



October 21, 2014

Via email to: dana.syracuse@dfs.ny.gov

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

Re: Comments on Proposed Virtual Currency Regulatory Framework/New York Codes, Rules and Regulations Title 23, Chapter 1, Part 200.

Dear Ms. Syracuse:

This letter is submitted on behalf of Ithacash, a new non-profit regional currency system based in Ithaca, New York, in response to the request for comments made by the New York State Department of Financial Services ("DFS") in a Notice of Inquiry first published on July 23, 2014 in the New York State Register.

The Ithacash model hybridizes traditional barter currency with "social purpose" currency, and behaves like a prepaid program or customer affinity & rewards program in the marketplace. It leverages untapped resources into a regionally bound, nonconvertible currency that is designed to serve the local economy and the general welfare of the community. It does this by supporting social and environmental initiatives led by government, civic-minded social organizations, and other local stakeholders, as well as by incentivizing consumers to shop locally.

The DFS has issued for public comment a proposed regulatory framework for certain New York virtual currency businesses. The proposed regulatory framework requires licensing and contains consumer protection, anti-money laundering compliance, and cyber security rules tailored for virtual currency firms not subject to exemption. Key to the regulations are the definitions of what constitutes "virtual currency" and "virtual currency business activity".

Ithacash generally supports the DFS's efforts to balance the opportunities and value presented by virtual currency for conducting and improving commerce with the need to guard against abuses and fraudulent practices involved with the management of monetary units and their respective technologies. Given the increased popularity of so-called "crypto-currencies", regulation for their responsible and lawful safekeeping is an important and necessary step for such programs to continue growing safely in the marketplace.

We believe it is important, however, that the DFS recognize and understand the disastrously burdensome impact such complex regulation and licensing would have on currency programs which are organized and oriented differently than the currencies this regulation intends to target. New York has a proud history of non-profit community currencies, time banks and trade exchanges, as well as a variety of other locally focused grassroots currencies such as Ithacash. If these programs were to be subjected to these regulations, they would have no choice but to cease operating, and those citizens of New York relying on their programs for needed goods & services would be left without the significant benefits they deliver. Small groups such as ours simply do not have the resources required to comply with the vast proposed regulatory scheme, which would have either limited-to-no public benefit in the context of the scale and type of activities and transactions that we engage in.

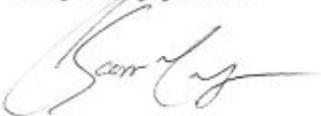
Given that, more precise language and terminology is required to safeguard against the potential adverse application of the existing, unnecessarily ambiguous language of the draft regulations, we respectfully request that:

- The DFS clarify the definition provisions of the regulations to expressly exclude A) regionally focused firms, B) non-profit programs, and C) programs run for positive social benefit in the community.
- Consideration be given to creating an exemption and related process for such programs desiring to allow for small amounts of conversion to fiat currency.

In summary, in Ithacash's view, specific exemption language is critical to not unduly hinder small local currency organizations such as ours and others like us, especially when there is no significant enhancement of the public interest gained by application of the regulations to organizations operating at our scale and with our regional focus.

We appreciate the opportunity to comment on the proposed amendment to the New York Codes, Rules and Regulations, and kindly ask the DFS to consider our recommendations and suggestions. We are available to meet and discuss our concerns with the DFS and its staff, and to respond to any questions.

Very truly yours,



Scott Morris
Founder