

[First Take on Ben Lawsky's Reddit AMA](#)

New York Superintendent of Financial Services, [Ben Lawsky](#), [took to Reddit](#) today to do an hour-long "Ask Me Anything". He seemed reasonably open and thoughtful about the bitcoin space, taking care to mention several times that his team wants: "...to move carefully and not go so fast that we fail to see the unintended consequences of the framework".

Some highlights...

Regarding banks' unease with bitcoin-related activity:

"I think new, careful regulations, especially related to preventing money laundering, will make banks more comfortable with Bitcoin-related activity over time."

Clarifying his innovation-quashing comment from January's NYDFS hearings:

"In context, I was also trying to emphasize that money laundering is not to be taken lightly — in many ways it is the lifeblood of terrorism around the world. My hope is that if we can get appropriate guardrails in place to prevent money laundering, we can take a deep breath and really focus on trying to ensure that virtual currency firms flourish and continue to develop and innovate. I'm very excited about what the future could hold for this very powerful technology."

In response to an "on-ramp" for small virtual currency companies/startups, and the similarities to regulating small banks that don't have big budgets for compliance:

"We've had some success in getting these regulations amended so they don't crush smaller community banks. Any regulations we issue for virtual currency firms will have to be carefully tailored with this in mind."

On the existence and potential of bitcoin and crypto-currency in general:

"Hard to put the genie back in the bottle. I can't predict the future but Bitcoin is certainly a new powerful technology that holds a lot of promise for the future if we can mitigate some of the potential negatives like money laundering."

"Bitcoin holds the potential to bring the costs of international transactions way down. That could be huge for the thousands and thousands of New Yorkers who today send money back to their families in their home countries at great expense."

What does Superintendent mean?

"No one knows what Superintendent means anyway."

Comments on incenting US-based exchanges:

"We hope regulatory clarity will attract exchanges to the United States. I suspect that they are staying offshore right now because they don't know what the rules of the road here are or will be. 2. We do hope that regulation will create a level of certainty that could incentivize banks to promote not stifle these innovations. I also suspect there are banks who are quite interested in the technology

but are being risk averse for now in the absence of regulatory clarity.”

He noted that his own thoughts/impressions on bitcoin have evolved significantly, saying:

“I’ve personally evolved a lot on the issue the more I have learned. I wouldn’t compare it to a Rocky-IV-final-scene about-face and it has taken time for all of us at DFS to get our minds around it, but certainly our views have changed.”

Regarding bitcoin mixers/tumblers:

“We are looking closely at “tumblers” and have been getting some feedback both pro and con. Don’t have answer yet on that and would welcome additional thoughts people have. At our hearing, it was clear the use of tumblers was something that had created issues for law enforcement in their investigations. At the same time, we understand there can be legitimate uses for tumblers and we get that there can be real value in having privacy when it comes to financial transactions. Again, it becomes a question of getting the balance right.”

On financial privacy:

“I think financial privacy is an important value. At the same time, there is an important competing value in preventing money laundering which often requires that those engaging in financial transactions (especially when large) provide some identifying information so we can make sure we’re not permitting things like terrorist financing...”

MtGox [Update: below quote is from before MtGox's Feb 24th complete shutdown]:

“The Mt. Gox shutdown was a reminder that this is still a young industry and there are still problems getting worked out sometimes on a daily basis. I think we should stay positive about that. We’re seeing a shaking out of the industry and that’s as it should be — it will lead to improvements. ... Maybe more importantly, the Mt. Gox issue underscored for us that it would be far easier if we had some exchanges locally that we could interact with, allowing us to better understand these issues so as to protect those engaging in trades with the exchanges. We’re hopeful that clear regulations, if done in a smart, modern way, may incentivize some of these exchanges to come ashore (hopefully here in NY).”

Bitcoin in general:

“I think Bitcoin or the underlying technology has a lot of potential on numerous levels. As Professor Athey said at our hearings, even the experts don’t know today how the technology will evolve and what it will ultimately look like. But I do think it holds a lot of promise (if money laundering can be adequately addressed), both on its own and in terms of causing existing payments system technologies to up their game.”

All in all, it’s clear that Mr. Lawsky is looking deeply into the bitcoin space, and both sees the potential as a technology as well as the regulatory challenges. Let’s hope Mr. Lawsky takes special care to allow the innovation to happen by keeping compliance burdens for innovators and small startups to a bare minimum. If you have a comment for Mr. Lawsky, he’s active on Twitter:

[@BenLawsky](https://twitter.com/BenLawsky)

