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accepting virtual currencies, such as Bitcoin, as a payment method. But as the popularity of digital cash rises, states are beginning to look at ways to regulate its use.

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From food trucks to online retailers, a growing number of mainstream businesses are accepting virtual currencies, such as Bitcoin, as a payment method. But as the popularity of digital cash rises, states are beginning to look at ways to regulate its use.

New York released a draft proposal last month outlining a licensing framework for the state's virtual currency businesses. The “BitLicense” regulations provide rules on consumer protection, anti-money laundering compliance and cybersecurity. But the Empire State isn't alone. California is developing its own regulatory structure for digital currency.

In addition, the Conference of Bank Supervisors (CSBS) in February announced the formation of the Emerging Payments Task Force. The assembled group of experts — nine of whom are state regulators — are studying changing payment systems, including virtual currencies, to assess the impact to national, state and local financial marketplaces.

Used initially on black-market websites, virtual, or “crypto” currencies are unique computer files that are typically encrypted and can be used to buy goods and services that accept them. A number of stores and online vendors accept virtual currency as payment and are also purchased as an investment. Bitcoin is one of the more common forms of digital cash. Think of them as a finite number of coins that exist only in cyberspace, “mined” by computers, much like gold is mined from the Earth.

New York appears to be the first state to release a regulatory scheme to govern

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currency or vice versa, or the conversion or exchange of one form of virtual currency into another;

–Buying or selling virtual currency as a customer business (distinct from personal use); or

–Controlling, administering or issuing a virtual currency (not including virtual currency miners).

Not everyone is enthusiastic over New York's efforts, however. The New York Times reported on July 29, that a number of Bitcoin supporters were at odds with each other over whether the regulations were helpful.

Government Technology reached out to the New York State Department of Financial Services (DFS) for comment on the proposed regulations, but did not receive a response. The proposed rules were published in the July 23 edition of the New York State Register.

A 45-day window is now in effect for public comment. Once that period ends, the regulations will be further reviewed and potentially revised based on that feedback before being finalized.

Mark Leyes, director of communications for the California Department of Business Oversight (DBO), said it was too early to comment on New York's BitLicenses. But he indicated that DBO staff are keeping tabs on New York's progress as the department develops California's own virtual currency requirements.

The DBO published an advisory document on virtual currencies in April. The memo reads as an FAQ, informing California residents and businesses of the risks involved with using and investing in digital cash.

Leyes added that regulating virtual currency presents a challenge due to its cyber-

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funds and investments,” Leyes said.

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