2261

Dear Superintendent Lawsky and General Counsel Syracuse,

I’m writing you today to express my strong opposition to the “BitLicense” proposal, and to any similar proposal.

The TL;DR version of this is that you're overreaching; you're ignoring critical issues including privacy; you're doing it way too early; and you're not the right jurisdiction to be regulating at this point. You should do nothing at all for at least five to ten years.

First, the apparent goals are wrong. You seek to control too much, and to collect too much information.

In no case should any regulation burden any use of digital currency more than the established uses of traditional paper currency. Digital currency should not be less private; should not require more record keeping; should not require disclosure of any more information about any transaction to any entity, government or otherwise; and should not involve licensing, record keeping, or other burdens for more actors. These are functionally cash transactions and must be treated as such.

One example of extreme overreach is your suggestion to require ten-year retention of "real name" information for every transaction, no matter how trivial. That appears to demonstrate a desire to track digital transactions to a degree that has never been possible, suggested, or politically viable for ordinary currency transactions.

Such records would represent a dangerous invasion of privacy, and the collected data WOULD be abused routinely. This is not a potentiality; it is a certainty. The records might make law enforcement's job easier in some cases, but the job of the police is never easy in a properly functioning society.

Second, the state of New York is too small a corner of the world to be regulating these matters at this time. Any regulation you create will have to fit into worldwide technical and regulatory systems that are only beginning to be discussed, let alone designed. Until those systems have been clearly delineated and agreed upon at the international and national levels, it will be unclear whether there's any proper regulatory role for states at all, let alone what specific regulations states should adopt.

Whatever the eventual outcome of that long process, it's already clear that you are seeking to stretch the bounds of your remit beyond all reason. Even if you can, by the letter of the law, extend your jurisdiction so far, there is no credibly possible world system in which it would be wise or proper for you to regulate every digital transaction "involving" a New York resident. You should no more try to do that than you should try to regulate a New York resident's buying fast food for cash while on vacation out of state.

New York is not the center of the Universe.

Third, your drafts are vague and can be read as overbroad.

Terms, when they're defined, are defined in ways that have no obvious connection to the actual technology of digital currencies, or to the ways those currencies are actually used. You attempt to import already vague and overstretched concepts from traditional financial regulation, and push those concepts beyond the breaking point in the process.

You suggest regulating functions like "transmitting", or even "storing", digital currency, apparently without realizing that the personal and institutional roles underlying those functions are being fundamentally redefined, to say nothing of technological changes that make the very concepts suspect.

It's clear that the people drafting these regulations need years more education, experience and understanding before they can begin to address these issues properly.

You would be best advised to do nothing at all, other than perhaps to build internal expertise, for at least five to ten years. After that, you should look for a Federal or international regulatory framework to fit into. If no such framework then exists, you should wait longer. And when and if you do regulate, you should not overreach as you have tried to do here.

If you unwisely choose to continue before the larger system is defined, you must at least start over after remedying your obvious overreach, lack of concern for privacy, lack of concern for interaction with jurisdictions outside of New York, and apparent lack

of the knowledge and skills necessary to write clear, unambiguous regulations aptly suited to the evolving world in this area.

Sincerely,

John R. Bashinski