

Dear Superintendent Lawsky and General Counsel Syracuse,

I'm writing you today in support of the Electronic Frontier Foundation's opposition to BitLicense, and as well, I stand with the millions of other individuals and organizations who also think it is a bad idea. The current framework threatens the privacy of virtual currency users, innovators, and researchers. In particular:

1. The BitLicense is extremely broad, requiring licenses for far more than just money services.
2. It infringes on the privacy rights of individual users. Companies that obtain a BitLicense could be forced to collect identifying data on account holders and end users including full name and physical address. This information will be kept on file for 10 years in case the government seeks it. So while individual users may not need a BitLicense, their privacy will be seriously affected.
3. It forces virtual currency innovators to undergo rigorous background checks and submit fingerprints to state and federal law enforcement. This will create a barrier to entry for start ups and inventors looking to create new services.
4. The proposal as written raises First Amendment concerns.

It's premature to craft regulations for an industry that's so new and still in flux. Bitcoin and similar virtual currencies are still in their infancy, and we don't yet know what new tools and services might be created. This regulatory proposal could cut that innovation off at the knees (at least, in New York), before we have a chance to see the potential societal benefits.

As I've indicated before in my reply to Ben Lawsky's appearance on Reddit regarding this issue, the rest of the world can and will advance in this area without New York. If it is the objective of New York to be left behind ~ in essence, to become a financial dinosaur ~ so be it. We will all move forward without you, true innovators will leave your state, and any regulatory proposals you do manage to adopt will be circumvented by our advancing technology, which I might add will continue to grow exponentially even if New York government minions were to find me and toss me off a cliff. The cat's out of the bag, as they say ~ you can't stop it, don't even think for a moment that you will be able to so much as slow us down in our development of privacy and anonymity technology.

The NY DFS is letting the fear of money laundering drive a massive regulatory proposal forward that would affect users who are doing nothing wrong. NY DFS should respect the privacy of technology users, and limit its regulation to what is proportionate to the real threat at hand.

For the record ~ to be included with the above formal comments on BitLicense ~ I've added my original remarks from my reply to Ben Lawsky on Reddit (the remarks were published to Reddit three months

ago at the time of Mr. Lawsky's appearance on Reddit, and my remarks quickly garnered 40 'points' or 'votes' on Reddit), which are shown as the last part of my comments to you today.

Additionally, I oppose and will work to circumvent any and all claimed surveillance powers that NY attempts to utilize against anyone involved with bitcoin or other decentralized virtual currency users. Finally, I stand firmly against NY's claim of Glomar powers to exempt itself from disclosure of surveillance in the case of Abdur-Rashid v. New York City Police Department, and I stand firmly against all various uses of routine surveillance by NY, and will continue to work to provide users means to circumvent any such surveillance whether the surveillance is directed at finances, at a person's 1st Amendment activities (into which general assembly and protest, religion, and use of bitcoin also falls), or however it is used. People deserve better than what NY has to offer and we will ensure that the rest of this country is not harmed by the limited and thoughtless perspectives of regulators and legislators in NY.

Here are my remarks to Mr. Lawsky from Reddit

<https://www.reddit.com/r/Bitcoin/comments/2aycxs/hi_this_is_ben_lawsky_at_nydfs_here_are_the/cj07pak> :

Greetings. As a member of the Bitcoin Foundation Education Committee

<<https://btcfoundationedcom.github.io/>> and a Lifeboat Foundation Advisory Board member

<<http://lifeboat.com/ex/bios.colin.gallagher>> , I would like to note here that the concept of registering and being licensed with the state of New York, and the additional requirements being suggested pertaining to identification of users, licensing, and submittal of information to the FBI (to name a few), are inimical to free speech and expression, and will be opposed vigorously, not only by the Bitcoin Foundation, but also ~ and more critically ~ by the users themselves in their individual and collective capacities, Thus far the response has been reasonable from the federal side which, for example, focuses primarily upon the regulation of the high-traffic exchanges. Bitcoin however is dynamic and evolving quickly, and you should not expect compliance or widespread support for state-level regulation. As an advocate against regulatory approaches for Bitcoin generally, I nonetheless feel compelled to point out that there is a reasonable state response that can be crafted, and that the maximum reasonable response of the states to Bitcoin should be a legal expression such as that chosen recently by California in its enactment of AB 129

<http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB129> , which in essence frees innovators in the state so that they do not have to be concerned with unreasonable regulation. At the same time, it's important to note that California's efforts to shut down decentralized markets <<http://reason.com/archives/2012/12/08/foraging-a-new-path>> are futile, as new mechanisms emerge to circumvent such state censorship via the use of developing solutions such as, but not limited to, OpenBazaar and Counterparty.

With that said, it's important to note that decentralized virtual currency development transcends the bounds of law and due to its evolving technology, ultimately escapes any government's ability to control it. This is not a matter of debate, it is a mathematical fact that cannot be altered by legislation. I note that stealth addresses are only one part of recent Bitcoin innovation. Such legislation as that proposed by New York will only give rise to greater user demand for, and provide impetus to even more significant developments to protect the user. Ultimately, anonymity must be incorporated into Bitcoin development itself to counter state (or other governmental) regulatory forces. Even if that does not happen promptly, the decentralized nature of the process means that others will, and as an example, the Zerocash project and Bytecoin (BCN) project are just a couple examples of that.

Ben Lawskey and others who advocate statism and attempts at centralized control of decentralized development will eventually acknowledge that as time goes on, and very soon, governmental structures of the type we are used to seeing and experiencing will have diminishing relevance. There is a new world coming, and it is decentralized. Rather than relying on the force of law backed by threats of violence and various forms of coercion, there will be global societies, with their own rules, and corporation-states will no longer be able to control people (or even claim them as "citizens" or "residents") to the level that they once did. Anonymity developments (and legislative developments alike) will hasten the time when eventually people will depart from antiquated governmental systems as they wither and fade into the pages of history. While it is a stretch to say (as some have asserted) that regulators will "cease to exist," their declining relevance, and their declining power due to the spread and development of decentralized technology and anonymity developments, are a mathematical certainty. As other states craft a more intelligent response, New York's system of government will find itself farther behind the curve, and eventually will simply be ignored by the vast userbase that is gradually transcending and migrating away from the world of centralized controls.

I hope this has been helpful as a brief orientation to what the future holds, and I hope that you prepare for it.

Sincerely,

Colin Gallagher

edit: Colin Gallagher is a primary author of the ABIS project <<http://abis.io>> , which is intended to help make the financial system more compassionate by embedding giving into the daily framework of what we do.

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(Thank you, Dana, for processing what no doubt are a ton of comments).

-Colin Gallagher