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July 14, 2017

The National Conference of Commissioners on Uniform State Laws  
111 N. Wabash Avenue  
Suite 1010  
Chicago, Illinois 60602

Dear Attendee of the ULC San Diego meeting

My name is Llew Claasen and I am the Executive Director of the Bitcoin Foundation, a non-profit organization founded in September 2012 in Washington, DC. Comprised of senior leaders in the Bitcoin community, the Bitcoin Foundation coordinates joint efforts of the Bitcoin community, helping to create awareness of the benefits of Bitcoin, its uses and its related technology requirements. The Foundation's audience includes technologists, regulators, the media and its reach is global.

The Bitcoin Foundation has been at the forefront of campaigning for an unimpeded economic system for the future. In November 2013, Patrick Murck, general counsel of the Bitcoin Foundation, testified before a United States Senate committee convened to assess digital currencies. After engaging with federal regulators and lawmakers, a near-unanimous consensus that the federal government needed to be careful to avoid hampering the growth of the world's first completely decentralized payment network resulted.

We understand that you may be asked, during your meeting in San Diego, to approve a proposed uniform statute "Uniform Regulation of Virtual Currency Businesses Act." The Bitcoin Foundation urges you not to adopt this proposed model act. Approving the act in its current form will discourage inclusive financial innovation arising out of blockchain technology and cryptocurrencies like Bitcoin. I am enclosing a letter from one of our members, Theo Chino, to ULC's leadership, who explained, through counsel, the significant legal risks associated with this proposed model act.



The proposed statute is itself modeled after the “Virtual Currency” regulation passed in New York by the New York Department of Financial Services (Part 200 of Chapter 1 of Title 23 of the New York Codes, Rules and Regulations), also known as BitLicense. Since the BitLicense’s promulgation, small businesses in the fintech, or financial technology, industry in New York have been driven out by the onerous licensing and compliance requirements – see Daniel Roberts, Behind the “Exodus” of Bitcoin Startups from New York, FORTUNE (Aug. 14, 2015), <http://fortune.com/2015/08/14/bitcoin-startups-leave-new-york-bitlicense/>.

Adopting a model act with the characteristics of the New York regulation is sure to threaten the existence of the fintech industry nationwide. Just as the fintech industry’s use of cryptocurrency was stifled in New York, it is highly likely that this proposed model act will have a similar negative impact across every state adopting this approach. These innovative businesses will migrate to more welcoming jurisdictions and weaken America’s ability to compete in the emerging field of fintech.

The proposed regulation notes that the ULC is aware that it may be premature to regulate cryptocurrencies and on this point, we concur. Cryptocurrencies are not all created equal. Some cryptocurrencies display characteristics that make them promising early candidates for use as a commodity store of value, while others have characteristics that suggest they are more likely to be widely adopted when used as a medium of exchange. It is not desirable to classify virtual currency businesses as equivalent to money transmission businesses while refraining from classifying virtual currencies as money. At the same time, it’s not yet desirable to classify cryptocurrencies as money.

The Bitcoin Foundation respectfully requests that you refrain from adopting this proposed statute in its current form. Cryptocurrencies need more time and a hands-off regulatory approach to unlocking their potential for inclusive financial innovation.

Should you have any questions, please feel free to get in contact.

Yours sincerely,

Llew Claasen  
Executive Director  
The Bitcoin Foundation