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Dear Superintendent Lawsky and General Counsel Syracuse,

I'm writing you today to express my deep concerns about the "BitLicense" proposal. The matter was brought to my attention by the Electronic Frontier Foundation, and I endorse their letter which follows, but I also wanted to add a personal perspective.

I have followed the adoption of Bitcoin for several years and am familiar with the mechanisms by which it functions. I currently control Bitcoin with a market-value equivalent to about 400 USD. I have invested in Bitcoin at this level not for speculation or the prospect of increasing value, but to be able to participate in this experimental type of transaction. Bitcoin has been a pleasant and secure way for me to purchase both Internet domain names and rent internet servers, without fear of credit fraud and without paying a hidden premium. I have also used Bitcoin to donate to several 501c(3) organizations including the EFF. I would be happy to expand my use Bitcoin, but it is not yet widely accepted, nor is the value particularly stable. The mechanism of transaction itself I find much preferable to central authentication services like credit cards and PayPal, for reasons of both security and cost, and I am especially interested in the prospect of these traditional transaction processors being forced to compete with Bitcoin. I am also quite interested in the opportunities for innovation in low-cost anonymous internet services enabled by a system like Bitcoin, both as a consumer and as a prospective entrepreneur. Much of the content and many of the services on the Internet are currently add supported, which is a consequence of a vacuum in the area of small payment methods. I think it is quite likely that with the advent of Bitcoin we are on the cusp of a system in which you can pay for content or tip in retrospect, without having to dig out a credit card or register an account, and without the fear of inappropriate disclosure of credit information.

I must say I was quite alarmed when I read the proposal for "BitLicense". If it were to become law and be enforced with any regularity, all of the prospects for digital currency to offer these possibilities would be rendered useless. The law would regulate away the very features of Bitcoin that make it attractive: the ability to make payments without disclosing identification, and the ability to accept payments without fear of chargebacks.

As far as money-laundering is concerned, rather than investing in regulation of Bitcoin transactions, the state and citizens would be much better served by investment in computing systems and old-fashioned sleuthing to analyze and follow up large transactions in the Bitcoin ledger, which is public, and in regulating the exchanges between Bitcoin and USD.

The EFF letter, which I endorse, continues as follows:

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, before we have a chance to see the potential societal benefits.

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,

Dr. Burton A. Betchart

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