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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 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.

(I'm sure you will agree that with the state of the economy that inhibiting the creation of new industries and jobs is far from a good thing for the US as a whole. Also it will likely result in other countries becoming leaders in this technology and result in the US becoming dependent on said countries for new technology and industry advancements made. So instead of gaining a new source of tax revenue on multiple levels we would likely lose innovators and investors who either move to other countries or invest in foreign based companies. Worst case scenario would be a terrorist supporting nation or other forms of hostile nations create their own currencies that are harder to track than bitcoin and use it to undermined us and our allies. Which would be much harder for them to do if we are the leader in this technology because not only would most of the world be using ours we would have a much larger number of people who could work on hacking and tracking any foreign currencies being used for hostile purposes. In fact by having the greatest programmers and scientists in the world on this subject we could likely monitor and intercept the transfers and use them as evidence to have sanctions or military action taken by the UN. Even if that didn't work by intercepting the transfer the money could be deleted as an indirect action against the country and weakening terrorist groups by cutting their funding and obtaining their locations.)

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 and economic benefits. Humanitarian efforts could also benefit greatly because it can allow charities and other organizations to directly give funds to areas that need it. Without having to deal with corrupt governments and dictators who would otherwise steal the funds. Another plus is that the money could be sent instantly which is a benefit even if the disaster happens inside our country for example: if another hurricane like Sandy or Katrina hit funds could be collected and spent almost instantly on relief and rescue efforts.

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. I'll admit that the possibility exists using such technology to launder money however with the regulations/laws set in place on banking and our tax system it would be incredibly hard and time consuming to do and carries a large risk of getting caught. One typically has to use use a bank or credit card to obtain bitcoins and to receive payments when they are sold. So for laundering purposes one would have to manage to deposit the money they have yet to launder and then use a wire transfer or similar service. The person who received the bitcoins would have to sell them the same way as such the amount of work and risk involved for individual criminals let alone large organizations makes this barely feasible. In fact by not passing these regulations it could make it even easier for police to capture these criminals by working with the banks.

The main way I can see bitcoins being used for money laundering would have as its end goal of moving the money to another country. For example by setting up a fake company or charity and having everyone in the organization "donate" to the "charity" but if members of a known criminal organization ran and worked at a charity that alone should tip the police and Feds to watch and investigate them. Such a situation would likely lead to the arrest of a huge number of the organization and lead to information on where the money was going and others involved.
With all of the cases of the federal government being able to shut down drug and other illegal markets that made use of bitcoin. The idea that it would be harder to catch people, who likely aren't as technologically proficient, laundering large sums of money using the same technology seems extremely unlikely and honestly ridiculous.

NY DFS should respect the privacy of technology users, and limit its regulation to what is proportionate to the real threat at hand. Which as I've argued is far outweighed by the costs and threats that would result from falling behind on this technology that has so many uses and is likely to be one of the technological advancements that will cause major economic and societal changes in the coming years.

Sincerely,

Sent from Yahoo Mail on Android <https://overview.mail.yahoo.com/mobile/?.src=Android>