






Think back to when the Internet was born.

Now imagine if Wall Street regulators confused it for a **bank**

Imagine if email services were treated like **banks** and **illegal** unless:

- The creators submitted to background checks and fingerprinting by the FBI
- They recorded the name and home address of everyone on an email
- They asked financial regulators before being allowed to offer new features
- They paid unknown bond to the New York Department of Financial Services

The New York Department of Financial Services is trying to make similarly suffocating regulations around internet 3.0

 Filecoin	A distributed system for storing your files online	UNLICENSED & ILLEGAL IN NEW YORK
 namecoin	A better way to allocate domain names and look up websites	UNLICENSED & ILLEGAL IN NEW YORK
 safecoin	A path to making a decentralized internet services	UNLICENSED & ILLEGAL IN NEW YORK
 ethereum	A project to make a distributed global computer	UNLICENSED & ILLEGAL IN NEW YORK
 bitcoin	an open, anonymous currency and [so](link) [much](link) [more](link)	UNLICENSED & ILLEGAL IN NEW YORK

Submit your comment and #SaveTheCoins

Dear Benjamin Lawsky,

Please reconsider the Bitlicense regulation proposed by the New York Department of Financial Services. In particular, the regulations should narrowly target the provision of financial services, rather than attempting to regulate an incredibly broad and general new protocol/technology in its entirety. In addition, please add provisions to allow small startups and open source projects to survive without being crushed by regulatory burden.

Sincerely,

Q&A

Are non-financial services like Namecoin and Filecoin really included in the proposed Bitlicense regulation?

Yes. The proposed regulation defines a virtual currency as any "digital unit" that is used as a "medium of exchange" or "digitally stored value", and says they shall be "broadly construed" to include centralized and decentralized systems, and systems where said digital units can be obtained through "computing or manufacturing effort". Since Namecoins and Filecoins are "digital units" that have value may be exchanged, it is reasonable to interpret them as virtual currencies. The regulations state that unlicensed parties may not conduct "virtual currency business activities" with a New York resident, where "virtual currency business activities" are incredibly broadly defined as to "receiving virtual currency for transmission or transmitting the same" and "controlling, administering, or issuing Virtual Currency". Since mining nodes act as transmitters and administrators for the network, it seems they would need to block all New York IPs or license with New York State (in which case they would have the impossible task of recording the physical address of every party to a transaction they process). Similarly, if an open source project is construed as "administering or issuing" virtual currencies, then it seems like the project or contributors would need to apply for a license with the New York Department of Financial Services. See section

What are the privacy implications of Bitlicense as proposed?

The proposal undermines the privacy of bitcoin and distributed systems by requiring that every licensee keep detailed records including name and physical address of every party to every transaction with a licensee, regardless of whether any of the parties were New York Residents. See Section 200.12, part (1).

Are the proposed regulations constitutional?

Probably not. In "American Libraries Association v. Pataki" (1997), a New York law that made it illegal to display pornography to minors was deemed unconstitutional, falling afoul of the Commerce Clause and the First Amendment. It was found unconstitutional under the commerce clause because it "represents unconstitutional projection of New York law into conduct that occurs wholly outside of New York", because "the burdens on interstate commerce resulting from the Act exceed any local benefit derived from it", and because "the Internet is one of this areas of commerce that must be marked off as a national preserve to protect users from inconsistent legislation that, taken to its most extreme, could paralyze development of the Internet altogether.". As these arguments all apply to blockchain technologies, it seems likely that Bitlicense could be struck down on similar grounds. For a thorough analysis of the constitutionality of Bitlicense, read [here](http://wefivekingsblog.blogspot.com/2014/07/here-are-my-official-comments-on-new.html); to read the judgment on American Libraries Assosiation v. Pataki, read [here](http://www.loundy.com/CASES/ALA_v_Pataki.html)

If the regulations are so broad, do they affect video game currencies?

No, the regulations make a particular exemption for video game currencies, as well as customer loyalty programs, et cetera.