



Comments to the Illinois Department of Financial and Professional Regulation in Support of the Proposed Digital Currency Regulatory Guidance

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January 13, 2016

Coin Center is an independent nonprofit research and advocacy center focused on the public policy issues facing digital currency technologies such as Bitcoin. Our mission is to build a better understanding of these technologies and to promote a regulatory climate that preserves the freedom to innovate using blockchain technologies. We do this by producing and publishing policy research from respected academics and experts, educating policymakers and the media about blockchain technology, and by engaging in advocacy for sound public policy. We welcome the opportunity to comment on the Illinois Department of Financial and Professional Regulation's proposed Digital Currency Regulatory Guidance.

We enthusiastically offer our unqualified support for the proposed guidance. Digital currencies and the open blockchain networks that power them are fundamental innovations that promise to bring real and positive change to financial services consumers, as well as the world at large. These technologies can ensure that transparency, interoperability, and security are incorporated into consumer financial products *by design* at the level of basic communications and computing infrastructure. They can empower people to engage directly in digital commerce, without the need for costly, complicated, or privacy-reducing intermediary service providers. Critically, they are open innovations that serve as platforms to enable a diverse and unbounded set of innovators in their development and testing of new and promising applications dealing in financial or other trust-focused services like identity, notarization, and recordkeeping.

That said, these technologies are still undergoing rapid development and change; the groundwork has been laid but it may be some time before these systems truly mature and prove their worth. The approach taken by the Department will enable these nascent innovations to grow and flourish unencumbered by regulatory regimes that were calibrated for traditional business methods and financial systems. By refusing to treat purely digital currency based activities as money transmission, the Department will avoid placing ill-fitting regulatory obligations onto innovative new digital currency firms. By clarifying that firms who perform exchange services of digital currency for fiat money do qualify as money transmitters, the Department will eliminate regulatory uncertainty and guarantee that consumers are protected. Leaving regulation of purely digital currency firms to future

regulatory or legislative proceedings indicates a laudable respect for commonsense statutory interpretation, regulatory humility, and pro-innovation policy making.

We are thankful for the clear and concise manner by which the Guidance enumerates those activities which do and do not qualify as money transmission. This is no easy feat given the breadth of statutory language and the wide variety of new activities that digital currencies can facilitate. We agree, in particular, that mining, merchant processing, multi-sig wallet provision, mere transfer of digital currency by itself, and digital currency for digital currency exchange, are not a good fit for classification as money transmission under the laws of Illinois, and we appreciate the care taken to explain these categories of activity and their status as unregulated under existing money transmission law.

This is an extraordinary approach, particularly in light of the increasingly convoluted landscape of state-by-state money transmission licensing and the emergence of premature and mis-calibrated digital currency licensing regimes that can stifle innovation here in the U.S. without offering concomitant benefits in consumer protection. Other states, like Texas and Kansas, have also pursued a policy of not treating purely digital currency transactions as money transmission as the Department now proposes for Illinois. It is heartening to see a solid group of states taking a reasonable and transparent approach to regulation that does not attempt to stretch statutory interpretation or apply ill-fitting older rules to new technologies.

We applaud the Department for taking these steps, and hope their approach will serve as a model for other states looking at regulating within this sector. Please consider us a resource for information on these technologies as you go forward.