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Dear Superintendent Lawsky and General Counsel Syracuse,

I'm writing with regards to the recent BitLicense proposal. Bitcoin is a new industry and many players are innovating in this space. In fact, Bitcoin could help propel the United States to the forefront of financial innovation once again. The recent proposal, however, treat Bitcoin like banking: mature, consolidated, and ready for heavy regulation. Overbroad regulations threaten to prematurely throttle Bitcoin development, resulting in less innovation and allowing other states and countries to take over the industry.

For example, the extensive background check requirements of the proposal will place quite a burden on small Bitcoin startups, many of which have only a few dozen employees. The proposal fails to make room for small innovators, instead assuming (incorrectly) that all Bitcoin companies are huge corporations that can absorb such costs. Likewise, the ten-year record keeping requirement is quite onerous on both license holders and their customers.

I appreciate the recent clarifications that BitLicense does not apply to software developers. Please ensure these limitations are clear and explicit in the actual law. Furthermore, please keep in mind as you write the regulations that Bitcoin is a new market dominated by small companies. It is not like banking. Take care that regulations do not push innovation outside the country, and consider wherever possible applying existing money laundering laws to Bitcoin rather than writing new policies.

Sincerely,

Josh Shields