From: Dave Cohen
Sent: Thu, 10 Jan 2019 00:27:17 +0000
To: Mnuchin, Steven
Subject: AI-Blockchain Cybersecurity

Hello Steven,

Taekion is the first AI and blockchain based platform that will disrupt the global cybersecurity industry.

Our team has successfully started and exited several software ventures and this quarter we are proving concept in electric grids, telecom, financial services, manufacturing and other verticals.

Next quarter we will launch our platform with a SaaS and custom platform development revenue model.

Would you be interested in investing in our early stage round for accredited investors? If so, we can send detailed company info.

Thank you for your consideration.

Kindest regards,

Dave Cohen
CEO
Taekion, LLC
https://hyperlink.services.treasury.gov/agency.do?origin=www.taekion.com

From: (b)(6)
Sent: Sat, 20 Jul 2019 14:03:54 -0700
To: Mnuchin, Steven;secretary@treasury.gov;minister@finance.gov.ng;(b)(6) @gmail.com
Subject: Bitcoin Is Unrecognized By The Central Government Of The World (On Which We Live): The True Creator Of Bitcoin (In The Said World) Can Be Known

TO: ALL

THE WORLD

The whole planet Earth [considered created by God (i.e. Allah, or any other accordingly)] exists. We live on this world.

I am the only universal head of state ever known for official representation of over-6-billion persons in and of the said world.

I am the only official representative of the central government of the said world; and so, I am the only official representative of the world.

BITCOIN

Bitcoin is a cryptocurrency (i.e. a created digital currency). It exists in the said world. It is unrecognized by the said central government.

FP and PFP are the two official universal legal tenders and the two official universal currencies of the said world.

The true creator of the said Bitcoin is unknown to most people in the said world.

Anyone, that cares to know the true creator of this Bitcoin and the main reason for its creation, should consult the said God.

Truth can be known anywhere the said God exists.

ISSUE DATE: July 20, 2019

--

FROM: (b)(6)
(Universal Head Of State)

GOVERNMENT: Universal Royal Government (Under His Universal Majesty (b)(6)
(b)(6))

FORMATION: Effective In And From Year 2013, Based On The Office Of The Father Of The Work Effective Before October In Year 2005

JURISDICTION: The Whole Or Entire Universe, Or The Cosmos, (From And Under His Universal Majesty; And From Which There Is No Unfairness, Evil, Financial Poverty, Or Sorrow, Duly) Including The Universally Fair, Rich And Powerful Planets Mercury, Venus, Earth, Mars, Jupiter, Saturn, Uranus, Neptune And Pluto (From And Under His Universal Majesty; And Individually Composed Of The Humans And The Non-humans Accordingly)

A RELEVANT PLANETARY POSITION OF HIS UNIVERSAL MAJESTY: Representative Of The Central Government Of The Whole Planet Earth [Considered Created By God (I.E. Allah, Or Any Other Accordingly)]

SOME PLANET EARTH-RELATED EVERLASTING AND STABLE UNIVERSAL CURRENCY EXCHANGE RATES:

US$1 = ₦184 (Nigerian Naira)

FP1 = US$12

PFP1 = US$6

FP1 = ₦2,208 (Nigerian Naira)

PFP1 = ₦1,104 (Nigerian Naira)

CURRENCY MEANINGS:

FP means Fair Paradise

PFP means Political Fair Paradise

CONTACT POINT: (b)(6)
Building At (b)(6)
(b)(6)
(b)(6)

PLACES: Political Universal State,
Non-political Universal State, &
Universal Palace

POSTAL ADDRESS: (b)(6)
(b)(6) Earth, Universe

From: Kim McHugh
Sent: Tue, 21 Aug 2018 14:44:28 +0000
To: Kim McHugh
Cc: info
Subject: Blockchain Demystified - Real World Use Cases Webinar

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- Use Case Study #2 - Federal Health / Clinical Research
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From: (b)(6)
Sent: Thu, 21 Jan 2021 03:32:21 +0000
To: Mnuchin, Steven
Subject: FinCEN's proposed rule on cryptocurrency transactions

** Caution: External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dear Secretary Mnuchin,

FinCEN has a long history of applying its regulations in a technology-neutral manner. However, newly proposed rules would place a different and more burdensome standard on cryptocurrency transactions than applies to legacy transactions like cash withdrawals or check paying.

Financial institutions that deal with cryptocurrency would have to record the name and physical address of counterparties to customers while banks and other legacy institutions would continue to face no such requirement.

Not only does this discriminate on the basis of technology, it will be impossible for financial institutions to fully comply, thus effectively banning certain cryptocurrency transactions with no benefit (and likely great cost) to law enforcement.

I urge you to ensure that the proposed rule does not create such a disparity by removing the requirement that counterparty information be recorded.

Thank you for your time and consideration.

Yours sincerely,
(b)(6)

This email was sent by (b)(6) via Do Gooder, a website that allows people to contact you regarding issues they consider important. In accordance with web protocol RFC 3834 we have set the FROM field of this email to our generic no-reply address at campaigns@good.do, however Tommy provided an email address ((b)(6)@gmail.com) which we included in the REPLY-TO field.

Please reply to (b)(6) at (b)(6)@gmail.com.

To learn more about Do Gooder visit https://hyperlink.services.treasury.gov/agency.do?origin=www.dogooder.co
To learn more about web protocol RFC 3834 visit:
https://hyperlink.services.treasury.gov/agency.do?origin=https://tools.ietf.org/html/rfc3834

From: (b)(6)
Sent: Thu, 18 Apr 2019 20:28:32 -0400
To: Rothschild (de), David;Rothschild (de), Alexandre;Randal Quarles;Richard Clarida;Miki Bowman;Mnuchin, Steven;Mandelker, Sigal;Carranza, Jovita;Janet Yellen;Stan Fischer
Subject: Jiim Rickards: Dollar Dominance Under Multiple, Converging Threats

Dollar Dominance Under Multiple, Converging Threats

by James Rickards
Posted
April 16, 2019

For years, currency analysts have looked for signs of an international monetary "reset" that would diminish the dollar's role as the leading reserve currency and replace it with a substitute agreed upon at some Bretton Woods-style monetary conference.

That push has been accelerated by Washington's use of the dollar as a weapon of financial warfare, including the application of sanctions. The U.S. uses the dollar strategically to reward friends and punish enemies.

The use of the dollar as a weapon is not limited to trade wars and currency wars, although the dollar is used tactically in those disputes. The dollar is much more powerful than that.

The dollar can be used for regime change by creating hyperinflation, bank runs and domestic dissent in countries targeted by the U.S. The U.S. can depose the governments of its adversaries, or at least blunt their policies without firing a shot.

But for every action, there is an equal and opposite reaction.

As the U.S. wields the dollar weapon more frequently, the rest of the world works harder to shun the dollar completely.

I've been warning for years about efforts of nations like Russia and China to escape what they call "dollar hegemony" and create a new

financial system that does not depend on the dollar and helps them get out from under dollar-based economic sanctions.

These efforts are only increasing.

Russia has sold off almost all of its dollar-denominated U.S. Treasury securities and has reduced its dollar asset position to almost zero. It has been amassing massive quantities of gold, and has increased the gold portion of its official reserves to over 20%. Russia has almost 2,000 tonnes of gold, having more than tripled its gold reserves in the past 10 years. It has actually acquired enough gold to surpass China on the list of major holders of gold as official reserves.

This combination of fewer Treasuries and more gold puts Russia on a path to full insulation from U.S. financial sanctions. Russia can settle its balance of payments obligations with gold shipments or gold sales and avoid U.S. asset freezes by not holding assets the U.S. can reach.

And Russia is providing other nations a model to achieve similar distance from U.S. efforts to use the dollar to enforce its foreign policy priorities.

Certainly any talk of a monetary reset must involve China. Despite its present weakness, China is still the second-largest economy in the world and the fastest-growing major emerging market. Like Russia, China is amassing gold, and likely has far more gold than it officially lists. It has also been helping to suppress gold prices so that it can buy gold cheaply without driving up the price.

Europe has also shown signs that it wants to escape dollar hegemony. For example, German Foreign Minister Heiko Maas has called for a new EU-based payments system independent of the U.S. and SWIFT (Society for Worldwide Interbank Financial Telecommunication) that would not involve dollar payments.

SWIFT in the nerve center of the global financial network. All major banks transfer all major currencies using the SWIFT message system. Cutting a nation off from SWIFT is like taking away its oxygen.

In the longer run, these are just more developments pushing the world at large away from dollars and toward alternatives of all kinds, including new payment systems and cryptocurrencies. The signs of a reset are everywhere, but at least for now the dollar is still king of the hill.

The dollar represents about 60% of global reserve assets, 80% of global payments and almost 100% of global oil sales. With such a dominant position, the dollar will not be easy to replace. Still, the trends are not good for the dollar. The international reserve position may be 60%, but as recently as 2000 it was over 70% and just a few years ago it was still at 63%. That trend is not your friend.

Another challenger to the dollar is the IMF's special drawing rights or SDRs. The SDR is a form of world money printed by the IMF. It was created in 1969 as the realization of an earlier idea for world money called the "bancor," proposed by John Maynard Keynes at the Bretton Woods conference in 1944.

The bancor was never adopted, but the SDR has been going strong for 50 years. This article describes how the IMF could function more like a central bank through more frequent issuance of SDRs and by encouraging the use of "private SDRs" by banks and borrowers.

At the current rate of progress, it may take decades for the SDR to pose a serious challenge to the dollar. But that process could be rapidly accelerated in a financial crisis where the world needed liquidity and the central banks were unable to provide it because they still have not normalized their balance sheets from the last crisis.

In that case, the replacement of the dollar could happen almost overnight. Individuals will not be allowed to own SDRs, but you can still protect you wealth by buying gold. That's what Russia and China are doing. Both countries have more than tripled their gold reserves since 2009.

But attacks on the dollar are not limited to gold or SDRs themselves. The most imminent threat to the dollar actually comes from a combination of gold and digital currency.

The fact that Russia and China have been acquiring gold is old news. Still, there are practical problems with using gold as a form of currency, including storage and transportation costs. But Russia is solving these transaction hurdles by combining its gold position with distributed ledger, or blockchain technology.

Russia and China could develop a new cryptocurrency that would be transferred on a proprietary encrypted ledger with message traffic moving through an internet-type system not connected to the existing

internet. Other countries could be allowed into this new system with permission from Russia or China.

The new cryptocurrency would be a so-called "stable coin," where the value was fixed with reference either to a weight of gold or another standard unit such as the SDR. Goods and services would be priced in this new unit of account. Periodically, surpluses and deficits would be settled up in physical gold.

Such net settlements would require far less gold than gross settlements (where every transaction had to be paid for in real-time). This type of system (also called a "permissioned blockchain") is not pie-in-the-sky, but is already under development and will be deployed soon. But you can count on the U.S. government being the last to know.

The development of a gold-backed digital currency is just one more sign that dollar dominance in global finance may end sooner than most expect. And we may be getting dangerously close to that point right now.

Regards,

Jim Rickards
for *The Daily Reckoning*

From: mineco sp
Sent: Wed, 14 Feb 2018 08:53:17 +0000
To: Mnuchin, Steven
Cc: (b)(6) ;Malpass, David;(b)(6)
Subject: Message from Minister LE MAIRE to Minister MNUCHIN
Attachments: 20180207 - G20 Letter on crypto assets- tokens - VF(1).pdf

Dear Minister,

On behalf of Minister Bruno LE MAIRE (France), please find enclosed a letter that was sent jointly with German Minister Peter ALTMAIER to the G20 argentinean presidency on the issue of crypto-assets ahead of the next G20 meeting in Buenos Aires (19-20 March).

Best regards,

Charlotte TOURNADRE
Secrétariat Particulier de Bruno LE MAIRE
Ministre de l'Economie et des Finances
Ministère de l'Economie et des Finances
139, rue de Bercy
75572 PARIS Cedex 12
Télédoc 151
[redacted]

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Bundesministerium
der Finanzen

DEUTSCHE
BUNDESBANK
EUROSYSTEM

February 7th, 2018

Dear colleague,

The significant rise and the volatility in the valuation and market capitalization over the past year of digital instruments issued through a distributed ledger technology, referred to as "crypto-assets" or "tokens", warrants in our view a discussion by the G20 on their nature and the issues they raise. This discussion could lead, if appropriate, to international harmonized actions, reflecting the transboundary implications of these tokens.

We believe that there may be new opportunities arising from the tokens and the technologies behind them. They constitute a new, innovative and fast-evolving tool. However, tokens could pose substantial risks for investors and can be vulnerable to financial crime without appropriate measures. In the longer run, potential risks in the field of financial stability may emerge as well.

Four types of challenges can be identified from the onset:

1. Building a common understanding on the nature of tokens. It is necessary to clarify the nature of the new instruments, which are currently largely mislabeled as "currencies" in the media and on the internet. The perception that regulators around the world may have diverging views on the nature of such instruments leads to a lack of clarity for investors and can only fuel speculation. Such an appraisal should make a clear distinction between these applications and the underlying distributed ledger technology, especially *blockchain,* which provides promising avenues for sustainable innovation that France and Germany are keen to pursue.

2. Monitoring the implications of increasing exposures of market participants to tokens in terms of financial stability and market integrity. The implications of this phenomemon for global financial stability seem limited at present. However, given the fast increase in the capitalisation of tokens and the emergence of new financial instruments building on crypto tokens as an underlying, these developments should be closely monitored, in order to assess how financial stability risks can be avoided and how market integrity will continue to be guaranteed. Although at this point we do not see any implications in the field of monetary policy, the potential implications of the use of such tokens as a means of exchange should also be thoroughly assessed in the field of monetary policy. The impact of the issuance of "crypto-currencies", which is currently contemplated by some central banks, deserves to be extensively analysed as well.

Nicolas DUJOVNE
Minister of Finance
Argentina

Cc : G20 Ministers of Finance

3. Offering a better protection to non-professional investors. The buildup of individual exposures to such volatile tokens could have damaging consequences for misinformed investors who do not understand the risks they are exposing themselves to and at least as a first step better information is necessary in that respect. Great efforts have been made in recent years to protect retail investors and consumers more generally, and there is no reason that appropriate frameworks should not be applicable in this sector.

4. Adopting a common approach in the field of anti-money laundering and counter-terrorism financing. Tokens and their potential for financial innovation should not be left to those who make the worst use of them. France and Germany have already taken concrete regulatory measures regarding "virtual currencies" (as defined by the FATF, which include some tokens which are used as a medium of exchange) in the field of anti-money laundering and counter-terrorism financing and the European Union is working in the same direction. However, an efficient pushback against the use of "tokens" and "virtual currencies" for the purpose of criminal activities will require a coordinated international effort.

We suggest to discuss these topics by the G20 this year, starting with a first discussion during our Finance Ministers and Central Bank Governor's meeting in Buenos Aires on March 19-20. We think the best way to progress would be to ask the respective international fora that respond to the G20 (e.g. FSB, FATF, BIS) to complete a report on the four challenges mentioned for the G20 Finance Ministerial in July and propose possible guidelines for further action, as appropriate. To have a more holistic view of the challenges, we should also consider asking the IMF to work on a quantitative analysis of international flows and financial stability issues related to cryptoassets.

