

Drafting Committee on Regulation of  
Virtual Currencies  
July 13, 2015

The work in this area began with a study committee on Alternative and Mobile Payment Systems. As you know from the notice that went out to all Commissioners, the Executive Committee approved a drafting committee but limited the work to an act creating a regulatory framework for virtual currencies. That is where the action now is in the states, and it is responsive to the recommendation of the study committee based on (1) discussion at a stakeholders' meeting, as well as (2) the clear need for a rapid track uniform act to prevent overlapping regulation among the states and regulation that does not frustrate innovation in this rapidly developing area, and (3) a timely product that has a chance to be widely adopted. In order to make our effort known, an informational session on possible issues to be considered is planned for Monday night, July 13, from 7:30 to 8:30. This will be an educational session rather than for discussion, but anyone who wishes to comment after the presentation should send the comments to the chair and the reporter by the end of summer so their comments can be considered by the committee at its first meeting. You are urged to do this not only to help the committee, but so we can adequately cover the potential issues in the one hour information session on Monday. We will appreciate your cooperation. The informational session is designed to get us all up to speed since we may well seek only one reading before final action in 2016.

The issues the drafting committee may consider include: (1) relation to probably federal law by regulation of the CFPB and FINCEN, (2) the balance between a law enactable in 53 jurisdictions but flexible enough not to frustrate innovation in an area still rapidly developing, (3) what the scope of the law should be and why, (4) key definitions and what a licensing or registration structure should look like, including what activities should not be included and what businesses should be exempted, (5) particular aspects of a licensing structure such as capital requirements, permissible investments, relation to state money transmission laws, and records and supervision, (6) protection against hacking and security breaches, and (7) consumer protections.

Attached for your information is the final report of the study committee including proposed issues to be considered drafted by CSBS and a paper discussing what a regulatory scheme should consider as well as the latest regulatory proposal by New York. The paper can be found at <http://coincenter.org/wp-content/uploads/2015/04/StateDCPrinciplesV1.1.pdf>.