



January 27, 2019

New York State Department of Financial Services

RE: Proposed Coin Listing Policy Framework

To Whom it May Concern:

The American Institute of CPAs (AICPA) is the world's largest member association representing the CPA profession, with more than 429,000 members in the United States and worldwide, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for its members and U.S. auditing standards for private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent and drives professional competency development to advance the vitality, relevance and quality of the profession.

On behalf of the AICPA, we appreciate the opportunity to comment on the New York State Department of Financial Services (DFS) Proposed Guidance Regarding Adoption or Listing of Virtual Currencies ("proposed guidance"). As noted in your proposed guidance, businesses and markets are evolving rapidly in response to the opportunities afforded by technological innovation, and the proliferation of virtual currencies is no exception. While we agree that it is important for regulation to enable the listing of new virtual currencies in a timely manner, we also believe that the risks associated with the issuance of new coins are significant and complex. It is essential that those risks be assessed against robust and consistent frameworks and associated criteria. Accordingly, our comments focus on your "proposed model framework for a coin-listing or adoption policy."

We agree with the statement in your guidance that "a VC licensee's coin-listing policy should consist of robust procedures that comprehensively address all steps involved in the review and approval of virtual currencies in connection with the Virtual Currency Business Activities of the licensee." That being said, while we agree with the relevance of the attributes laid out in the guidance for a company coin-listing policy, we believe these attributes as currently articulated lack the specificity needed to support a meaningful assessment of the risks associated with new coin offerings. References to market-driven frameworks that cover specific areas of risk would help to provide additional clarity and consistency in the policies that you are advocating, while also supporting the provision of services related to your suggestion that "VC licensees should ensure that an independent audit review of all associated risks relating to a new coin is

conducted to ensure that all risks have been assessed and addressed.” Furthermore, while we agree there is value in calling for an independent third-party service, it is important to note that the reference to “all associated risks relating to a new coin” in the preceding statement is far-reaching to the point of being unattainable as it is impossible to ensure that all risks have been assessed and addressed. This is especially true given that the guidance describes risk assessment as “including the following risks,” implying that the attributes of risk laid out in the guidance do not constitute a comprehensive list (appropriately so, as they likely do not in all cases).

We are assuming that what you mean by an “independent audit review” is the equivalent of an examination level assurance engagement, which is an independent third-party engagement that licensed CPAs provide under the AICPA Statements on Standards for Attestation Engagements (SSAEs or attestation standards). In addition to adherence to robust professional standards, CPAs bring to bear core values—including independence, objectivity, and skepticism—as well as deep expertise in providing independent assurance services in both the financial statement audit and a variety of other subject matters. CPA firms have played a role in assisting companies with information security, cybersecurity, and privacy for decades.

These engagements differ from financial statement audits in the sense that the subject matter is something other than historical financial information (and therefore the engagement is performed under the attestation standards as opposed to auditing standards). CPAs are well positioned to perform such engagements under the attestation standards, as long as there are suitable criteria that among other things, are complete and measurable. Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter and permit consistent measurements, quantitatively or qualitatively, of the subject matter of an engagement.

In this case, the attributes, or criteria, laid out in your proposed guidance would not meet the suitability requirements. That said, we would be happy to work with you to help identify and leverage existing frameworks related to the risks that you have identified which do lay out suitable criteria. One specific example is the assessment of cybersecurity risk. Cybersecurity risk is an extremely complex challenge, and it is impossible to prevent or eliminate the risk of a cyber breach. That being said, there is much that can be done to mitigate the risk. The AICPA has developed a cybersecurity risk management framework that can be leveraged by any organization to assess and strengthen cyber risk management programs.

The freely available [AICPA cybersecurity risk management framework](https://www.aicpa.org/cybersecurity)¹ is aligned to all commonly used information security frameworks (e.g. the NIST Cybersecurity Framework, the

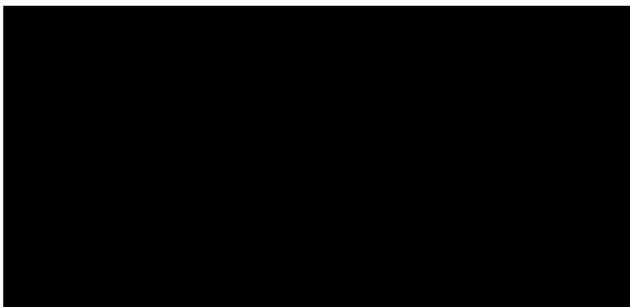
¹ <https://www.aicpa.org/cybersecurity>

ISO/IEC 27000 series, the AICPA Trust Services Criteria, etc.). It provides organizations with a framework for communicating about the effectiveness of their cybersecurity risk management program, helping them to provide users (senior management, boards of directors, analysts, investors & business partners, regulators) with decision-useful information about their cybersecurity risk management program. The framework also includes guidance and suitable criteria to CPAs that enable them to understand and perform engagements on an organization's cybersecurity risk management program.

In addition to cybersecurity risk, the attributes laid out in your proposed guidance relate to other key risk areas for which other useful frameworks and related criteria may be referenced, such as information security and privacy, data integrity, and digital asset and virtual currency governance. We would be happy to discuss with you the leading frameworks related to these risk areas, and how they can support the provision of meaningful independent third-party assurance around specific risks related to the adoption or listing of virtual currencies.

In closing, we appreciate the efforts of the New York State DFS to enhance the stability of virtual currencies through a regulatory process that is both effective and efficient. Licensed CPAs can play an important role in this process through independent assurance services based on a sound framework of professional standards and suitable criteria. The AICPA would be happy to further discuss these comments, and to collaborate on a program for such services that meets the objectives of your Proposed Coin Listing Policy Framework. I can be reached at 212.596.6197 or Susan.Coffey@aicpa-cima.com.

Sincerely,



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American Institute of CPAs