

ALERTS

Virtual Currency Regulation: ‘BitLicense’ Re-Proposed by NYDFS

February 6, 2015

On Feb. 5, 2015, the New York State Department of Financial Services (“NYDFS”) issued for public comment a revised proposal^[1] for the “BitLicense” regulatory licensing scheme for virtual currency businesses that conduct transactions with New York businesses and consumers. Comments will be due 30 days after the revised proposed rules are published in the *New York State Register*. The NYDFS initially proposed a “BitLicense” regulatory scheme in July of last year^[2] and received over 3,000 comments in response.

The revised proposed rules incorporate numerous changes suggested during the July 2014 public comment period, such as:

- Providing broad power in the superintendent to issue two-year “conditional licenses” to applicants;
- Carving out from the definition of “Virtual Currency” digital units used in connection with “Gift Cards” (as defined by the proposal);
- Eliminating the requirement that, to the extent practicable, licensees obtain the identity and address of transaction counterparties; and
- Requiring the maintenance of to-be-determined and negotiated capital reserves instead of prescribing permitted uses of retained earnings.

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If you have any questions concerning this *Alert*, please contact your attorney at Schulte Roth & Zabel or one of the authors.

[1] A copy of the revised proposal is available on the NYDFS website.

[2] A copy of the original proposed rules is available on the NYDFS website. See our previous *Alert*, “Virtual Currency Regulation: Summary and Analysis of the New York State Department of Financial Services Proposal,” for a summary and analysis of the July 2014 proposal.

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