Sincerely yours,

Bruno LE MAIRE

Peter ALTMAIER

François VILLEROY DE GALHAU

Jens WEIDMANN

Nicolas DUJOVNE
Minister of Finance
Argentina

Cc : G20 Ministers of Finance

From: (b)(6)
Sent: Wed, 28 Aug 2019 00:01:34 +0000
To: Mnuchin, Steven
Subject: OFAC; Financial Data Exchanges

Mr. Steven Mnuchin,
I am writing because we have submitted an OFAC application regarding financial data exchanges, especially with INSTEX for the Iranians and the Custom Union/cryptocurrency with the Russian Federation for de-dollarization strategy to circumvent US-based sanctions. Due to the appearance of Iran at G7 and other issues, I hope we can open dialogue because we deal with data exchanges for FATCA, OECD CRS, BEPS, and related exchanges for tax compliances and anti-money laundering concerns. We attempted to work with the Obama Administration through an unsolicited proposal; however, it was stonewalled and we have to move our operations overseas and exclude the IRS.
Hope we can connect!
(b)(6) (Tax)

From: (b)(6)
Sent: Wed, 31 May 2017 07:39:07 -0400
To: Mnuchin, Steven
Subject: Paul Craig Roberts: Is Bitcoin Standing In For Gold?



Is Bitcoin Standing In For Gold?

by Paul Craig Roberts and Dave Kranzler | May 31, 2017

In a series of articles posted on https://hyperlink.services.treasury.gov/agency.do?origin=www.paulcraigroberts.org, we have proven to our satisfaction that the prices of gold and silver are manipulated by the bullion banks acting as agents for the Federal Reserve.

The bullion prices are manipulated down in order to protect the value of the US dollar from the extraordinary increase in supply resulting from the Federal Reserve's quantitative easing (QE) and low interest rate policies.

The Federal Reserve is able to protect the dollar's exchange value, vis-a-vis, the other reserve currencies—yen, euro, and UK pound—by having those central banks also create money in profusion with QE policies of their own.

The impact of fiat money creation on bullion, however, must be controlled by price suppression. It is possible to suppress the prices of gold and silver, because bullion prices are established not in physical

markets but in futures markets in which short-selling does not have to be covered and in which contracts are settled in cash, not in bullion.

Since gold and silver shorts can be naked, future contracts in gold and silver can be printed in profusion, just as the Federal Reserve prints fiat currency in profusion, and dumped into the futures market. In other words, as the bullion futures market is a paper market, it is possible to create enormous quantities of paper gold that can suddenly be dumped in order to drive down prices. Every time gold starts to move up, enormous quantities of future contracts are suddenly dumped, and the gold price is driven down. The same for silver.

Rigging the bullion price prevents gold and silver from transmitting to the currency market the devaluation of the dollar that the Federal Reserve's money creation is causing. It is the ability to rig the bullion price that protects the dollar's value from being destroyed by the Federal Reserve's printing press.

Recently, the price of a Bitcoin has skyrocketed, rising in a few weeks from $1,000 to $2,200. Two explanations suggest themselves. One is that the Federal Reserve has decided to rid itself of a competing currency and is driving up the price with purchases while accumulating a large position, which then will be suddenly dumped in order to crash the market and scare away potential users from Bitcoins. Remember, the Fed can create all the money it wishes and, therefore, doesn't have to worry about losses.

Another explanation is that people concerned about the fiat currencies but frustrated in their attempts to take refuge in bullion have recognized that the supply of Bitcoin is fixed and Bitcoin futures must be covered. It is strictly impossible for any central bank to increase the supply of Bitcoins. Thus Bitcoin is standing in for the suppressed function of gold and silver.

The problem with cryptocurrencies is that whereas Bitcoin cannot increase in supply, other cryptocurrencies can be created. In order to be trusted, each cryptocurrency would have to have a limited supply. However, an endless number of cryptocurrencies could be created that would greatly increase the supply of cryptocurrencies. If entrepreneurs don't bring about this result, the Federal Reserve itself could organize it.

Therefore, cryptocurrency might be only a temporary refuge from fiat money creation. This would leave gold and silver, whose supply can

only gradually be increased via mining, as the only refuge from wealth-destroying fiat money creation.

For as long as the Federal Reserve can protect the dollar by bullion price suppression and money creation by other reserve currency central banks, and as long as the Federal Reserve can keep the influx of new dollars out of the general economy, the Federal Reserve's policy adds to the wealth of those who are already rich. This is because instead of driving up consumer prices, thus threatening the US dollar's exchange value with a rising rate of inflation, the Fed's largess has flowed into the prices of financial assets, such as stocks and bonds. Bond prices are high, because the Fed forced up the price by purchasing bonds. Stock prices are high, because the abundance of money bid prices higher than profits justify. As the US government measures inflation in ways designed to understate it, the consumer price index and producer price index does not send alarm systems into the markets.

Thus, we have a situation in which the Fed's policy has done nothing for the American population, but has driven up the values of the financial portfolios of the rich. This is the explanation why the rich are becoming more rich while the rest of America becomes poorer.

The Fed has rigged the system for the rich, and the whores in the financial media and among the neoliberal economists have covered it up.

Dr. Paul Craig Roberts was Assistant Secretary of the Treasury for Economic Policy and associate editor of the Wall Street Journal. He was columnist for Business Week, Scripps Howard News Service, and Creators Syndicate. He has had many university appointments. His internet columns have attracted a worldwide following. Roberts' latest books are The Failure of Laissez Faire Capitalism and Economic Dissolution of the West and How America Was Lost.

From: Sayed, Jamal
Sent: Wed, 27 Feb 2019 21:15:40 +0000
To: Mnuchin, Steven
Subject: promise of blockchain webinar

Hi Steven,

Interested in the future of transactional technologies?

Blockchain promises to provide a stable, universal foundation for transactions ranging from supply chains to healthcare to financial services. Companies are concerned about the risk, but the problem isn't blockchain – it's the blockchain technology market.

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- Roadblocks caused by the fluctuating blockchain market
- Ways to hedge your risk in the blockchain technology ecosystem
- The aspects of these issues that Information Builders technology addresses

Register Here!

All the best,

Jamal

Jamal Sayed | Information Builders
[redacted]
https://hyperlink.services.treasury.gov/agency.do?origin=www.informationbuilders.com



Not interested in block chain? Unsubscribe here

From: Tom Robinson
Sent: Sun, 1 Mar 2020 21:15:00 +0000
To: (b)(6)
Cc: Myers, Baylor; (b)(6) ;Mnuchin, Steven
Subject: Re: Agenda | Cryptocurrency Meeting at Treasury Department | March 2, 2020
Attachments: Elliptic - Recommendations for crypto asset regulation.pdf

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Dear (b)(6) ,

Wences Casares asked me to forward you my attached policy recommendations in advance of this meeting. Please could you share this document with the Treasury participants?

Kind regards,
Tom Robinson

--

Dr Tom Robinson, Co-Founder & Chief Scientist
[redacted]@elliptic.co
https://hyperlink.services.treasury.gov/agency.do?origin=www.elliptic.co

On Fri, 28 Feb 2020 at 20:14, <Steven.Mnuchin@treasury.gov> wrote:

All,

Please see attached for the cryptocurrency meeting agenda.

We look forward to seeing you at Treasury this Monday, March 2, 2020 at 11:00 a.m. in room 3327.

Sincerely,

Steven T. Mnuchin

Secretary of the Treasury

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ELLIPTIC

March 1, 2020

Recommendations for further effective and achievable regulation of crypto-asset activities

1. Addressing the risks posed by overseas crypto-asset exchanges engaged in money laundering.

The US financial system faces risks of exposure to certain crypto-asset exchanges (or other entities, such as mixers) abroad that are not subject to AML requirements and that are engaged in facilitating, sometimes deliberately, very large volumes of illicit activity.

We recommend that FinCEN use its authorities under Section 311 of the PATRIOT Act to target overseas crypto-asset exchanges that do not follow AML requirements and are known to be facilitating large volumes of illicit activity. This would require covered financial institutions in the US to apply certain special measures, such as reporting on certain transactions involving these overseas businesses or denying them access to correspondent accounts. This would help to protect the US financial system against exposure to overseas exchanges involved in deliberate and egregious money laundering activity.

In taking any such action, FinCEN should also ensure that all regulated US crypto-asset businesses are captured under the definition of "covered financial institutions" as applied under Section 311 and would therefore be required to implement certain measures, such as requirements to report on transactions involving any foreign crypto-asset business found to be of primary money laundering concern.[1]

2. The Travel Rule.

In light of the progress the industry is making in identifying potential solutions to the Travel Rule, the Treasury and FinCEN should allow the US industry additional time to agree global solutions with international counterparts. However, we nonetheless recognize it is imperative that the industry take steps to reduce the likelihood of exposure to certain financial crime risks that the Travel Rule is designed to mitigate against, especially sanctions risks.

Therefore, while the industry pursues solutions, **Treasury and FinCEN should make clear that they expect US crypto asset businesses to begin collecting required beneficiary information for all outbound transfers and to screen that information for sanctions compliance purposes - while stopping short of expecting them to transfer the relevant data to their counterparts absent global solutions for doing so**. In the near-term this would reduce the likelihood of US exchanges facilitating transactions with sanctioned parties while the industry pursues comprehensive Travel Rule solutions.

---

[1] As an example of what could be required of covered financial institutions under a 311 action: In 2013 FinCEN took a 311 action against Lebanese exchange houses (https://www.treasury.gov/press-center/press-releases/Pages/jl1908.aspx). One of the measures FinCEN chose to require as part of that action was for, " U.S. financial institutions to report information on any new or attempted transactions by Rmeiti Exchange and Halawi Exchange." In the case of a rogue overseas crypto exchange, US covered financial institutions could similarly be required to report any transactions with this exchange.

ELLIPTIC

3. Clarifying the role of banks in managing crypto-asset risks.

Crypto-asset-related risks are not confined to the sector but increasingly impact on banks and other FIs. However, most banks and FIs do not yet have AML policies and procedures in place to identify and mitigate their exposure to crypto-asset related risks - presenting a systemic risk that the banking sector could be unwittingly exposed to, and facilitating, illicit activity in crypto assets.

Treasury and FinCEN should formally clarify their expectations for banks and financial institutions when it comes to identifying indirect risk exposure and applying a risk based approach to crypto-assets. (See the example of Hong Kong)

4. Clarifying AML monitoring requirements for crypto businesses.

Crypto-assets with different features pose differing levels of money laundering risks. In particular, some crypto-assets are on highly transparent blockchains and can be readily monitored with available AML solutions, while other blockchains are opaque and their transactions can't be monitored for AML purposes using available technical solutions. However, there remains confusion across the industry as to when and how AML controls should be applied to account for these different types of risks.

FinCEN should issue a notice of proposed rulemaking setting out a requirement that exchanges have in place blockchain monitoring solutions as part of their AML controls. Other jurisdictions such as Hong Kong have already made this an explicit requirement. **Any guidance should also provide examples of enhanced due diligence measures that could satisfy AML requirements where automated monitoring solutions are not available (e.g. in the case of privacy coins).**

Dr Tom Robinson
Co-Founder, Elliptic

[redacted]@elliptic.co

From: Pete Briger
Sent: Mon, 9 Mar 2020 17:13:49 +0000
To: Myers, Baylor
Cc: [redacted]@xapo.com;Mnuchin, Steven;(b)(6);(b)(6)
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020
Attachments: ~WRD000.jpg

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Thanks Baylor. We look forward to working with you.
Best, Pete

On Mar 9, 2020, at 10:10 AM, [redacted] wrote:

Wences,

I'm available to serve as a point of contact going forward. Please feel free to call my cell anytime: (b)(6)

Thanks!

J. Baylor Myers | o: [redacted] c: (b)(6)
Deputy Chief of Staff | U.S. Department of the Treasury
1500 Pennsylvania Ave., NW, Washington, D.C. 20220

From: Wences Casares <[redacted]@xapo.com>
Sent: Thursday, March 5, 2020 4:01 PM
To: Mnuchin, Steven <Steven.Mnuchin@treasury.gov>
Cc: (b)(6)@treasury.gov>;(b)(6)
(b)(6)@treasury.gov>; Myers, Baylor <[redacted]; Pete Briger
[redacted]@fortress.com>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

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Dear Mr. Secretary,

Thank you for the kind invitation to meet with you and the members of your leadership team. We really appreciate the time you have dedicated to ensuring the right balance of promoting innovation with the protection of national security.

With whom in your team may I work to study de possibility of ways of collaborating going forward?

Kind regards,

<~WRD000.jpg>

Wences Casares
CEO
(b)(6)
[redacted]@xapo.com
xapo.com

On Wed, Feb 19, 2020 at 8:50 AM <Steven.Mnuchin@treasury.gov> wrote:
Dear Mr. Casares,

Please see attached for your personal invitation to attend a meeting at the U.S. Department of the Treasury regarding cryptocurrency on Monday, March 2, 2020.

I hope you are able to attend,

Steven T. Mnuchin
Secretary of the Treasury

From: Blockchain Use In the Government Workshop
Sent: Fri, 16 Nov 2018 09:32:03 -0600
To: Mnuchin, Steven
Subject: Register for Blockchain in Gov Workshop III - Dec 5 2018

Register: Early Bird Registration Concluded Today - Nov 16th

Blockchain in Government Workshop III:
Getting Comfortable and Observing Increased Traction and Use

Demystifying Blockchain: What You Need to Know About Blockchain, the Use Cases Being Explored, and How it May be Used in Government to Securely Meet Business Needs

For Information or Registration:
https://hyperlink.services.treasury.gov/agency.do?origin=www.PotomacForum.org

Wednesday, December 5, 2018
Willard InterContinental Hotel
Washington, D.C.

Potomac Forum Blockchain I and II Workshops were great successes.
Students requested a follow up Workshop in our Blockchain Series.

Federal agencies are currently funding and building use cases to explore the potential of Blockchain and distributed ledger technologies. Potential applications of the technology continue to expand as government moves toward adoption of the technology to increase efficiencies, trim costs, and increase transparency, and improve security in their operations.

Driven by the advantages of Blockchain and efforts for government transparency and the DATA Act, there are numerous Blockchain use cases that agencies are considering that touch many parts and processes of an organization, including:

- Financial management and services
- Procurement
- IT asset and supply chain management
- Smart contracts
- Patents, Trademarks Copyrights, Royalties
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- Federal personnel workforce data
- Appropriated funds
- Federal assistance and foreign aid delivery
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This Potomac Forum Training Workshop will provide you with practical explanations, "real world" examples and technical resources to help you understand the development of Blockchain.

Partial List of Speakers:

Blockchain and Government Records Management - View from NARA
Sharmila Bhatia &
Kyle Douglas
National Archives and Records Administration

Bo Shevchik
Co-Chair
Association of Government Accountants (AGA)
Blockchain Working Group

Sherri Sokol
DISA Information Technology Specialist
Director's Initiatives Group
Defense Information Systems Agency (DISA)*

Jeremy Wood
Director of Enterprise Architecture
Office of the Chief Information Officer
Millennium Challenge Corporation*

Combiz Richard Abdolrahimi
National Security Lawyer
(Previous Senior Policy Advisor,
Department of the Treasury)

*Awaiting Agency Approval

Why You Should Attend:
- Understand Blockchain and how it can be used in government
- Improve your knowledge of an exploding technology that is currently in use today within government
- Be better equipped to support acquisition decisions including pilots and proof of concepts
- View from NARA: Blockchain and Federal Records Management Requirements

Who Should Attend:
- Federal Government Executives, Managers and staff who are interested in learning about Blockchain and how it can be used in government (and where it is being used today)
- Government Executives, Managers and staff responsible for implementing Agency restructuring plans, and how to get to learning fast with effective pilots and small proof of concepts
- Federal employees or members of employee affinity groups
- Technology leaders and technology implementers
- CXOs
- IGs and Staff
- State and local Government Executives, Managers and staff i
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From: (b)(6)
Sent: Wed, 3 May 2017 10:15:09 -0500
To: postmaster@defense.gov;Mnuchin, Steven
Subject: Terrorist Use of Virtual Currencies

Jim Mattis
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301-1000
postmaster@defense.gov

STEVEN T. MNUCHIN
SECRETARY OF THE TREASURY
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220
steven.mnuchin@treasury.gov

Re: Terrorist Use of Virtual Currencies

Dear Secretaries:

As terrorist organizations begin to use virtual currencies to finance their operations, the Center for a New American Security has released a new report, "Terrorist Use of Virtual Currencies: Containing the Potential Threat." The authors examine the scope of the problem, explore how the problem may grow, and make recommendations for containing it.

