

2613

BitLicense fails to strike an appropriate balance between innovation and regulation. It introduces extreme regulatory uncertainty that will force financial and technological innovation out of New York State.

Particular worries:

1. The need to submit a financial forecast for the following year (section 200.4(a)(7)). Obviously, true financial results would depend heavily on how the value of bitcoin compares to US dollars over the course of the following year. No one can reasonably predict this, and no one should have to sign off on a wild guess.
2. The 100% capitalization requirement for virtual currency holders (section 200.9 (b)). This essentially stops the formation of bitcoin-denominated banks. And if you actually require 100% capitalization, then the capital / investment requirements of section 200.8 should be unnecessary. How about relying on existing banking law for virtual currency business activities that amount to banking?
3. The need to wait for a New York State superintendent to sign off on any new product or service (section 200.10). Besides the unreasonable delay this introduces, NY regulators are unlikely to understand the technology well enough to make such a judgment. The best way to judge good ideas is to do experiments.
4. The regulation treats all virtual business activities as if they were banks, but in fact there will be many kinds that do not warrant this level of oversight. At least there should be an exemption for activities involving small amounts of capital.
5. Fingerprints (200.4(a)(5)). This is insulting.

Regards,
Christopher Malon