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Tuesday, October 21, 2014

Mr. Benjamin M. Lawsky
Superintendent of Financial Services
New York Department of Financial Services
One State Street, New York, NY 10004-1511

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

Email: dana.syracuse@dfs.ny.gov

Re: Regulation of the Conduct of Virtual Currency Businesses – Addition of Part 200 to Title 23 NYCRR

Dear Mr. Lawsky and Mr. Syracuse:

Thank you for the opportunity to respond to the proposed regulations governing virtual currency businesses; and for your time, dedication, and efforts in understanding and helping shape the regulatory landscape for bitcoin and other digital currencies and payment rail technologies. I applaud your efforts, I would like to 1) highlight an area of concern that may have a negative impact to my small business, and other similar businesses, in this market and 2) ask a question to help me better understand the meanings and implications of the proposed Bit License legislation.

To provide context: my company, Lazzerbee, Corp, makes paper bitcoin wallet products, which include greeting cards, themed for different holidays and life events, as well as business cards that contain private keys allowing people to place small amounts of bitcoin on their business cards. Lazzerbee has no interaction with bitcoin itself, although we accept bitcoin as payment, via bitpay.

An example of our offering is our “Merry Christmas” paper wallet that customers load with their own bitcoins and provide as a gift, for the holidays. Other examples of our product can be seen at www.Lazzerbee.com.

I believe our product offerings operate outside of the scope of the proposed legislation since we never interact for our customers in virtual currencies. I hope this position is correct and would appreciate your view on this topic. Assuming it is correct, it may be appropriate to make that fact explicit in the regulations.

Finally, and perhaps the most important; I have a question that relates, more broadly, to the future of digital currencies and payment rails.

This question has to do with Section 200.2, page 5, section (m) which states:

(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. Virtual Currency shall not be construed to include 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;

The majority of digital assets trading today are bitcoins, and altcoins. At the same time, there is growing momentum for other platforms, such as Ripple, and Counterparty that can support other asset classes such as real estate assets, crypto-equity units, crypto-bonds, and, in fact, normal bonds and common stocks. (Think treasuries and shares of Apple.)

My question is whether, if Bit License is passed in its current form, New York State will view any asset traded on these rails as “virtual currencies”? If so, is the position of the FDS that defining these assets as such would supersede current SEC, CFTC, FINRA, and SIPC rules and regulations? If this were the case, would the DFS be prepared to contest a contrary ruling from a different regulatory body? Would DFS consider equity and bond offerings issued not through traditional methods, but via these new “crypto networks” under the perview solely of the DFS?

Our company is small, but I believe we are vibrant business innovators. I would very much like to hear your response to these questions. Again, let me express my gratitude for you and your office for taking this first, bold, and needed step in this area of innovation.

Sincerely,



Jacob L Dienelt
Lazzerbee, Corp
Executive Vice President