds or make payments through services like PayPal, Venmo and Dwolla. Financial institutions also provide similar services. It is not clear how consumers and businesses would benefit from having to pay to convert dollars into Bitcoin and then back into dollars to complete purchases.

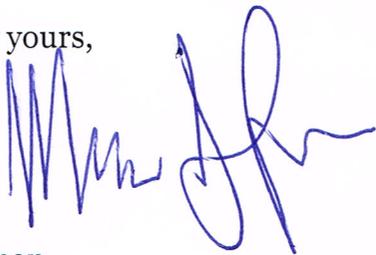
Americans already enjoy a plethora of financial products which they may utilize to achieve their financial goals. Bitcoin's advocates acknowledge how risky it is as an investment.

Since the value of Bitcoin is nothing but pure speculation, the proposed BitLicense should be restricted to sophisticated accredited investors.

It is not clear the cyber security infrastructure of American companies and financial institutions would be able to handle the additional demands an internet based financial product such as Bitcoin would place on their networks. The country's leading retailers and financial institutions are all struggling to ensure client data is protected from common criminals. Recent headlines: October 2014, *Sears Owned Kmart Discloses Data Breach*; *Dimon Sees Cyber- Security Spending Doubling After Hack*; September 2014 *Home Depot Hires Security firms to Investigate Possible Breach*.

Thank you for your time and consideration.

Very truly yours,



Marc Safman

