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Good evening all. Hope everyone had a great start to the new year. I wanted to provide some feedback regarding the proposed changes to the NYS BitLicense law/requirements and overall general feedback per the email chain below within the time frame allowed for comments. This is my own feedback and doesn't necessarily represent anyone else's thoughts on our team or Seward & Kissel position, though I do believe we're all relatively in line with our thinking.

The NYSDFS website summarized the two major updates as follows:

- 1) A proposed DFS web-page that will contain a list of all coins that are permitted for the Virtual Currency Business Activities of the VC licensees, without the prior approval of DFS, which list may be updated from time to time, as long as such listed coins have not been subject to any modification, division, or change after their listing on the DFS web-page¹ ;
- 2) A proposed model framework for a coin-listing or adoption policy that can be tailored to a VC licensee's specific business model and risk profile to create a firm specific coin listing or adoption policy (a "company coin-listing policy") that, if approved by DFS, will enable the licensee to self-certify the listing or adoption of new coins in addition to those listed under 1 above, without DFS's prior approval.

The CoinDesk article that covered the announcement summarized the two points above as follows:

- 1) Any coins the regulator approves for listing in New York can be listed by any exchange that operates in the state, as long as they provide notice to NYDFS;
- 2) The regulator will publish a model framework for coin listings that exchanges should model their versions around.

I agree with the above.

1. There should be a public resource or page that shows all coins that have been allowed by NYSDFS across all existing licensees that the public can access as well as current and aspiring licensees can access.
2. I completely agree that any licensee or aspiring licensee that is safe harbored (or have blocked NYS residents initially until approval) that is planning to list an approved coin, should notify DFS prior to listing that coin.
3. The governance, risk, and ongoing monitoring framework as guidance looks good and what a number of us are used to from our audit, compliance and risk management days in financial services.
4. I would point out that a number of coins out there, regardless of whether they are considered a security token or not, similar to BTC, ETH, and LTC, are not centrally owned and/or controlled and maintained by volunteer communities and developers that at most get paid via the token. For these types of coins, it may be more difficult to establish set protocols or procedures around. I do believe any licensee should be providing risk disclosures to their users/traders/investors for any and all coins they list, of course within federal laws to ensure there is no violations regarding anything that could be construed as investment advice. I don't think that is something I've seen from the exchanges I've used. We are working with some of the big four accounting firms around some coverage related to this.

5. Licensees should re-evaluate their listed coins at least annually.
6. Licensees should review their coin listing/delisting policy at least annually.
7. Regarding wash trading, we believe for at least the time being, a specialized audit from a recognized accounting/audit firm to verify the majority of trading activity is not from the exchange itself should be required on a quarterly basis or semi-annual basis. We are working with one of the big four around developing procedures for this. This should help combat exchanges that are rogue faking trading volume to attract traders. Once these procedures are better ironed out, we also plan on taking this to federal regulators and legislators to consider it as well.
8. We also believe the use of a control entity/bank as defined by the SEC/FINRA should also be required for custody regardless of whether the coins are security tokens or not.

We are working with our attorneys and accounting/audit/tax firms to establish further internal control procedures as you'll see some outlined in our submitted business plan. As those are ironed out in further detail, we will continue to share. Our approach has always been to assume existing financial regulations apply and we should try as much as possible to fit into existing frameworks, including FATF/BSA Travel Rule guidance that we can speak to more in person.

Additionally, Andrew, I wanted to let you know our initial submission of the application for the BitLicense should be occurring within a day or two. Ideally, we'd like to sit down with your team again relatively soon after the initial submission. We can work with Brett to set that up since we're all a few blocks from each other. From when we last connected a number of months ago, there have been significant changes in the way our exchange will be structured from what was presented by us to NYDFS. These changes definitely enhance our control environment, but we wanted to ensure we explained why beyond any of the initial documentation attached in the submission. There will be additional documents included in our submission that will follow shortly as well.

Thank you and do let us know if there are any questions in the meantime,

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