In the report, the authors recommend policy leaders:

- Prioritize countering terrorist financing over other kinds of financial crimes;
- Orient the illicit financing policy and regulatory posture toward rewarding and incentivizing innovation; and
- Emphasize and create a practical basis for strengthening coordination between the public and private sectors on terrorist financing.

The paper explores the risk that virtual currencies (VCs) may become involved in the financing of terrorism at a significant scale. VCs and associated technologies hold great promise for low cost, high speed, verified transactions that can unite counterparties around the world. For this reason they could appear appealing to terrorist groups (as they are at present to cybercriminals). Currently, however, there is no more than anecdotal evidence that terrorist groups have used virtual currencies to support themselves. Terrorists in the Gaza Strip have used virtual currencies to fund operations, and Islamic State in Iraq and Syria (ISIS) members and supporters have been particularly receptive to the new technology, with recorded uses in Indonesia and the United States.

Most terrorist funding now occurs through traditional methods such as the hawala system, an often informal and cash-based money transfer mechanism, and established financial channels. If VCs become sufficiently liquid and easily convertible, however, and if terrorist groups in places such as sub-Saharan Africa, Yemen, and the Horn of Africa obtain the kinds of technical infrastructure needed to support VC activity, then the threat may become more significant.

The task of the law enforcement, intelligence, regulatory, and financial services communities, therefore, must be to prevent terrorist groups from using VCs at scale. The use of VCs by "lone wolf" terrorists—a much bigger potential threat because of the small scales of funding needed to execute an attack—represents the kind of problem in intelligence and digital forensics that law enforcement agencies are well equipped to handle, even if they tax existing resources.

Attacking terrorists' use of virtual currency at scale is a challenging task for many stakeholders. New financial technology firms often lack the resources to comply effectively with oversight obligations, while regulators have tended to devote few resources to non-bank institutions. At the same time, different countries have adopted varying approaches to the regulation of virtual currencies, posing an enforcement challenge in a globalized field that requires a unified response. Finally, the privileging of prevention over management of illicit finance risk in the compliance world has created an incentive structure for banks that does not, ironically, push them toward innovative approaches to countering terrorist financing, including via virtual currencies.

The counterterrorist financing community should adopt three guiding principles that will provide the foundation for policies aimed at countering both the new virtual currency threat and the broader illicit finance danger. First, policy leaders should prioritize the countering of terrorist financing over other kinds of financial crime. Second, the policy and regulatory posture should be oriented toward rewarding and incentivizing innovation. Third, policymakers should emphasize and create a practical basis for strengthening coordination between the public and private sectors on terrorist financing. These approaches form the foundation of an effective response to existing and emerging terrorist financing threats and will balance the burden of regulatory compliance with the policy need to support innovative new virtual currency technologies.

Read
Terrorist Use of Virtual Currencies
https://hyperlink.services.treasury.gov/agency.do?origin=https://s3.amazonaws.com/files.cnas.org/documents/CNASReport-TerroristFinancing-Final.pdf

Take time to review this report and give it the weight it deserves.
Thank you for the opportunity to bring this report to your attention.

Yours sincerely.
(b)(6)

cc: House Democratic Whip Office

(b)(6)

E-mail: (b)(6) @att.net

From: Brian Armstrong
Sent: Wed, 06 Jun 2018 14:58:45 -0700
To: Mnuchin, Steven
Cc: Miller, Eli;McIntosh, Brent;Mike Lempres
Subject: Thank you from Coinbase

Dear Secretary Mnuchin,

Thank you for taking the time to meet us two weeks ago. I enjoyed our conversation very much and would love to continue our dialogue as IRS issues and the regulatory system becomes more complex.

Should you find yourself in San Francisco, we would love to invite you to visit our headquarters and meet the rest of our leadership team. If you have any questions, please do not hesitate to reach out. We would love to be a resource to you.

Best,
Brian

--
Brian Armstrong
Co-founder and CEO
Coinbase
San Francisco, CA, USA

From: Pantera Investor Relations
Sent: Sat, 19 Sep 2020 16:37:11 +0000
To: Mnuchin, Steven
Subject: The Fed Promises To Double Inflation #BuyBitcoin :: Pantera Blockchain Letter, September 2020

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Pantera Community Member,

We would like to share with you our September Investor Letter which can be accessed on our Medium page here.

Jay Powell, the Chair of the Federal Reserve, recently announced a major policy shift aimed at supporting the labor market and broader economy — by explicitly creating inflation. The Fed promised to keep printing money until they have more than doubled inflation. In our letter, we discuss the impact this will have on fixed-supply assets like gold, stocks, and cryptocurrency.

If you have any questions about investing with Pantera, please contact us at ir@panteracapital.com. If you would like to unsubscribe from our communications list, please respond "unsubscribe" to this email.

Regards,

Pantera Investor Relations Team

INVESTOR RELATIONS

[redacted]

P A N T E R A

From: Олександр Борняков
Sent: Wed, 7 Oct 2020 13:14:27 +0000
To: FRC@fincen.gov;Mnuchin, Steven;pompeom@state.gov
Cc: Максим Демянюк
Subject: The issues with cryptoexchanges blocking in Ukraine
Attachments: Letter_to_USA_Fincen__Secretary_of_State__Secretary_of_Treasury[4].pdf

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Dear Sirs!

By this letter we express you our respect and are writing regarding the following: we have a deep concern related to termination of services provision by crypto exchanges, registered in your jurisdiction. Based on the stated above, we are sending you an official request (enclosed). I'm looking forward to cooperating with you!

Kind regards,
Oleksandr Bornyakov
Deputy Minister, Ministry of Digital Transformation

МІНІСТЕРСТВО
ЦИФРОВОЇ ТРАНСФОРМАЦІЇ
УКРАЇНИ
вул. Ділова, 24, м. Київ, 03150
[redacted]
E-mail: hello@thedigital.gov.ua
сайт: http://www.thedigital.gov.ua
код згідно з ЄДРПОУ 43220851

Ministry
of Digital Transformation
of Ukraine
24, Dilova str., Kyiv, 03150, Ukraine
[redacted]
E-mail: hello@thedigital.gov.ua
Web: http://www.thedigital.gov.ua
код згідно з ЄДРПОУ 43220851

№ _____ від _____20__ р.

Financial Crimes Enforcement Network
FRC@fincen.gov

United States Secretary of State
pompeom@state.gov

United States Secretary of Treasury
steven.mnuchin@treasury.gov

Dear Sirs!

With this letter we express our respect to you and address the following issue.

It has come to our knowledge that due to restrictions imposed on Crimea residents, crypto exchanges registered in the USA (such as Bittrex, Coinbase, Gemini) have stopped provision of crypto exchange services to all Ukrainian residents.

We are aware that the President of the USA in his Executive Order 13685 of December 19, 2014 Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to the Crimea Region of Ukraine has imposed restrictions on the Crimea region.

Due to such measures virtual assets service providers, registered in Liechtenstein, have stopped provision of such services to all the residents of Ukraine.

Please rest assured that we do respect all the laws and regulations, adopted in the USA. However please note that not all the residents of Ukraine, but only residents of Crimean region, are subject to restrictions imposed by the mentioned Executive Order. This is why there is a strong need of issuing the respective clarification to the virtual assets service providers, registered in the USA.

We suggest you issue such a clarification to eliminate any misunderstandings and improper law enforcement in your country as soon as reasonably possible.

Please send your answer regarding measures taken and our next steps in response to this letter.

We are eager to offer you any help and assistance that you need in this case.

ДОКУМЕНТ СЕД МІНЦИФРА АСКОД
Підписувач Борняков Олександр Сергійович
Сертифікат 12A1C72050EC685404000000A16D0500E8920D00
Дійсний з 12.11.2019 15:31:00 по 12.11.2021 15:31:00
1/05-5-4987 від 05.10.2020

Looking forward to cooperation with you.
Kind regards,

Deputy Minister of Digital Transformation of Ukraine **Oleksandr Borniakov**

From: (b)(6)
Sent: Tue, 22 Dec 2020 09:31:14 -0600
To: postmaster@bidentransition.org;Mnuchin, Steven
Cc: Keith Abouchar
Subject: The U.S. Government Is Targeting Cryptocurrency to Expand the Reach of Its Financial Surveillance

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President-elect Joe Biden
Vice President-elect Kamala Harris
Biden Transition Team
1401 Constitution Ave., NW
Washington, DC 20230
postmaster@bidentransition.org

STEVEN T. MNUCHIN
SECRETARY OF THE TREASURY
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220
steven.mnuchin@treasury.gov

Re: The U.S. Government Is Targeting Cryptocurrency to Expand the Reach of Its Financial Surveillance

Dear President-elect Biden, Secretary and Vice President-elect Harris:

One of the most important aspects of cryptocurrencies from a civil liberties perspective is that they can provide privacy protections for their users. But there is concern that the U.S. government has been increasingly taking steps to undermine the anonymity of cryptocurrency transactions and importing the widespread financial surveillance of the traditional banking system to cryptocurrencies.

On Friday, the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) announced a proposed regulation that would require money service businesses (which includes, for example, cryptocurrency exchanges) to collect identity data about people who transact with their customers using self-hosted cryptocurrency wallets or foreign exchanges. The proposed regulation would require them to keep that data and turn it over to the government in some circumstances (such as when the dollar amount of transactions in a day exceeds a certain threshold).

The proposal appears designed to be a midnight regulation pushed through before the end of the current presidential administration, as its 15-day comment period is unusually short and coincides with the winter holiday. The regulation's authors write that this abbreviated comment period is required to deal with the "threats to United States national interests"

posed by these technologies, but they provide no factual basis for this claim.

Although EFF is still reviewing the proposal, we have several initial concerns. First, the regulation would mean that people who store cryptocurrency in their own wallets (rather than using a professional service) would effectively be unable to transact anonymously with people who store their cryptocurrency with a money service business. The regulation will likely chill the ability to use self-hosted wallets to transact with the privacy of cash.

Second, for some cryptocurrencies like Bitcoin, transaction data—including users' Bitcoin addresses—is permanently recorded on a public blockchain. That means that if you know the name of the user associated with a particular Bitcoin address, you can glean information about all of their Bitcoin transactions that use that address. Thus, the proposed regulation's requirement that money service businesses collect identifying information associated with wallet addresses means that the government may have access to a massive amount of data beyond just what the regulation purports to cover.

Third, the regulation could hamper broader adoption of self-hosted wallets and technologies that rely on them, or at least make it difficult to integrate these technologies with intermediaries like exchanges. The regulations make it significantly more difficult for self-hosted wallet users to seamlessly interact with other users who have wallets provided by a service subject to the regulations. Under the proposed rules, these hosted wallet services would have to collect certain information about self-hosted wallet users who transact with their customers in some circumstances. That may complicate certain automated transactions, such as smart contracts, or be difficult to implement in scenarios involving decentralized exchanges. Despite the name, "wallets" are not just personal stores of currency: they are a way for individuals and computing systems to hold and dispense money without relying on institutions. Adding friction to these types of transactions undermines the technology's importance in giving individuals control over their finances. It could also chill the ability of innovators to create decentralized financial platforms with a wide range of lawful uses.

Fourth, although the proposed rules purport to simply apply pre-existing regulations involving cash transactions to cryptocurrencies, they ignore that these digital financial tools exist in part to afford financial privacy and anonymity equal to and perhaps beyond that of traditional cash. In this respect, the proposed regulations are part of a larger troubling trend of the U.S. government extending the financial surveillance of the traditional banking system to cryptocurrencies. This proposal comes just two months after the Department of Justice published its Cryptocurrency Enforcement Framework, which made it abundantly clear that the DOJ wants to undermine the ability of cryptocurrency users to transact anonymously.

The Framework says, and this regulation repeats, that merely using privacy coins like Zcash and Monero is "indicative of possible criminal conduct." The Framework also says that people operating mixers and tumblers, which make cryptocurrency transactions harder to trace, can be criminally liable for money laundering. Financial regulators, much like

the NSA, apparently suspect that anyone attempting to protect their financial privacy is doing something illegal.

That Framework also targeted decentralized exchanges. Decentralized exchanges are typically open-source software allowing people to exchange cryptocurrency directly with each other, with no other party involved. The DOJ said that those projects have to register with FinCEN and have to "collect and maintain customer and transactional data" or else be subject to civil and criminal penalties.

Other concerning developments this year include the 5th Circuit's decision that law enforcement does not need to get a warrant in order to obtain financial transaction data from cryptocurrency exchanges, and FinCEN's proposal to lower the threshold at which institutions must collect and store transaction data from $3,000 to $250 (in cryptocurrency or fiat currency) to satisfy "Travel Rule" obligations.

These developments are an assault on the ability to transact privately online and an attempt to extend the widespread financial surveillance of the traditional banking system to cryptocurrency. Financial records contain a trove of sensitive information about people's personal lives, beliefs, and affiliations. Nonetheless, courts and lawmakers have allowed widespread warrantless financial surveillance in the traditional banking system. The Bank Secrecy Act requires banks to maintain financial records because of their usefulness in investigations, and in 1976, the Supreme Court (in U.S. v. Miller) allowed the government to obtain bank customers' data without a warrant. EFF is concerned about the U.S. government's attempts to expand this surveillance to encompass cryptocurrency transactions.

Cryptocurrency is important for civil liberties because—like cash—it allows for anonymous transactions. Photos from the Hong Kong protests showed long lines at subway stations as protestors waited to purchase tickets with cash so that their electronic purchases would not place them at the scene of the protest. These photos underscore that a cashless society is a surveillance society—and the importance of importing the anonymity of cash to the digital world.

Cryptocurrency is also important because it is censorship resistant. Many traditional financial intermediaries have engaged in arbitrary financial censorship, cutting off access to financial institutions for adult social networks, adult booksellers, and controversial websites, even when these services have not violated the law.

U.S. regulators' recent actions, including this new proposed rulemaking, threaten to undermine the privacy and civil liberties protections afforded by peer-to-peer technologies. The rulemaking requests comments from the public by January 4, 2021. Oppose this proposed rule, despite—indeed, partly because of—its abrupt deadline.

