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Dear Superintendent Lawsky,

New York's economic lifeblood is financial services, and New York is also rising, at last, toward a level of technology innovation leadership long exemplified by Silicon Valley.

If adopted, the proposed Part 200 Virtual Currencies regs will cripple New York's ability to gain first-mover advantages in the future of financial services. As I read the proposed regs, they appear to be an attempt by existing financial services interests to delay changes in the global marketplace, using the existing gravitas of New York's financial services industries as leverage.

However, the changes in financial services enabled by virtual currencies are coming no matter what any local or national government may do.
Bitcoin's rising global popularity is caused by inexorable market forces. What matters to New York's economy is whether New York's industries will grow or shrink as these forces have their effects. The proposed Part 200 regs will put New York on the wrong side of history; they will damage New York's economic future.

I urge you to consider with wide-open eyes the history of the Drug War, which has failed in New York and everywhere else. Unfortunately, willful blindness to the truth of that history still guides Albany. That blindness is implicit in the Part 200 proposal. No regulatory framework can be made sufficiently leak-free as to allow anti-money-laundering systems to control actual global economic activity. What such schemes can do, however, is to increase early deaths, miseries, ignorance and oppression, and cripple not only innovation, but also economic activity in general, both at home and abroad. Moreover, the centralization of secret-knowledge power inherent in these anti-money-laundering regulations is corrosive of the entire social contract.

We can acknowledge, embrace, and leverage the changes we cannot prevent, or we can inflict chaos on ourselves and/or our descendants. In other words, we can find a way to live with change, a little chaos at a time, or we can have a period of constantly-increasing misery, ending in some more holo-chaotic crisis. I argue that continuing discomfort is preferable to ultimate disaster.

The bottom line is that privacy-seeking customers for virtual currency services can always go elsewhere. There is no reason for them to seek them in New York unless the fundamental advantage of privacy is preserved rather than undermined here. Such preservation is the role of the private sector, not the public sector, but legitimate private enterprises must be free to provide it. As far as I can see, the only reason why New York State would want to alienate such business is to protect currently-existing financial services business models. Yes, to a limited and temporary extent, these proposed regs may provide such protection, but for New York's economy, the ultimate cost of these regs will be very high indeed.

Very truly yours,

Steven R. Newcomb
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