1088

Dear Superintendent Lawsky and General Counsel Syracuse,

I am an adjunct professor at the University of Southern California's Gould School of Law and work within Web-based enterprises as a senior executive. These comments are my personal views and are not made on behalf of a client or as a representative.

I write today to express my deep concerns about the ³BitLicense² proposal. I am reliably informed that the current framework threatens the privacy of virtual currency users, innovators, and researchers. In particular:

A. The BitLicense is extremely broad, requiring licenses for far more than just money services.
B. 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.
C. 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 and unnecessary administrative burdens on others.
D. The proposal as written raises First Amendment concerns.

The proposal is sufficiently broad as to sweep into its ambit activities involving virtual currencies in other contexts such as gaming and extends a regulatory mesh far beyond the borders of New York State. Only big player companies will have the resource to engage the necessary professional, external experts to manage currency transactions as required by the proposals. It is bad to suppress innovation but it is worse to do so while simultaneously enabling only a small circle of players in the market.

Apparently, 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.

Sincerely,

Joshua S. Wattles