



Some Small Movement in Cryptocurrency Regulatory Challenges This Week

by **Benjamin Vitaris** Jul 13, 2017 12:15 PM EST



Theo Chino, a bitcoin advocate who has been fighting regulations in the U.S. for over two years, requested the withdrawal of the proposed “Uniform Regulation of Virtual Currency Businesses Act.”

Only July 7, 2017, Chino asked the Uniform Law Commission (ULC) to withdraw the



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Chino argued that many of the states have “significant disagreements and approaches as to how to classify or regulate bitcoin.” In addition, there is a high level of legal uncertainty surrounding the proposed statute due to a legal challenge against the New York BitLicense — also known as the Virtual Currency Regulation — before the New York courts.

The legal challenge, which Chino cited in his letter to the ULC, is a [lawsuit](#) he initiated against the New York State Department of Financial Services (“NYDFS”). In October 2015, Chino started an action against the NYDFS regarding [BitLicense](#) arguing that the agency “exceeded its regulatory mandate, and that regulating Bitcoin lies with the legislature, not NYDFS.”

“This proposed model statute, which is inspired by the New York BitLicense, will not only make it impossible for a small Bitcoin business to survive, but also will discourage the public to use Bitcoin. One does not have to look very far to understand why Bitcoin’s adoption is so low and so poor. This kind of arbitrary and negative intervention must stop,” said Chino.

In a post on [Reddit](#), Chino stated he spoke twice with the chair of the Virtual Currency Committee. The chair of the committee told Chino he should take the case to a legal level if he disagrees with the proposed statute.

“This last conversation led me to believe that he [the chair of the committee] did not care about the academic search on the true nature of Bitcoin but is more interested in his personal notoriety as the chair of the committee. He really did not know how the technology really worked and why that act is bad,” Chino wrote on Reddit.

“He did admit that he represented the industry and not the individual small business.”

Coinbase

Coinbase, a digital currency exchange complying with the New York BitLicense, is currently under investigation by the Internal Revenue Service. However, this week it was reported that the IRS is scaling back the investigation. The IRS is now only seeking information on Coinbase users who were engaged in transactions of \$20,000 or more. This means that the agency will exempt all the users who did not buy, sell, send or receive "at least the equivalent of \$20,000 in any one transaction type in any one year during the 2013-15 period."

Bobby Lee on Need for Regulation

Earlier this year, the People's Bank of China (PBOC) halted the withdrawals of bitcoin at Chinese cryptocurrency exchanges, which also affected Bobby Lee's company, BTCC. In an attempt to regulate the market, the PBOC created a task force for inspecting the trade of digital currencies. The goal of the task force is to ensure that cryptocurrency exchanges had implemented anti-money laundering systems. In the same month, the PBOC announced it had met with nine virtual currency exchanges to warn them about the consequences of violating the rules.

This move by the PBOC has been perceived as an attempt to crack down on the bitcoin trade, but Bobby Lee, the CEO of the Chinese bitcoin exchange BTCC, does not seem to share that view.

In contrast to what is coming out of the U.S., Lee said in a CNBC interview this week that cryptocurrencies are in need of more regulations. According to him, if there are no regulations, digital currencies can suffer high volatility.

"It's not really a crackdown," Lee said. "The central bank previously was not very aware of the details of how bitcoin is utilized, how bitcoin is traded."

However, Lee added that it is essential for regulators to take the time to come up with the “appropriate rules and laws to govern companies, how we do business, to govern individuals [and] how people conduct business online.”

"I think regulation is much needed for this new asset class because otherwise it'll run amok from society. But the challenge is how to craft the rules around this new technology.”

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