Yours sincerely,
(b)(6)

cc:
Legislative Correspondence Team
1705 Longworth House Office Building

Washington DC 20515
[redacted]
[redacted]@mail.house.gov
(b)(6)
E-mail: (b)(6)@att.net

From: (b)(6) @aol.com
Sent: Wed, 24 Jan 2018 09:58:40 -0500
To: Mnuchin, Steven
Subject: working group focused on cryptocurrencies
Attachments: 88ti0257-Ozelli.pdf, Bitcoin - Ozelli-2.pdf, 17tmm21Ozelli.pdf

Dear Treasury Secretary Mnuchin,
You announced that the Financial Stability Oversight Council, a government body that assesses financial system risks, has formed a working group focused on cryptocurrencies. I would like to be part of this group if at all possible. I am attaching my articles on this subject matter for your review.
Cointelegraph:
https://hyperlink.services.treasury.gov/agency.do?origin=https://cointelegraph.com/authors/selva_ozelli

Sincerely,
Selva Ozelli, Esq, CPA
Phone: (b)(6)

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Virtual Currency: U.S. Tax Considerations and Fraudulent Activity Amid a Growing Global Market

by Selva Ozelli

Reprinted from *Tax Notes Int'l*, October 16, 2017, p. 257

Virtual Currency: U.S. Tax Considerations and Fraudulent Activity Amid a Growing Global Market

by Selva Ozelli

Selva Ozelli is an attorney and CPA in New York.

In this article, the author examines the growing virtual currency market, focusing on attempts to combat fraud and the proper U.S. tax treatment of global cryptocurrency activity.

July was a landmark month for virtual currencies. According to Investing.com, the value of bitcoin — the most famous and best-performing virtual currency — shot up from $2,200 to $2,800, or 27 percent, in just one month. This dramatic surge has been partially attributed to world regulatory action that allowed bitcoin to become even more mainstream and an important part of the financial and legal infrastructure.

Bitcoin's spectacular market performance also caught the attention of international law enforcement and tax authorities. In a collaborative, synchronized fashion discussed at greater length below, the authorities took action against emerging digital frauds using bitcoins for tax evasion and corrupt transactions. As an IRS Criminal Investigation division official told reporters in 2013:

> If Al Capone were alive today, this is how he would be hiding his money. Our efforts shatter the belief among high-tech money launderers that what happens in cyberspace, stays in cyberspace.[1]

I. What Is a Bitcoin?

Wei Dai first described the cryptocurrency concept on the Cypherpunks mailing list in 1998. He envisioned a new form of money using cryptography, rather than a central issuing authority, to control its creation and transactions. In 2008 a programmer (or group of programmers) using the pseudonym Satoshi Nakamoto and purporting to be from Japan published a paper on the bitcoin concept. Following the release of software for the exchange system using the same pseudonym, bitcoin launched in 2009 as a decentralized, unlicensed, worldwide virtual currency transfer system that allowed anyone with an internet connection to participate. It is a peer-to-peer system that allows users to "mine," buy, sell, or receive bitcoins from around the world.

Strictly speaking, bitcoins are amounts associated with addresses made up of unique strings of letters and numbers. For example, according to a complaint filed in a U.S. federal court, "1Ez69SnzzmePmZX3WpEzMKTrcBF2 gpNQ55" represented nearly 30,000 bitcoins worth about $20 million when they were seized by the FBI during the October 2013 shutdown of the Silk Road (an underground website used in the illegal drug trade).

Bitcoin users access their virtual currencies through a "wallet," the bitcoin equivalent of a bank account. The wallet enables virtual currency owners to receive units of the cryptocurrency, store them, and send them to other wallets. All bitcoin transactions are tracked and made public using blockchain, a digital ledger that is distributed over a network of computers rather than being located on a single server or a set of servers. Blockchain is not owned by one person or organization; transactions made in virtual currencies are recorded chronologically and publicly. It is almost impossible to alter the historical records on a blockchain — when

[1] Marc Santora, William K. Rashbaum, and Nicole Perlroth, "Online Currency Exchange Accused of Laundering $6 Billion," *The New York Times*, May 28, 2013.

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bitcoins are stolen, they can be traced to the recipient's wallet.

Bitcoin allows users to move funds quickly and efficiently across national borders without being tied to one country's currency, capital controls, or government actions. Unlike traditional money, bitcoin is not issued or regulated by any government, does not have middlemen such as the Federal Reserve Bank or any other bank, and does not have a physical form. Bitcoin's decentralized feature — unique among virtual currencies — makes detecting suspicious activity, identifying users, and obtaining transaction records problematic from a law enforcement perspective.

Since bitcoin's launch, 3 million people, from all walks of life, have sent about $126 billion in payments via bitcoin for goods or services or have held them for investment.[2] Although there are approximately 700 active virtual currencies listed, bitcoin is by far the most popular, constituting nearly 82 percent of the entire virtual currency market.[3] While they were originally used in the online gaming industry, the increasing popularity of bitcoins allows users to pay for almost anything — even real estate. More than 100,000 merchants worldwide now accept virtual currencies.[4]

II. Recent Bitcoin Regulatory Changes

A. Developments From Around the World

July started on a high note for cryptocurrency users with the repeal of sales taxes of 8 percent in Japan and 10 percent in Australia on the purchase and sale of bitcoins.[5] Both countries also had other bitcoin-related developments. In Tokyo, a court began considering embezzlement charges against the CEO of Mt. Gox, a now-defunct major bitcoin exchange website, on July 11.[6] Meanwhile, the Reserve Bank of Australia considered adding virtual currencies to its currency reserve holdings.[7] Some legislators in Australia have also called for the nation to adopt bitcoin as an official currency.[8]

July also saw the Swiss Financial Market Supervisory Authority announce the first steps in Switzerland's effort to embrace digital currencies.[9] A private Swiss bank was allowed to begin offering asset management services for virtual currencies, helping customers buy and hold bitcoins in their Swiss bank accounts via a partnership with brokerage service Bitcoin Suisse. These bitcoin accounts will presumably be subject to tax transparency rules such as the OECD's common reporting standard and the U.S.'s Foreign Account Tax Compliance Act. Swiss regulators noted that they do not want bitcoins to undermine the Swiss banking system, which housed around $2 trillion, or 27 percent of global offshore wealth, in 2014; nor do they want the virtual currency to reshape the overall financial landscape built after the repeal of Swiss bank secrecy rules.[10]

In contrast to Switzerland's steps toward embracing bitcoin, Russia's Ministry of Finance, citing "serious fluctuations" in bitcoin prices and the collapse of BTC-e (a Bulgarian bitcoin exchange), delayed work on a proposed bill intended to provide a regulatory framework for and legalization of the digital currency.[11]

---

[2] Gautham, "Three Million Active Cryptocurrency Users Says Cambridge Center for Alternative Finance," NewsBTC (May 7, 2017).

[3] "Cryptocurrency Market Capitalizations," CoinMarketCap.com (July 31, 2017).

[4] Anthony Cuthbertson, "Bitcoin Now Accepted by 100,000 Merchants Worldwide," *International Business Times* (Feb. 4, 2015).

[5] Luke Parker, "Bitcoin Regulation Overhaul in Japan," Brave New Coin (Apr. 1, 2017); and William Suberg, "Bitcoin to Become 'Just Like Money' in Australia July 1," The Cointelegraph (May 10, 2017).

[6] An unexplained loss of around 850,000 bitcoins — valued at $2.3 billion — bankrupted Mt. Gox, previously the largest Japan-based bitcoin exchange, in February 2014. *See* Elaine Kurtenbach, "Mt. Gox CEO on Trial in Japan as Bitcoin Gains Traction," *U.S. News and World Reports* (July 11, 2017).

[7] *See* Christian Langalis, "Bitcoin Reserve Proposed for Australian Central Bank," Competitive Enterprise Institute Blog (Aug. 10, 2017).

[8] William Suberg, "Australian Central Bank Should Adopt Bitcoin: Bipartisan Senate Campaign," The Cointelegraph (Aug. 9, 2017).

[9] Wolfie Zhao, "Swiss Bank Launches Bitcoin Asset Management Service," CoinDesk (July 12, 2017).

[10] Deloitte Switzerland, "The Deloitte Wealth Management Centre Ranking 2015."

[11] Stan Higgins, "Bitcoin Bill Delayed as Russian Lawmakers Seek 'Optimal Solution,'" CoinDesk (Aug. 15, 2017).

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B. Regulatory Developments in the U.S.

1. U.S. Federal Regulatory Developments

a. The U.S. Commodity Futures Trading Commission. On July 24, in a breakthrough ruling, the U.S. Commodity Futures Trading Commission approved a proposal to launch a regulated derivatives clearing market for digital currencies (staring with bitcoin). The goal of the market is to allow bitcoin holders to use bitcoin swaps and bitcoin options contracts to hedge and protect themselves from bitcoin market uncertainty and volatility.

b. The Securities and Exchange Commission. On July 25, the SEC issued a landmark Investor Bulletin stating that Initial Coin Offerings (ICOs) of virtual coins or tokens may qualify as securities offerings, subjecting those ICOs to strict laws and regulations. An ICO is a new way of fundraising enabled by blockchain in which participants invest money and receive digital tokens in return. A person, project, or company in need of capital creates a new digital coin and sells a tranche of those coins for fiat currency (such as U.S. dollars). The coins are created using the same blockchain technology behind virtual currencies, meaning an ICO is essentially a crowdfunding mechanism built on top of the blockchain. The ICO of Ethereum brought an 82,000 percent investment return for its investors.[12] The SEC's regulation of ICOs could fuel increased investment by investors previously wary of these new securities.

2. U.S. State Regulatory Developments

a. Delaware. On July 10 Delaware enacted milestone blockchain legislation, recognizing the trading of stocks using blockchain technology for U.S. companies incorporated in Delaware.[13] More than half of U.S. publicly traded companies and more than 64 percent of the *Fortune* 500 are incorporated in Delaware.

b. Florida. On July 1, Florida H.B. 1379 clarified what virtual currency is and prohibited its use in laundering criminal proceeds.

c. Washington. On July 23, Washington enacted S.B. 5031, which requires licenses for all virtual currency businesses and compliance with the money transmitter bond requirement.

III. Fighting Bitcoin Crime

On May 23, at a U.S. Department of Justice conference on fraud in the digital age, Deputy Attorney General Rod J. Rosenstein said:

> Emerging [virtual] currencies have the potential to transform the world, and to do so in a positive way. But criminals are also increasingly using virtual currency to perpetrate fraud schemes and conceal the proceeds. . . . The basic point is that fraud in the digital age knows no boundaries.

He also spoke of the DOJ's commitment to prosecuting these frauds and the importance of collaborating with law enforcement and government agencies across the globe.

In July the global commitment to fighting fraud was put into action, with two of the most sophisticated, international takedown operations in the fight against cybercrimes utilizing bitcoins to date.

A. Combating Dark-Web Bitcoin Markets

July 20 saw the concurrent shuttering of the Netherlands-based Hansa and Thailand-based AlphaBay, two dark-web markets known for laundering illicit bitcoin proceeds from the sale of narcotics and weapons, along with the arrest of their operators in Thailand and Germany and the seizure of their servers in the Netherlands, Germany, Lithuania, and Canada.[14]

The synchronized crackdown on the payments made with bitcoins by fraudsters around the globe involved law enforcement authorities from the U.S. (DOJ, FBI, Drug Enforcement Agency, and IRS CI), Europol, and 11 other countries (the Netherlands, the U.K.,

[12] Tom Simonite, "Regulators Warn Cryptocurrency Startup Fundraisers to Play By the Rules," Wired.com (July 26, 2017); and Laura Shin, "Crypto Boom: 15 New Hedge Funds Want In on 84,000% Returns," *Forbes* (July 22, 2017).

[13] Ilias Louis Hatzis, "Blockchain Bitcoin & Crypto Weekly CXO Briefing for Week Starting 10th July 2017," Daily Fintech (July 10, 2017); and U.S. Securities and Exchange Commission, release, "SEC Exposes Two Initial Coin Offerings Purportedly Backed by Real Estate and Diamonds," 2017-185 (Sept. 29, 2017).

[14] U.S. Department of Justice, "AlphaBay, the Largest Online 'Dark Market,' Shut Down" (July 20, 2017); and Europol release, "Massive Blow to Criminal Dark Web Activities After Globally Coordinated Operation" (July 20, 2017).

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France, Lithuania, Canada, Germany, Thailand, Cyprus, Liechtenstein, Antigua and Barbuda, and Belgium).

A Europol press release noted the importance of the coordinated, international strategy to take down both Hansa and AlphaBay:

> [It] involved taking covert control of Hansa under Dutch judicial authority a month ago, which allowed Dutch police to monitor the activity of users without their knowledge, and then shutting down AlphaBay during the same period. It meant the Dutch police could identify and disrupt the regular criminal activity on Hansa but then also sweep up all those new users displaced from AlphaBay who were looking for a new trading platform. . . . As a law enforcement strategy, leveraging the combined operational and technical strengths of multiple agencies in the US and Europe, it has been an extraordinary success and a stark illustration of the collective power the global law enforcement community can bring to disrupt major criminal activity.

Likewise, the DOJ issued a release quoting an IRS CI official who noted that his organization's unique expertise, in coordination with other domestic and international law enforcement partners, allowed them "to help shine a bright light on the accounts and customers of this shadowy, black marketplace, and we intend to continue pursuing these kinds of criminals no matter where they hide."

B. Ending BTC-e Money Laundering Scheme

On July 26, six days after the shuttering of dark-web markets AlphaBay and Hansa, came a second worldwide, synchronized law enforcement operation aimed at shutting down an illicit bitcoin scheme. The target was Bulgaria-based bitcoin exchange BTC-e. It was the U.S. Treasury Department Financial Crimes Enforcement Network's first action in collaboration with the DOJ, IRS CI, FBI, FDIC, U.S. Secret Service, U.S. Immigration and Customs Enforcement, the Office of the Inspector General, and Greek law enforcement against a foreign money service business (MSB).[15]

In a 21-count indictment alleging hundreds of millions in civil monetary penalties, FinCEN and the DOJ charged BTC-e and BTC-e's Russian head, Alexander Vinnik, with operating a purported $4 billion international money-laundering scheme. On the same day, Vinnik was arrested while on vacation and jailed by Greek law enforcement in coordination with U.S. regulators on U.S. money laundering charges.

The DOJ's 21-count indictment painted BTC-e, operated by Vinnik, as a hub of illicit activity. In brief:

- BTC-e and Vinnik were charged with one count of operation of an unlicensed MSB (18 U.S.C. section 1960) and one count of conspiracy to commit money laundering (18 U.S.C. section 1956(h)). These were based on allegations that they:
  - processed transactions involving over 300,000 bitcoins (valued at $840 million as of July 31, 2017) stolen between 2011 and 2014 from one of the world's largest bitcoin exchanges, Japan-based Mt. Gox;
  - facilitated at least $3 million in bitcoin transactions tied to ransomware attacks, including the attacks known as CryptoLocker and Locky;
  - shared customers and conducted transactions with the now-defunct virtual currency dark-web markets Silk Road, Hansa Market, and AlphaBay; and
  - engaged in theft, drug trafficking, fraud, tax fraud, bribery, and public corruption.
- Vinnik, the owner and operator of BTC-e and affiliated entities, was charged with 17 counts of money laundering (18 U.S.C. section 1956(a)(1)) and two counts of engaging in unlawful monetary transactions

[15] FinCEN, *In the Matter of the BTC-e a/k/a Canton Business Corporation and Alexander Vinnik*, No. 2017-3 (July 2017) (FinCEN Assessment); and *United States v. BTC-e a/k/a Canton Business Corporation and Alexander Vinnik*, superseding indictment, No. CR 16-00227 SI (N.D. Cal., Jan. 17, 2017). *See also* Department of Justice, U.S. Attorney's Office, Northern District of California release, "Russian National and Bitcoin Exchange Charged in 21-Count Indictment for Operating Alleged International Money Laundering Scheme and Allegedly Laundering Funds From Hack of Mt. Gox" (July 26, 2017) (DOJ's release); U.S. Immigration and Customs Enforcement release, "Russian National and Bitcoin Exchange Indicted in Multi-Billion Dollar Money Laundering Scheme" (July 26, 2017).

