

2712

Dear Superintendent Lawsky and General Counsel Syracuse,

I'm writing you today with important comments and reservations about the proposed BitLicense system. Though I am not a New York resident, this proposal would cause any Internet service accepting BitCoins (or similar digital currencies) to either bar NY residents or meet the BitLicense requirements--and because any website is bound to have a substantial market share from New York state, not to mention the fact that many services operate from New York, the proposal presumes that it should affect all Internet users.

Fundamentally, regulation of novel technologies is appropriate. For example, concerns have been raised over services like Airbnb and Uber, whose users are (respectively) similar to traditional landlords and taxicab drivers, yet have so far escaped the regulatory system in place for those professions. With BitCoins, similarly, there are important questions: should profit from BitCoins' value fluctuations be taxable? Should fraud on BitCoin exchanges be treated differently from other currency exchanges? But the current BitLicense proposal tackles questions that are not relevant.

Of chief concern is that this proposal follows the old pattern of excessive regulation of a new technology due to (perhaps reasonable) concerns, when there are already existing technologies that are cause for the same concerns but are not regulated. This is not how an innovative state like New York should operate. Consider, for example, the trouble of money laundering. Consider a criminal who has ill-gotten tangible U.S. dollars. He could spend them at stores freely, and over a long period of time, convert the dirty to money to clean products. Perhaps he could arrange a shady--but legal--trade for a very expensive item such as a car, thus laundering all his money in one fell swoop. But if he were to deposit them at his bank, the bank might report a large transaction to the IRS, and certainly criminal investigators might be interested in obtaining his bank records (which, of course, they should only do upon with sufficient evidence to support their suspicions).

If this same thief had "dirty" BitCoins, the BitLicense proposal would have him record his name and address at every store he went to. Not only that, the stores would have to keep the information for 10 years, a significant paperwork burden that is sure to be bad for business. It would even affect charitable organizations that take BitCoins. Clearly, it is not reasonable to overregulate BitCoins when the same activity is not questioned in cash.

The appropriate target for regulation are organizations that exchange BitCoins for dollars. Conceptually, these should not be regulated differently from organizations that exchange dollars for pounds or cash dollars for digital dollars. To do otherwise does not accomplish security, only the incorrect perception thereof, and does harm to a great many people who use BitCoin as part of their business or charity. That

BitCoins are a novel technology should not cloud your mind and cause them to be regulated differently than similar existing technologies. It is severely irresponsible to do so.

Sincerely,  
Kim Post