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(18 U.S.C. section 1957) including laundering associated with bribery, ransomware payouts, drug trafficking, theft, fraud, tax fraud, and public corruption. Together, these carry a prison term of 55 years. According to the allegations, Vinnik's numerous withdrawals from BTC-e accounts went directly to his personal bank accounts and bitcoin wallets, including proceeds from well-known hacks and thefts from now-defunct bitcoin exchanges, including Mt. Gox, Bitcoinica, and Bitfloor.

As detailed in the DOJ's indictment, BTC-e was one of the world's largest virtual currency exchanges by volume at the time. Founded in 2011, BTC-e served approximately 700,000 customers worldwide, processing more than 9.4 million transactions in U.S. dollars, Russian rubles, euros, bitcoin, litecoin, namecoin, novacoin, peercoin, ether, and dash. Bitcoin exchanges like BTC-e convert bitcoins to and from other fiat currencies and function like brokerages, offering a variety of financial services similar to those of banks or other financial institutions. Customers in the U.S. used BTC-e to conduct at least 21,000 bitcoin transactions worth more than $296 million. BTC-e was the "go-to bitcoin exchange" for cybercriminals with suspicious usernames like CocaineCowboys, blackhathackers, dzkillerhacker, and hacker4hire who wanted to conceal proceeds from illicit activities.

BTC-e maintained a suspicious multijurisdictional legal ownership and control structure spanning at least seven countries, allegedly violating disclosure and registration laws to hide in the shadows. It was located in Bulgaria, but headquartered in or otherwise subject to the laws of Cyprus. The exchange allegedly maintained a base of operations in the Seychelles and had web domains registered to shell companies in, among other places, Singapore, the British Virgin Islands, France, and New Zealand. Its shell-company-infused corporate structure buried its true location, ownership, and control under complex layers of offshore companies with undisclosed ownership spanning the world. Yet the charges that brought down BTC-e and Vinnik were straightforward violations of U.S. anti-money-laundering (AML) laws because:

- BTC-e and Vinnik failed to register with FinCEN as an MSB. MSB registration is mandatory for all foreign-located MSBs with U.S. customers.
- BTC-e and Vinnik failed to maintain an effective AML program. Complying with U.S. AML laws and regulations and implementing an effective AML program is mandatory for foreign-located MSBs with U.S. customers.
- BTC-e and Vinnik failed to file suspicious activity reports. Suspicious activity reporting and recordkeeping requirements are mandatory for foreign-located MSBs with U.S. customers.

Because of these violations, FinCEN (for the first time) imposed civil penalties on a foreign-located MSB and its operator as follows:

- more than $110 million against BTC-e for willfully violating U.S. AML laws; and
- $12 million against Vinnik for his role in the AML violations.[16]

As the DOJ's release explains, "the indictment alleges BTC-e was operated to facilitate transactions for cybercriminals worldwide."[17] The network allegedly embraced its illicit client base by not requiring users to provide proof of identity, anonymizing transactions, obscuring the source of funds, and by failing to implement AML processes. In addition to FinCEN's fines for AML violations, BTC-e, Vinnik, and BTC-e's U.S. customers could also be subject to U.S. Treasury and tax compliance requirements, as well as U.S. tax liability and penalties as discussed below.

IV. Bitcoin Crime and U.S. Tax Issues

A. FBAR Reporting Rules

1. FinCEN Form 114

A U.S. person with a financial interest in or signatory authority over foreign financial accounts must file a foreign bank account report if the aggregate value of the foreign financial accounts exceeds $10,000 at any time during the calendar year. U.S. entities that transfer virtual

[16] FinCEN Assessment, *supra* note 15.

[17] DOJ's release, *supra* note 15.

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currencies or exchange virtual currencies for real currencies are considered money transmitters and financial institutions for FBAR purposes (though not foreign money transmitters, like BTC-e). For tax purposes, the IRS characterizes bitcoin as property.[18] FBAR requires reporting of all foreign financial accounts — but not foreign property. The types of accounts that must be reported are defined very broadly and include traditional checking, savings, money market funds, CDs, life insurance plans, and even online bitcoin-based poker accounts.[19] A U.S. taxpayer's bitcoin-denominated Swiss bank account or an account with a foreign money transmitter like BTC-e — which functions like a brokerage converting bitcoins in and out of other fiat currencies and may offer a variety of financial services similar to banks or other financial institutions in exchange for fees — would be reportable on an FBAR as a foreign financial account.

The Treasury Department's FBAR requirements, which are imposed under the Bank Secrecy Act, should not be confused with the FATCA reporting requirements, which are imposed under the IRC. The two reporting regimes, which have been unsuccessfully challenged by Sen. Rand Paul, R-Ky.,[20] are separate, and there are many differences between them. They also overlap, and some taxpayers have to report under both regimes. A foreign bitcoin exchange like BTC-e is covered by FATCA, but not by the FBAR requirements.

2. Penalties

BTC-e's U.S. bitcoin account holders that did not file FinCEN Form 114 could face steep civil and criminal penalties. Each non-willful failure to file violation can carry a civil penalty of $10,000. Penalties for each willful violation could be the greater of $100,000 or 50 percent of the amount in the account.

B. FATCA Reporting Issues

Enacted as part of the Hiring Incentives to Restore Employment Act of 2010, FATCA imposes extensive reporting obligations on U.S. taxpayers, foreign entities like BTC-e, and withholding agents. FATCA imposes a 30 percent U.S. withholding tax on payments of some types of U.S.-source income (for example, dividends, interest, insurance premiums) made to foreign financial institutions.

Foreign assets subject to FATCA reporting requirements include any accounts with an FFI. Virtual-currency-denominated bank accounts and deposit accounts at bitcoin exchanges like BTC-e may be considered FFI for FATCA purposes, although the law on this subject is still undeveloped. Notably, a U.S. taxpayer's interest from an interest-bearing, internet-based bitcoin account could be deemed 50 percent U.S.-sourced under international communications income sourcing rules and thus be subject to 30 percent U.S. withholding tax.[21]

1. Form 8938

U.S. individual taxpayers must report foreign financial assets valued at $50,000 or more.[22] Bitcoin deposit accounts and bitcoin-denominated bank accounts should be reported in the summary information in Part I of Form 8938. Specific information should be given in Part V.

2. Penalties

Noncompliance with FATCA subjects taxpayers to taxes and severe penalties, potentially in excess of the unreported foreign assets themselves. For institutions, noncompliance can result in exclusion from access to U.S. markets, which could include exclusion from a regulated bitcoin derivatives clearing market.

C. Bitcoin and CbC Reporting

BTC-e, the $4 billion money-laundering operation headquartered in Cyprus, was shut down by international law enforcement before it was obligated to file an electronic notice (due October 27, 2017) with the Cyprus Tax Department confirming its name, identity, and tax residence in accordance with Cyprus's country-

[18] Notice 2014-21, 2014-16 IRB 938.

[19] *U.S. v. Hom, No. 14-16214* (9th Cir. 2016), *aff'g in part, rev'g in part, and remanding* No. C 13-03721 (N.D. Cal. 2014) (unpublished).

[20] *Crawford v. Treasury*, No. 16-3539 (6th Cir. 2017).

[21] IRC section 863(d)(2)(B)(ii).

[22] Treas. reg. section 1.6038D-5(a).

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by-country reporting rules, which are based on the OECD's BEPS action 13.[23]

This year, for the first time, U.S.-headquartered bitcoin exchanges like Coinbase Inc. that have annual revenues of at least $850 million must (like other multinational enterprises) file U.S. CbC reports on Form 8975 by October 16, 2017.

1. Form 8975

MNEs must disclose information regarding bitcoin transactions to tax authorities on a country-by-country basis, including:

- the legal name of the entity;
- tax jurisdiction and residence of the entity;
- the tax identification number of the entity;
- the main business activity or activities of the entity;
- third-party revenue;
- revenue generated from transactions with related parties;
- pretax profit and loss amounts;
- total income tax paid (including withholding tax);
- total current-year accrued income tax expenses (excluding reserves);
- stated capital;
- total accumulated earnings;
- total number of employees; and
- total net book value of tangible assets, which may include virtual currencies because (as noted above) they are classified as property and not currency for U.S. tax purposes (cash or cash equivalents, intangibles, and financial assets need not be declared).

The U.S. will automatically exchange filed CbC reports with other governments in accordance with tax treaties and tax information exchange agreements. The IRS has been racing to negotiate approximately 90 qualified competent authority agreements — government-to-government agreements for exchanging taxpayer information — so that U.S. MNEs can file their CbC reports with the IRS rather than with foreign jurisdictions.[24]

Many U.S. MNEs are navigating a "gap year" problem regarding CbC reporting — the U.S. rules are effective for tax years beginning after June 30, 2016, six months later than many other countries participating in the program. This gap raises concerns that U.S. MNEs may have to file individual reports with each country in which they operate.[25] This may pose particular challenges for MNEs that are involved with or simply use virtual currencies, since bitcoins may be classified differently under different legal and tax regimes. For example, for tax purposes, bitcoins are classified as property in the U.S. but as a currency in the EU.[26]

The final U.S. regulations do not provide for public disclosure of CbC reports, and the preamble to the regulations states that the CbC reports will benefit from the confidentiality requirements, safeguards, and appropriate use restrictions provided under the competent authority provisions of U.S. tax treaties. Nevertheless, U.S. MNEs have expressed concerns that a CbC report could be made publicly available in other jurisdictions that are less stringent about confidentiality or that have adopted explicit legislation authorizing the public disclosure of CbC reports. On July 4 the European Parliament approved a proposal to make CbC reports publicly available, setting the stage for more in-depth negotiations on the matter.[27]

2. Penalties

MNEs that fail to file a CbC report could be subject to penalties under U.S. federal tax rules or penalties under the rules of the 57 other countries that have agreed to exchange CbC reports. Furthermore, the U.S. Supreme Court said in *Pasquantino v. United States*, 544 U.S. 349 (2004), that federal wire fraud charges could be brought against violators of foreign tax laws.

[23] EY, "Cyprus Issues New Decree on Country-by-Country Reporting" (June 2, 2017).

[24] IRS, "Competent Authority Arrangements."

[25] For more information, see Rev. Proc. 2017-23, 2017-7 IRB 1.

[26] Ajay Gupta, "Bitcoin: Currency or Property; Tangible or Intangible?" *Tax Notes Int'l*, Nov. 2, 2015, p. 384.

[27] Elodie Lamer, "European Parliament Establishes Position on Public CbC Reporting," *Tax Notes Int'l*, July 10, 2017, p. 113.

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D. Defining Bitcoin Business Activity in U.S.

Corporate tax principles — including the classification of BTC-e as a corporation or partnership, the nature of BTC-e's U.S. operations, and the role of its U.S. agents — could affect whether BTC-e, or any other foreign, internet-based bitcoin exchange, would be deemed to have engaged in a U.S. trade or business. This analysis focuses on the rules for foreign corporations and assumes BTC-e falls into that category. Nonetheless, the analysis under partnership rules is very similar except for the application of IRC section 875(1).

1. General Corporate Tax Principles

Whether actions constitute the carrying on of a U.S. trade or business — a concept developed by published IRS rulings and by decisions from the courts — depends on the nature and extent of the foreign corporation's economic activities. These must go beyond a single isolated act or transaction;[28] rather, "carrying on a business" involves considerable, continuous, and regular activity.[29] The business must be active, meaning it must involve more than just passive investment, simple ownership of property, or the mere management of investments and the collection of rents, interest, and dividends.[30]

Because a corporation is a juridical taxpayer and not a natural person, it acts through its agents and employees.[31] An activity can be imputed to a foreign corporation by:

- the authority of its agents or employees and their U.S. activities; or
- the statutory imputation rules.

Thus, the activities of BTC-e's U.S. agents, if any existed, could cause the corporation to be considered to be engaged in a U.S. trade or business and render it subject to tax at regular U.S. rates on U.S.-source income effectively connected with that trade or business.[32] In contrast, courts found specific foreign businesses had not engaged in business in the U.S. when: there was no formal contract of agency;[33] only isolated sales were made in the U.S.;[34] and in a case when the independent agency relationship between a foreign and U.S. corporation gave the domestic entity complete discretion over the work, the U.S. entity bore the entrepreneurial risk, and the U.S. entity had economic independence.[35] However, a foreign corporation was deemed engaged in a U.S. trade or business when the U.S. subsidiary served as the foreign corporation's dependent agent.[36]

Notably, neither the code nor regulations define when a principal-agent relationship exists specifically for the purposes of determining whether a nonresident alien individual or foreign corporation is conducting a trade or business in the U.S. In *InverWorld*, the Tax Court relied on IRC section 864(c)(5) and Treas. reg. section 1.864-7, which describe dependent and independent agents for purposes of determining whether a foreign person has an office or other fixed place of business in the U.S.[37]

2. Bitcoin Exchanges and Taxable Nexus

To date, there is no specific guidance from the IRS as to when a foreign bitcoin exchange has a taxable nexus with the U.S. However, FinCEN policies involving bitcoin exchanges and other issues can provide some guidance.

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[28] *See Pasquel v. Commissioner*, 12 T.C. Memo. 1431 (1953).

[29] *See Lewellyn v. Pittsburgh Bessemer Lake Erie Railroad*, 222 F 177 (3d Cir. 1915).

[30] Because of the highly factual nature of the inquiry, the IRS ordinarily will not issue rulings on whether a foreign corporation is engaged in a U.S. trade or business.

[31] *See* Rev. Rul. 75-23, 1975-1 C.B. 290 (a foreign corporation that was a limited partner was found to be engaged in the business of the partnership).

[32] *See, e.g., Lewenhaupt v. Commissioner*, 20 T.C. 151 (1953), *aff'd per curiam*, 221 F.2d 227 (9th Cir. 1955); *Handfield v. Commissioner*, 23 T.C. 633 (1955) (a nonresident alien was engaged in business within the U.S., and thus subject to U.S. income tax, when another company, under a business agreement, acted as its agent and sold product in the U.S.); Rev. Rul. 80-225, 1980-2 C.B. 318 (a foreign insurance company was held to be engaged in trade or business in the U.S. when it conducted business through a licensed broker acting as the company's agent that regularly signed and countersigned policies and settled losses); and Rev. Rul. 70-424, 1970-2 C.B. 150 (a foreign corporation's arrangement with a domestic corporation for exclusive sales of foreign corporation's products in the U.S. was an ordinary principal-and-agent arrangement; thus, the foreign corporation was engaged in trade or business within the U.S. and subject to U.S. income tax).

[33] *Amalgamated Dental Co. Ltd. v. Commissioner*, 6 T.C. 1009 (1946).

[34] *See Continental Trading Inc. v. Commissioner*, T.C. Memo. 1957-164, *aff'd*. 265 F.2d 40 (9th Cir. 1959), *cert. denied* 361 U.S. 827; and *European Naval Stores Co. v. Commissioner*, 11 T.C. 127 (1948), *acq.* 1948-2 C.B. 2.

[35] *Taisei Fire & Marine Ins. Co. v. Commissioner*, 104 T.C. 535 (1995), *acq.* 1995-2 C.B. 1.

[36] *InverWorld Inc. v. Commissioner*, T.C. Memo. 1996-301.

[37] *Id.*

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The Bank Secrecy Act (BSA), which was enacted to help prevent money laundering, imposes several reporting obligations upon financial institutions and MSBs. FinCEN has delegated BSA enforcement responsibilities for FFIs that are not regulated by a federal bank agency or another federal regulator to the IRS.

In March 2013 FinCEN issued interpretive guidance regarding the applicability of the BSA to persons creating, obtaining, distributing, exchanging, accepting, or transmitting virtual currency.[38] This required money transmitters to include bitcoin transactions as reportable financial transactions. The definition of a money transmitter did not differentiate between real currencies and convertible virtual currencies, applying the same rules to brokers and dealers of virtual currencies and virtual precious metals.

FinCEN issued a pair of clarifying rulings on virtual currency miners and investors in January 2014. The first ruling stated that a user that creates or mines a virtual currency solely for the user's own purposes is not a money transmitter under the BSA.[39] The second ruling held that a company purchasing and selling virtual currency as an investment exclusively for the company's benefit is not a money transmitter.[40]

Accordingly, under tax rules, BTC-e's trading activities could be likened to a foreign corporation trading in stocks, securities, or commodities in the U.S. — activities that, subject to specified exceptions/safe harbors, may constitute engaging in a trade or business within the U.S.[41] This comparison conforms to the SEC's recent security characterization of ICOs and the Commodity Futures Trading Commission's commodity characterization of bitcoins. These are determinations that must be made by applying Treasury regulations to the facts and circumstances of each case.[42]

While they are not binding precedent, two opinions from the IRS's chief counsel nonetheless present the IRS's most complete analysis to date concerning this uncertain area of U.S. tax law. An internal memorandum (AM2009-010) from the IRS Office of Chief Counsel to the director of field operations in Manhattan (financial services) released October 2, 2009, concluded that a lending business conducted on behalf of a foreign corporation by an agent based in the U.S. would be attributable to the foreign corporation regardless of whether the agent was dependent or independent.

On January 5, 2015, the IRS released ILM 201501013. In an extended analysis, the IRS discussed whether a fund that, through a fund manager, engaged in lending and stock distribution activities within the U.S. conducted business a on considerable, continuous, and regular basis that fell outside of the trading safe harbors (meaning that lending and stock distribution activities conducted on behalf of the foreign fund by a fund manager/agent based in the U.S. was attributable to the foreign fund, which was deemed engaged in a trade or business in the U.S. and the safe harbor did not apply). The memorandum encourages IRS field agents to obtain guidance from the national office of the IRS regarding audits of foreign entities involved in lending activities in the U.S. This statement indicates that the IRS intends to pursue similar issues more aggressively in the future.

Bitcoin exchanges like BTC-e, which converted bitcoins in and out of other fiat currencies, function much like brokerages and offer a variety of financial services similar to banks or other financial institutions. BTC-e facilitated fund withdrawals using credit cards and charged a 5 percent service fee.[43] As noted above, customers located within the U.S. used BTC-e to conduct at least 21,000 bitcoin transactions worth over $296 million. If BTC-e is deemed to have engaged in a U.S. trade or business, it would be subject to U.S. taxes at regular rates on income from U.S.-source bitcoin

[38] FinCEN, "Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies," FIN-2013-G001 (Mar. 18, 2013).

[39] FinCEN, "Application of FinCEN's Regulations to Virtual Currency Mining Operations," FIN-2014-R001 (Jan. 30, 2014).

[40] FinCEN, "Application of FinCEN's Regulations to Virtual Currency Software Development and Certain Investment Activity," FIN-2014-R002 (Jan. 30, 2014).

[41] Treas. reg. section 1.864-2(e).

[42] Rev. Rul. 88-3, 1988-1 C.B. 268.

[43] Pete Rizzo, "BTC-e Enables Fund Withdrawals Using MasterCard and Visa Cards," CoinDesk (Mar. 21, 2014); and Caleb Chen, "BTC-e Allows Withdrawal of Funds to Visa and Mastercard in Any Currency, Let's See How Long That Lasts," Cryptocoins News (Mar. 21, 2014).

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transaction fees (income effectively connected with BTC-e's bitcoin transactions).

E. Defining U.S.-Source Income

The code does not specify how to determine the source of each item of income, particularly a foreign bitcoin exchange's service fee income. However, it does enumerate specific types of income that are considered income from sources within the U.S.[44] and offers examples of similar types of income that are treated as income from sources outside the U.S.[45] It also recognizes that income may be sourced partly from within and partly from outside the U.S.[46]

Since sourcing rules apply to different types of income, proper income sourcing depends on proper characterization of bitcoin transaction processing service fee income (typically, 1 to 5 percent per transaction).[47] The characterization of the fee income could be determined under the international communications source rules. International communications income includes all income from the transmission of communications or data from the U.S. to any foreign country (or U.S. possession), or from any foreign country (or U.S. possession) to the U.S. It includes any transmission of signals, images, sounds, or data by cable or satellite. BTC-e's fees for transmitting bitcoins, which are no more than data (a unique string of letters and numbers), from the U.S. to locations across the world would meet the definition of international communications income.[48] The international communications income of a foreign person (other than a CFC) that is engaged in a U.S. trade or business is U.S.-source income to the extent the income, based on all the facts and circumstances, is attributable to functions performed, resources employed, or risks assumed in the U.S.[49]

F. Bitcoin Exchanges and U.S. Tax Returns

Every foreign corporation engaged in a U.S. trade or business at any time during the tax year must file an income tax return using Form 1120-F to preserve the allowance of deductions and credits.[50]

Notably, there is no statute of limitations applicable to U.S. tax matters for those foreign companies that have not filed U.S. income tax returns; thus, they are open and subject to audit for the entire length of their U.S. operations.

Tax underpayments attributable to virtual currency transactions may be subject to accuracy-related penalties under IRC section 6662.[51]

G. U.S. Bitcoin Users Must Report Capital Gains

Convertible virtual currency is treated as property for tax purposes. A U.S. taxpayer that successfully "mines" convertible virtual currency realizes gross income equaling the fair market value as of the date of receipt. This would apply, for example, to a taxpayer that uses computer resources to validate bitcoin transactions and maintain the public bitcoin transaction ledger.

Gain or loss on the sale of virtual currency is treated much like gain or loss on the sale or exchange of securities. If held as investment property, the gain or loss on sale is a capital gain or capital loss.[52]

1. Form 8949

Individual taxpayers should report bitcoin capital losses and capital gains on Form 8949.

2. Penalties

Failure to file in a timely manner or to correctly report virtual currency transactions may subject a U.S. taxpayer to information reporting penalties under IRC sections 6721 and 6722. Tax underpayments attributable to virtual currency transactions may be subject to accuracy-related penalties under IRC section 6662.[53]

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[44] IRC section 861.

[45] IRC section 862.

[46] IRC section 863(b).

[47] Yessi Bello Perez, "Bucks to Bitcoin: Top Exchange Platform Fees Compared," CoinDesk (Feb. 24, 2015); and Rizzo, *supra* note 43.

[48] IRC section 863(e)(2).

[49] IRC section 863(e); Treas. reg. section 1.863-9(b)(2)(iv).

[50] IRC section 874(a); Treas. reg. section 1.874-1(a); and *InverWorld Inc.*, T.C. Memo. 1996-301.

[51] Notice 2014-21, 2014-16 IRB 938.

[52] *Id.*

[53] *Id.*

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V. Conclusion

In June 2016 the American Institute of Certified Public Accountants asked the IRS for more guidance on virtual currency (beyond Notice 2014-21) to provide clarification to taxpayers and practitioners, and to boost compliance with federal tax laws. In response, in September 2016 the Treasury Inspector General for Tax Administration published a report addressing the deficiencies in the guidance on virtual currencies and the need for further guidance to reduce taxpayer noncompliance.[54]

Following TIGTA's report, the IRS began issuing broad-based John Doe summonses seeking information about U.S. customers of the U.S.-headquartered $10 billion bitcoin exchange Coinbase Inc., aimed at allowing the IRS to track unreported income allegedly transmitted between the years 2013 and 2015.[55] Findings from multijurisdictional bitcoin exchange and market investigations conducted using Chainalysis and WizSec — companies that offer special software designed to find bitcoin users[56] — to gather evidence about bitcoin account holders revealed millions of U.S. taxpayer bitcoin transactions.

A recent article from TheStreet says that only 800 Americans reported bitcoin gains from 2013 to 2015.[57] With the U.S. being one of the world's major financial hubs and a hotspot for bitcoin activity, the IRS may have its hands full scrutinizing bitcoin transactions worth billions in U.S. dollars for U.S. tax evasion purposes for some time to come.

While the "IRS would not comment upon Bitcoin related matters,"[58] the tax community is hopeful, with the TIGTA noting that "the Treasury is expected to publish further guidance on identifying and addressing various tax issues concerning virtual currency transactions during the months to come."[59] ■

[54] Treasury Inspector General for Tax Administration, "As the Use of Virtual Currencies in Taxable Transactions Becomes More Common, Additional Actions Are Needed to Ensure Taxpayer Compliance," Report 2016-30-083 (Sept. 21, 2016).

[55] U.S. Department of Justice, "Court Authorizes Service of John Doe Summons Seeking the Identities of U.S. Taxpayers Who Have Used Virtual Currency" (Nov. 30, 2016).

[56] In an interview, Jonathan Levin, co-founder of Chainalysis, explained that his company "provides software to IRS, DOJ, DEA, FBI, Europol and several other law enforcement officials and government agencies around the world to help identify the services that owners of digital currency use to store or spend their Bitcoin." WizSec is the second company that forwards software findings to law enforcement; see Kim Nilsson, "Breaking Open the MtGox Case, Part 1," WizSec (July 27, 2017). There are other companies that provide similar software services to law enforcement, see John Bohann, "Why Criminals Can't Hide Behind Bitcoin," Science.com (Mar. 9, 2016).

[57] Tanzeel Akhtar, "Why Bitcoin Investors Must Report Gains to the IRS," TheStreet (Aug. 13, 2017).

[58] Dean J. Patterson, spokesperson, IRS (interview with author (Aug. 21, 2017)).

[59] Mark Andersen, spokesperson, TIGTA (interview with author (Aug. 21, 2017)).

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Hedging Bitcoins With Options on the World Wide Web: Financial and Tax Implications

By Selva Ozelli, Esq., CPA[*]

INTRODUCTION

Bitcoin, a type of unregulated, digital money that is issued over the Internet, ranked as the world's best performing currency six out of the last eight years since its debut in 2009. In the last five years, the total daily transactions has risen 900% from 33,800 to more than 335,000, with trading in China accounting for as much as 90% of all volume by some estimates.[1] By design, a total of 21 million Bitcoins will be created over 100 years. At the time of this writing, more than 16.5 million Bitcoins were in circulation, meaning that less than 5 million Bitcoins will be mined over the next 92 years.[2] With increased usage and wider adoption of virtual currencies, the demand for Bitcoin has been steadily pushing its price up, creating investment opportunities with significant international tax implications.[3]

However, the Internal Revenue Service has yet to catch up with this rapidly changing environment, leaving open questions about how U.S. tax and Treasury rules apply to new Bitcoin-based financial products and hedge funds.

Year	Currency	Year Performance
2016	BTC	+124%
2015	BTC	+35%
2014	USD	+13%
2013	BTC	+5,426%
2012	BTC	+195%
2011	BTC	+1,438%
2010	BTC	+480%
2009	BRL	+28%

But virtual currency has its dark side as well. Earlier this year, the Chinese central bank increased scrutiny of the country's web-based virtual currency exchanges to stem capital flight, a move that prompted Chinese bitcoin exchanges to stop virtual currency margin lending, introduce trading fees, and issue rules to rein in its users.[4] This was followed by two of the most sophisticated back-to-back synchronized multi-jurisdictional Internet takedown operations of (1) two foreign virtual currency based darkweb markets, and (2) one foreign virtual currency exchange, for violating of U.S. Financial Crimes Enforcement Network (FinCEN)'s money service business (MSB) registration rules as well as U.S. anti-money-laundering laws, which necessitated the coordinated involvement of law enforcement and agencies from 19 different countries. The multi-jurisdictional fight against cybercrime on the Internet flaunted the long reach of U.S. law.[5]

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[1] http://www.businessinsider.com/why-chinese-love-bitcoin-popular-china-btcc-bobby-lee-2017-1; http://www.investopedia.com/articles/investing/033115/it-possible-trade-bitcoin-options.asp.

[2] https://blockchain.info/charts/total-bitcoins.

[3] https://www.cryptocoinsnews.com/affects-bitcoin-price/.

[4] https://www.cnbc.com/2017/07/06/bitcoin-can-be-an-asset-but-not-a-currency-says-china-central-bank-adviser.html; https://www.ft.com/content/415bf86c-ef67-11e6-930f-061b01e23655; https://www.cryptoninjas.net/2017/02/17/okcoin-removed-as-constituent-of-tradeblocks-bitcoin-price-index/.

[5] July 2017 was the month that witnessed two of the most sophisticated back-to-back takedown operations in the fight against

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This year's full-force law enforcement and government agency interventions in 20 different countries caused short-term virtual currency value plunges, but they did not curtail Bitcoin's continued price surge nor did they stem major investment in virtual-currency-based, derivative financial products for risk management, derivatives exchanges, hedge funds, or new technologies in financial application by the world's largest financial institutions.

This article provides an overview of the various virtual currency-based technologies in financial applications, risk management products, exchanges, and hedge funds that are new to the world financial markets based on initiatives in Asia, Europe, and the United States. The article also provides a practical approach to the application of U.S. tax and U.S. Treasury rules until the IRS provides further guidance on investing in virtual currency.

WHAT IS A BITCOIN?

Bitcoin was launched in 2009, on the heels of one of the worst worldwide credit crises of financial history. It is a decentralized, unlicensed, worldwide virtual currency transfer system that requires only an Internet connection to participate. Satoshi Nakamoto from Japan is credited with Bitcoin's design and its original reference implementation including blockchain database.[6] It's a peer-to-peer system for online transactions, and when paired with third-party services, allows users to mine, buy, sell, or accept virtual currencies from anywhere in the world. There are many uses for virtual currencies, which allow users to move funds transnationally via the Internet without being tied to one country's identity, capital controls, currency depreciation and devaluations, currency conversions, or government seizures. Bitcoin's decentralized feature is unique, making detecting suspicious activity, identifying users, and obtaining transaction records problematic for law enforcement. Virtual currency, unlike money, is not issued or regulated by any government; it is not handled by middlemen such as the Federal Reserve Bank nor represented by bank notes, or any other physical note. Strictly speaking, virtual currencies are nothing more than amounts associated with web addresses — unique strings of letters and numbers. For example, "1Ez69SnzzmePmZX3WpEzMKTrcBF2gpNQ55" represents nearly 30,000 Bitcoins, worth about $20 million, when seized by the FBI during the Bitcoin darkweb market shutdown of the Silk Road in October 2013.[7]

Since Bitcoin's launch, 3 million people have sent $150 billion in virtual currency payments via the Internet for goods or services, or have held the funds for investment. Although there are approximately 700 active virtual currencies listed, Bitcoin is by far the most popular, comprising nearly 82% of the entire virtual currency market. Bitcoins originally were used in the online gaming industry, but the increasing popularity of virtual currencies allows users to pay for everything, even real estate, in the same way as fiat currencies. More than 100,000 merchants worldwide now accept them as legal tender.

Users access their virtual currencies through a wallet, which is the equivalent of a bank account. The wallet enables virtual currency owners to receive the virtual currency, provides storage for them, and enables the owner to send their coins to other wallets. All of these Bitcoin transactions are tracked and made public using blockchain, which is a digital ledger distributed over a network of computers rather than located on a single or multiple servers. It is not owned by one person or organization. Transactions made in virtual currencies are recorded chronologically and publicly. It is almost impossible to alter the historical records on a blockchain and more importantly, access to a block can also be restricted. Therefore when virtual currencies are stolen, they can be traced to a wallet.

NEW BITCOIN-BASED TECHNOLOGIES IN FINANCIAL APPLICATION

The largest state-owned Chinese banks have been partnering with prominent Chinese technology com-

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cybercrime, utilizing Bitcoins; https://www.justice.gov/opa/pr/alphabay-largest-online-dark-market-shut-down; https://www.europol.europa.eu/newsroom/news/massive-blow-to-criminal-dark-web-activities-after-globally-coordinated-operation; https://www.justice.gov/usao-ndca/pr/russian-national-and-bitcoin-exchange-charged-21-count-indictment-operating-alleged; https://www.fincen.gov/sites/default/files/enforcement_action/2017-07-26/Assessment%20for%20BTCeVinnick%20FINAL%20SignDate%2007.26.17.pdf; https://www.ice.gov/news/releases/russian-national-and-bitcoin-exchange-indicted-multi-billion-dollar-money-laundering; *United States v. BTC-e et al.*, case number 16-00227; http://lawprofessors.typepad.com/files/assessment-for-btceVinnick-final-signdate-07.26.17.pdf; https://www.justice.gov/usao-ndca/pr/russian-national-and-bitcoin-exchange-charged-21-count-indictment-operating-alleged.

[6] The crypto-currency concept was first described in 1998 by Wei Dai on the Cypherpunks mailing list. He suggested a new form of money that uses cryptography, rather than a central issuing authority, to control its creation and transactions. The first Bitcoin specification and proof of concept was published in 2009 in a cryptography mailing list by Satoshi Nakamoto, who left the project in late 2010.

[7] http://i.cdn.turner.com/money/2013/images/10/02/UlbrichtCriminalComplaint.pdf?iid=EL; https://search.justice.gov/search?affiliate=justice&op=Search&page=2&query=bitcoin; https://www.justice.gov/usao-mdfl/pr/top-silk-road-distributor-drugs-and-bitcoins-charged-tampa.

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panies to test blockchain technology in financial application:[8]

- The Bank of China partnered with Tencent, one of the country's biggest Internet companies, which also designs online gaming platforms;
- The Agriculture Bank of China announced a partnership with Internet search giant Baidu;
- The Industrial and Commercial Bank China launched a partnership with e-commerce company JD.com;
- The China Construction Bank kicked off a technology research project with Alibaba Group;[9]
- The Bank of China contemplated adding virtual currencies to China's currency reserve holdings following in the footsteps of many other countries' central banks, while Huawei is only one of many other smartphone companies to publicly align with blockchain technology so far.[10]

The high number of Internet users in China — 700 million — who have a propensity for smartphone and mobile payments, have played a key role in the explosive development of the Bitcoin-based Fintech sector.[11] Outside of China, a London-based innovative technology company, D.Codeit "designs first of its kind financial services applications for smartphones,"[12] while Silicon Valley based technology company Abra develops "Bitcoin-based digital wallet applications to buy, sell, store, send, and receive Bitcoin deposits or alternatively in over 50 fiat currencies, and facilitate Bitcoin transfers between any two smartphones around the world."[13]

Six of the world's biggest banks — HSBC (U.K.), Barclays (U.K.), Credit Suisse (Switzerland), Canadian Imperial Bank of Commerce (Canada), State Street (U.S.), and Mitsubishi UFJ (Japan) — have joined UBS (Switzerland) in a project to create a new form of digital currency "utility settlement coin," which they hope to launch next year for clearing and settling financial transactions over blockchain, the technology underpinning Bitcoin.[14]

In Japan, where Bitcoin technology originated, the Softbank is deeply committed to investing in "disruptive, foundational technologies that are building the infrastructure for tomorrow." Softbank launched the $100 billion technology-focused "SoftBank Vision Fund" in partnership with tech groups Apple (U.S.), Qualcomm (U.S.), Foxconn (Taiwan), and Sharp (Japan), as well as Saudi Arabia's Public Investment Fund and Abu Dhabi's Mubadala Investment Company, because investing in Bitcoins are considered halal. Then, in back-to-back Bitcoin-related investments, Softbank bought a $70 billion New York-based hedge-fund company, Fortress Investment Group, which was among the first Wall Street hedge funds to invest in Bitcoins and Bitcoin exchanges. Softbank then made further investments in other Bitcoin exchanges, as did Sumitomo Mitsui Banking Corporation, Mizuho Financial Group Inc. and Dai-ichi Life Insurance Company.[15]

But virtual currencies are not only traded on exchanges. An Initial Coin Offering (ICO) is a new form of Internet-based crowdfunding enabled by virtual currencies, built on blockchain technology in which participants invest money and receive digital "tokens" in return. A person, project, or company in need of capital creates a new kind of digital coin and sells a tranche of them for real money. Token offerings have already raised $2 billion in the first half of the

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[8] https://qz.com/1059179/huobi-and-okcoin-chinas-two-biggest-bitcoin-btc-exchanges-were-themselves-to-150-million-in-idle-client-funds/; https://www.bloomberg.com/news/articles/2017-01-16/high-speed-traders-are-taking-over-bitcoin-as-easy-money-beckons; Many countries' central banks — including Reserve Bank of Australia (RBA), Bank of England, and Vietnam's central bank — are contemplating adding virtual currencies to their currency reserves.

[9] http://en.ndrc.gov.cn/newsrelease/201612/P020161207645765233498.pdf; http://infojustice.org/archives/38755.

[10] https://www.bloomberg.com/news/articles/2017-08-30/cryptocurrencies-are-new-barbarians-at-the-gate-of-central-banks; https://cei.org/blog/bitcoin-reserve-proposed-australian-central-bank; https://www.coindesk.com/huawei-joins-hyperledger-blockchain-group-adds-10-members/; https://cryptoinsider.com/government-driving-south-korea-blockchain/; http://markets.businessinsider.com/news/stocks/Inside-Fintech-Conference-Expo-Seoul-2017-Where-Money-Meets-Technology-1002293048; https://www.cfoinnovation.com/story/13537/four-technology-shifts-will-be-'game-changers'-southeast-asia; http://www.fdfworld.com/food/burger-king-now-has-its-own-cryptocurrency-whoppercoin; https://www.entrepreneur.com/article/292256#; http://techtly.com/how-ericsson-is-using-blockchain/.

[11] http://www.techbullion.com/china-becoming-leading-fintech-country-world/.

[12] Interview with Kerem Ozelli, CEO D.Codeit, https://www.dcodeit.com/#/about.

[13] Interview with Bill Barhydt, CEO of Abra, https://www.abra.com.

[14] https://www.ft.com/content/20c10d58-8d9c-11e7-a352-e46f43c5825d.

[15] Alan Boyle, *Softbank Puts $1.7B Into Intelsat Merger With OneWeb Satellite Internet Venture*, Geek Wire (Feb. 28, 2017); https://www.cryptocoinsnews.com/japanese-megabanks-invest-bitcoin-exchange/; http://www.businessinsider.com/fortress-launches-bitcoin-fund-2013-12; https://www.ft.com/content/5877fff0-aefb-11e3-a088-00144feab7de; https://seekingalpha.com/news/1630253-fortress-linked-fund-reportedly-investor-in-bitcoin-exchangehttp://fortune.com/2017/02/15/japan-softbank-fortress-investment/; https://singularityhub.com/2017/08/29/japans-softbank-is-investing-billions-in-the-technologicalfuture/;https://www.softbank.jp/en/corp/news/press/sb/2017/20170522_01/https://cointelegraph.com/news/is-bitcoin-halal-how-cryptocurrency-conforms-with-islam-and-sharia.

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year, averaging 20 new virtual coin offerings a month, with the ICO of Ethereum bringing an *82,000%* investment return for its investors.[16] The increased use of ICOs motivated the U.S. Securities Exchange Commission (SEC) to issue, on July 25, 2017, a landmark opinion stating that ICOs can sometimes be considered securities — and as such, are subject to strict U.S. laws and regulations. On August 10, Singapore's financial overseer announced that it would follow the U.S. in regulating ICOs under securities law.[17] On August 24, the Canadian Securities Exchange Administrators (CSA) announced that Canadian securities laws may apply to ICOs.[18] And on September 4, seven Chinese regulators, including the People's Bank of China, China Securities Regulatory Commission, China Banking Regulatory Commission, and China Insurance Regulatory Commission, imposed a ban on raising funds using ICOs, making them illegal.[19]

Concerns about the potential misuse of virtual currency were first raised in April 2012, when the Federal Bureau of Investigation issued a report that analyzed the likelihood and consequences of illegal activities involving Bitcoins. The FBI report highlighted the risks of money laundering and tax evasion, as well as exposure to fraud faced by investors buying into a digital currency.[20]

BITCOIN-BASED RISK MANAGEMENT FINANCIAL PRODUCTS

Since its inception, Bitcoin prices have been rather volatile. For example, since the beginning of 2017, Bitcoin's price has quadrupled, with a few sharp drops, and this volatility has given way to the development of Bitcoin options.[21]

Current Bitcoin Price on August 17, 2017: $4,465.80

Date	Period Dollar Change	Percent Change
August 17, 2017	+$40.50	+0.92%
Last 7 days	+$1,020.52	+29.62%
Last 30 days	+$2,137.90	+91.84%
Last 6 months	+$3,431.72	+331.86%
Last 1 year	+$3,894.05	+681.08%
Last 2 years	+$4,246.79	+1,939.14%
Last 5 years	+$4,454.19	+38,365.11%

Bitcoin options are not for the faint-hearted. They trade like any other basic call or put option, in which an investor pays a premium for the right — but not obligation — to buy or sell an agreed amount of currency on an agreed date. Currently there are two types of Bitcoin options: a binary option and an exchange-traded option.

Binary Bitcoin Options

A binary option is a simple type of option that is valued according to a true/false statement. For example, if the price of the underlying asset Bitcoin is above a certain level, the call (long) option will pay 100; if it is below, it will pay 0. For a put option, the reverse is true.

Binary options make for simple valuation and are therefore a good way for traders to avoid complicated valuations, which often work in favor of option issuers to the detriment of buyers.

- There are two different ways to use Bitcoins for binary options trading: The first is as a payment method at a standard binary options broker — you deposit your Bitcoins at the site and trade using the various assets. This is similar to playing at a Bitcoin casino — your Bitcoins are the currency and you trade/play in the same way as someone using fiat currencies as a deposit.
- The second method is trading Bitcoin as an asset. Several brokers offer this option as one of their many assets, while others deal solely in Bitcoin trading.

Both types of brokers are often referred to as a Bitcoin binary options brokers (BBOB). Most BBOBs offer it only as a virtual currency pair versus the U.S. dollar.

Exchange-Traded Bitcoin Options

On July 24, 2017, in a breakthrough ruling, the U.S. Commodities Futures Trade Commission

[16] https://www.wired.com/story/crypto-fundraising-initial-coin-offerings/; http://www.iii.co.uk/articles/439928/new-chinese-threat-global-banking-system; http://www.livebitcoinnews.com/binance-raises-investment-sequoia/; https://www.finews.com/news/english-news/28672-crypocurrency-swiss-regulation-finma-singapore-mas.

[17] https://www.finews.asia/finance/25247-singapore-cryptocurrency-digital-token-crackdown-regulatory-warning-mas.

[18] http://www.corpcounsel.com/id=1202796983089/An-International-Regulatory-Shift-Could-Tame-Cryptocurrency-Market?mcode=1202617073467&curindex=1&slreturn=20170804085241;

[19] https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_coinofferings; https://www.cnbc.com/2017/09/04/bitcoin-digital-currency-price-falls-on-china-ico-ban.html; https://www.cnbc.com/2017/09/04/chinese-icos-china-bans-fundraising-through-initial-coin-offerings-report-says.html.

[20] https://www.wired.com/images_blogs/threatlevel/2012/05/Bitcoin-FBI.pdf; https://leb.fbi.gov/2015/september/virtual-currency-investigative-challenges-and-opportunities.

[21] https://coinidol.com/pattern-in-the-history-of-bitcoin-price-volatility/.

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(CFTC) approved a proposal to launch a regulated Bitcoin derivative clearing market, New York-based LedgerX.[22] According to the company, LedgerX allows institutional investors to obtain virtual currency and then hedge its volatility using a U.S. federally regulated venue. "Initially, LedgerX intends to list a Day Ahead Swap and one-to-six month Bitcoin-to-U.S. Dollar options contracts," a company spokesman said, noting that "the New York based LedgerX derivatives market was expected to open by the end of September."[23]

At a Bitcoin derivatives exchange, virtual currency listings and prices are tracked and can be looked up by ticker symbol. By publishing continuous, live markets for Bitcoin option prices, an exchange enables independent parties to engage in price discovery and execute transactions. Other platforms that offer virtual currency options trading are Bitcoin Mercantile Exchange, owned by Seychelles-incorporated HDR Global Trading Ltd., Deribit of Amsterdam, Singapore-based Coinut options exchange, and Dublin-based Predictious.[24]

Bitcoin-Invested Hedge Funds

Options are widely used to manage hedge funds' portfolio risks or "to hedge or speculate on the price of an underlying asset with a quantified risk," according to retired hedge fund manager Michael Steinhardt, whose career earnings made him a legend in the industry.

Steinhardt set up his first fund in 1967, "following a strategy created by Alfred Winslow Jones. He married (1) short sales to hedge against stock market risk; (2) leverage to boost stock trading returns; (3) and long positions in stocks, to continuously extract stock market trading profits as their prices moved up and down."

Steinhardt, in an interview, explained that he expanded on Jones's strategy "by incorporating bonds in addition to stocks, as well as new derivative hedging products that entered the markets in addition to short sales" to his portfolio, throughout his career. He began hedging with "long and short exchange-traded stock options to hedge the price of stocks when stock options debuted in 1973, at the Chicago Board of Options Exchange (CBOE)." That same year, two professors, Fisher Black and Myron Scholes, conceived the Black Scholes Options Pricing Model, which standardized options pricing at options exchanges. Over a period of 28 years, using his own "Steinhardt Style Hedged Trading Strategy," he earned "hedged annual returns of 24.5 percent — triple the S&P 500 average," Steinhardt said.[25]

The wild success of hedge fund managers — such as Steinhardt; George Soros, who averaged 20% returns over nearly 40 years by incorporating foreign exchange into his trading strategy; global macro commodities trader Bruce Kovner, who averaged 14% returns for over 28 years; and quant pioneer Prof. David Shaw, who averaged a 14% return by using high-speed computer networks to exploit inefficiencies in world financial markets — has inspired contemporary Bitcoin traders, to set up Bitcoin-invested hedge funds that surf Bitcoin's extreme price volatility on the Internet.[26]

At present, there are two kinds of virtual currency hedge funds: (1) those that have portfolios containing exclusively virtual currencies, Bitcoin options and ICOs; and (2) those that have added some virtual currency to a mix of other asset types.[27]

Bitcoin-invested hedge funds can be legally structured in a variety of ways. For example a Swedish company, XBT Provider that is listed on the Stockholm Nasdaq exchange is structured as an "exchange-traded note" (ETN) that tracks the price of Bitcoin.[28] An unregistered virtual currency hedge fund managed by John Chalekson, is structured as a plain vanilla, limited partnership. This hedge fund, using a "game theoretic equilibrium" trading strategy, to "dominate the hedge fund indices with extraordinary numbers," delivered an astonishing "2,129 percent investment return to his investors through August 2017 primarily by investing in new virtual currencies, ICOs in long positions, without hedging or using any leverage — 266 times the S&P 500 average."[29] Traditional hedge funds, on average, returned 3.7% through the first half

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[22] http://www.cftc.gov/PressRoom/PressReleases/pr7592-17.

[23] Interview with Marie Giangrande, LedgerX Spokesperson.

[24] http://www.cftc.gov/PressRoom/PressReleases/pr7592-17; https://www.bloomberg.com/news/articles/2017-07-24/bitcoin-options-to-become-available-in-fall-after-cftc-approval.

[25] Interview with retired hedge fund manager Michael Steinhardt.

[26] Interviews with Jim Rogers and Scott Bessent of Quantum Fund, Bruce Kovner, and David Shaw.

[27] http://www.investopedia.com/news/rise-crypto-hedge-fund/#ixzz4qJm5AhSd; http://fortune.com/2017/07/26/bitcoin-cryptocurrency-hedge-fund-sequoia-andreessen-horowitz-metastable/; https://www.cnbc.com/2017/06/06/crypto-asset-fund-aims-to-raise-400-million-for-blockchain-deals.html.

[28] http://www.telegraph.co.uk/investing/funds/britains-largest-broker-offers-bitcoin-investment/; https://globenewswire.com/news-release/2017/07/27/1063257/0/en/Nasdaq-Stockholm-orders-XBT-Provider-AB-to-pay-a-fine-of-SEK-1-000-000.html.

[29] https://www.valuewalk.com/2017/08/crypto-hedge-fund/; https://www.coindesk.com/bitcoin-hedge-fund-launches-ethereum-subscribed-ico-investment-vehicle/; https://www.bloomberg.com/news/articles/2017-08-17/ex-harvard-money-manager-is-said-to-launch-digital-currency-fund; https://www.cryptocoinsnews.com/hedge-fund-manager-puts-life-savings-bitcoin/; https://www.coindesk.com/what-central-bank-chinas-big-

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of 2017, according to data provided by HFR, and the S&P 500 gained 8% over the same period.

U.S. mutual fund giant Fidelity Investments, with $6.3 trillion under administration, joined with the $10 billion Coinbase Inc, a Silicon Valley virtual currency exchange, "to enable Fidelity clients to track their digital assets alongside more traditional investments, like stocks, bonds and mutual funds."[30] Fidelity did so because, a company official said, "we can see that the evolution of Bitcoin and blockchain technology is setting the investment industry up for disruption."[31]

CURRENT IRS AND TREASURY GUIDANCE ON TAXATION OF BITCOINS

On March 25, 2014, the IRS issued Notice 2014-21, which is the only guidance on taxation of Bitcoins, treating virtual currency as property for U.S. tax purposes. In June 2016, the American Institute of Certified Public Accountants (AICPA) asked the IRS for more guidance on virtual currency beyond Notice 2014-21 to provide clarification to taxpayers and practitioners and to boost compliance with federal tax laws.[32] In response, the Treasury Inspector General for Tax Administration (TIGTA) in November 2016 published a paper addressing the deficiencies in taxpayer noncompliance issues for transactions involving virtual currencies.[33]

Following TIGTA's report, on November 30, 2016, the IRS began issuing broad-based "John Doe" summonses seeking information on the Silicon Valley Bitcoin exchange Coin Base Inc.'s customer account passwords and other user information to track unreported income allegedly transmitted between the years 2013 and 2015 since trading in Bitcoin is a taxable event.[34]

bitcoin-traders-are-still-all-in-on-bitcoin/.

[30] Interview with Steve Austin, Fidelity Investments, Corporate Media Relations.

[31] Quote by Abigail P. Johnson, Chairman and CEO, Fidelity Investments from Keynote Speech at Consensus 2017, provided by Steve Austin, Fidelity Investments, Corporate Media Relations.

[32] http://news.cchgroup.com/2017/01/23/rise-regulation-virtual-currency/.

[33] TIGTA Report 2016-30-083, "As the Use of Virtual Currencies in Taxable Transactions Becomes More Common, Additional Actions Are Needed to Ensure Taxpayer Compliance" (Nov. 12, 2016), https://www.treasury.gov/tigta/auditreports/2016reports/201630083fr.pdf.

[34] https://www.justice.gov/opa/pr/court-authorizes-service-john-doe-summons-seeking-identities-us-taxpayers-who-have-used.

U.S. TAX CONSEQUENCES OF BITCOIN-INVESTED FOREIGN HEDGE FUNDS AND IMPACT ON THEIR U.S. INVESTORS

Would Foreign Hedge Funds Invested in Bitcoins Qualify for the Safe Harbor for Trading in Stocks or Securities or Commodities?

The structure of a hedge fund is generally designed to be tax and administratively efficient and is largely dependent upon the classes of investors. There are several reasons to use an entity that is treated as a partnership for U.S. federal income tax purposes. First, partnerships are not subject to an entity-level tax. Instead, each partner reports its allocable share of the partnership's income, gain, loss, deductions, and credits in its income for each year.[35] Second, the character of partnership income, gain, loss, deductions, and credits passes through to its partners.[36] When, in addition to U.S. taxable investors, a hedge fund's investors include foreigners, a "master feeder" structure is used. The master feeder structure is efficient because it permits hedge fund managers to pool the assets of investors with varied tax objectives, thereby reducing administrative expenses.

In a typical master feeder structure, a "master fund" is formed offshore in a low-tax jurisdiction as a partnership or as a corporation that checks the box to be treated as a partnership for U.S. federal income tax purposes. The foreign master fund constitutes the main investing entity and holds the fund's portfolio of Bitcoins, Bitcoin Binary Options, Bitcoin Options, ICOs, and other stocks, securities, or commodities. The master fund is typically organized offshore for withholding tax (WHT) reasons. The master fund, in turn, has two limited partners. The first limited partner is usually an entity that is organized in a low-tax jurisdiction and is treated as a corporation for U.S. federal income tax purposes. Foreigners and tax-exempt organizations invest in this entity, which is called the "foreign feeder." The second limited partner of the master fund is typically a limited liability company or limited partnership that is treated as a partnership for U.S. federal income tax purposes. The investment manager may receive fees from the master fund or from each of the feeder funds and will typically receive its carried interest from the master fund.

To avoid U.S. taxation, a foreign master fund should avoid being engaged in a U.S. trade or busi-

[35] §701–§702. All section references are to the U.S. Internal Revenue Code, as amended, or the Treasury regulations thereunder, unless otherwise indicated.

[36] §702(b).

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ness. The determination of whether a foreign partner is engaged in a U.S. trade or business is made at the partnership level.[37] The regulations provide that the same test for determining whether an individual is engaged in a U.S. trade or business applies in determining whether a foreign partnership is engaged in a U.S. trade or business. It depends on the facts and circumstances of each particular case.[38] The determination — as developed over the years through rulings published by the IRS and through various court decisions — is based on the nature and extent of the foreign partnership's economic activities that are required to be "active," "considerable," "continuous," and "regular."[39]

The activities of a foreign hedge fund and its dependent and independent agents, various affiliated entities, subsidiaries, and personnel on behalf of the foreign partnership are relevant to determining whether the foreign partnership is engaged in the conduct of a U.S. trade or business. Thus, an activity may be imputed to a foreign partnership through a foreign hedge fund or the foreign hedge fund's agent or employees' authority, as well as the foreign hedge funds U.S. activities.[40] Foreign hedge funds or its employees' activities that were unrelated to the foreign partnership, or activities of the partnership that did not rise to the level of a U.S. trade or business, however, would not be attributed to the foreign partnership.

While there is so far no specific ruling from the IRS addressing the determination of a foreign Bitcoin, ICO, or Bitcoin option-invested hedge fund's taxable nexus to the United States, FinCEN legislation concerning Bitcoins can provide some guidance.

The Bank Secrecy Act (BSA), which was enacted to help prevent money laundering, creates a number of reporting obligations upon financial institutions and money servicing businesses (MSB).[41] Under delegated authority from the Department of the Treasury's FinCEN, the IRS has BSA enforcement responsibilities for foreign financial institutions (FFI) not regulated by a federal bank agency or another federal regulator. According to a spokesman for FinCEN, "A foreign hedge fund may have to register with FinCEN depending on several factors. If the foreign hedge fund is registered with, and functionally regulated or examined by the SEC, CFTC, or if it engages in activities that, if conducted in the United States, would require it to register with the SEC or CFTC, then it would not have to register as an MSB. If it does not satisfy this condition, the answer depends on how it operates, on behalf of whom, and where its customer base is located."[42]

In March 2013, the FinCEN issued interpretive guidance that addresses the applicability of the BSA to persons creating, obtaining, distributing, exchanging, accepting, or transmitting virtual currency. This advice required money transmitters to include a Bitcoin as a reportable financial transaction.[43] The definition of a money transmitter does not differentiate between fiat currencies and convertible virtual currencies; the same rules apply to brokers and dealers of e-currency and e-precious metals.

In January 2014, the FinCEN issued clarifying rulings on virtual currency miners and investors. The first ruling stated that to the extent a user creates or "mines" a virtual currency solely for a user's own purposes, the user is not a money transmitter under the BSA.[44] The second ruling stated that a company purchasing and selling virtual currency, as an investment exclusively for the company's benefit is not a money transmitter.[45]

Accordingly, under tax rules, a foreign hedge fund's trading activity in Bitcoin, which is classified as property for tax purposes, can be likened to trading in stocks or securities or commodities in the United States. Thus a foreign partnership, which is subject to

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[37] https://www.irs.gov/pub/irs-utl/USBCUP_14_1_01.pdf.

[38] Reg. §1.875-1.

[39] Based on *Consol. Premium Iron Ores Ltd. v. Commissioner*, 28 T.C. 127, 147, 150 (1957) (foreign partnership is not likely to be deemed engaged in a U.S. trade or business through foreign funds' U.S. employees non-foreign partnership-related U.S. activities); *see also Comer v. Spermacet Whaling & Shipping Co.*, 281 F.2d 646 (6th Cir. 1960), *aff'g* 30 T.C. 618 (1958) (taxpayer had no U.S. office or employees; no regular or continuous transaction of substantial portion of taxpayer's ordinary business in the United States).

[40] See Rev. Rul. 75-23, 1975-1 C.B. 290, in which a foreign corporation that was a limited partner was considered to be engaged in the business of the partnership.

[41] Despite periodic Congressional pressure based on concerns that illegal source funds were being invested in hedge funds, FinCEN waited eight years to publish a new regulatory proposal. On September 1, 2015, the Department of the Treasury, Financial Crimes Enforcement Network (FinCEN) published a long-awaited Notice of Proposed Rulemaking (NPRM) with new rules that would require registered investment advisers to implement Anti-Money Laundering (AML) programs and to file Suspicious Activity Reports (SARs) under the Bank Secrecy Act (BSA). Financial institution under the BSA is defined as a person doing business "in the United States." Nevertheless, the registered investment advisers may include foreign investment advisers. FinCEN is seeking comments on whether foreign SEC-registered and private advisers should be covered by the requirements, 80 Fed. Reg. 52,680 (Sept. 1, 2015).

[42] Candice Basso, FinCEN — Office of Public Affairs.

[43] Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies (FIN-2013-G001) (Mar. 18, 2013).

[44] Application of FinCEN's Regulations to Virtual Currency Mining Operations (FIN-2014-R001).

[45] Application of FinCEN's Regulations to Virtual Currency Software Development and Certain Investment Activity (FIN-2014-R002).

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certain exceptions, may be treated as being engaged in a U.S. trade or business if it invests in a foreign hedge fund.[46] This likening conforms to the SEC's recent security characterization of ICOs and the CFTC's commodity characterization of Bitcoin. Applying the Treasury regulations to the facts and circumstances of each case would make the determination.[47]

On January 2, 2015, the IRS released a Chief Counsel's Advice memorandum (CCA) that concludes that an offshore master fund and its offshore feeder fund were engaged in a trade or business in the United States as a consequence of the master fund's lending and stock distribution activities, which were conducted on behalf of the master fund by a fund manager based in the United States. Although the CCA does not constitute authority on which a taxpayer may rely, it does provide insight into the views of the IRS on these issues. The CCA states that other fact patterns may cause an offshore fund to be engaged in the conduct of a trade or business in the U.S. and encourages the "field" to contact the IRS national office to discuss factual development and legal analysis in these cases.[48]

In the event a foreign hedge fund is deemed engaged in a U.S. trade or business, then §875(1) imputes a partnership's U.S. trade or business through a chain of partnerships to the ultimate nonresident alien individual or foreign corporate partner.[49] Under §875(1) a nonresident alien individual or a foreign corporate partner that is a member of a foreign partnership that is engaged in a U.S. trade or business, would be treated as being engaged in a U.S. trade or business.[50] This principle applies to both general partners and limited partners of a limited partnership, provided that the taxpayer in issue is a partner of the partnership.[51] The imputation of a trade or business from a partnership to its partners applies regardless of whether the partnership is domestic or foreign. In addition, the fact that the taxpayer is a limited partner, and accordingly is precluded as a state law matter from active participation in the management of the partnership's business without sacrificing its limited liability protection, would not prevent imputation of the partnership's trade or business to such partner. This imputation rule together with the limited force-of-attraction principle in §864(c)(3), leads to some surprising results for foreign taxpayers that hold interests in partnerships that are engaged in a U.S. trade or business. While §875(1) treats the foreign person as engaged in a U.S. trade or business by reason of owning the interest in the partnership engaged in the U.S. trade or business (even if that interest is as a limited partner), §864(c)(3) in turn, treats all U.S.-source income, other than fixed or determinable annual or periodical income, portfolio interest, or capital gains, as effectively connected income regardless of whether such income had any relationship to the U.S. trade or business of the partnership. Under §871(b) or §882, the foreign person would be taxable on such effectively connected income net of the deductions properly allocated and apportioned to such income under §873(a) and §882(c) to the extent a U.S. tax return was filed[52] at regular graduated rates.[53]

WHT. If a foreign partnership is deemed engaged in a U.S. trade or business, under §1446 it would also have to pay a withholding tax on effectively connected taxable income that is allocable to a foreign partner under §704.[54] Where a partnership fails to pay all or part of the §1446 tax it must withhold, the partnership is liable for the tax under §1461.

Tax Treaty. Under certain conditions, a U.S. treaty may help a foreign partnership to avoid U.S. tax on income that is effectively connected with the conduct

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[46] Reg. §1.864-2(e).

[47] Rev. Rul. 88-3, 1988-1 C.B. 268.

[48] CCA 201501013, https://www.irs.gov/pub/irs-wd/201501013.pdf.

[49] Where a Canadian partnership was a member of a U.S. partnership, which had its permanent abode in the United States, the income of a member of the Canadian partnership wasn't exempt from U.S. tax under provisions of the U.S.-Canada treaty, *W.C. Johnston v. Commissioner*, 24 T.C. 920 (1955).

[50] The statutory predecessor of §875(1) was first added to the Code by the Revenue Act of 1936, §219. A case decided before the enactment of the predecessor of §875(1) had enunciated the same principle that a foreign person that was a partner of a partnership engaged in a U.S. trade or business would be treated as so engaged. *Cantrell & Cochrane, Ltd. v. Commissioner*, 19 BTA 16, 22–25 (1930), involved a foreign corporation and domestic corporation engaged in joint venture that conducted business of manufacturing certain products in United States; foreign corporation was held to be engaged in U.S. trade or business.

[51] *Unger v. Commissioner*, T.C. Memo 1990-15 (1990) (Canadian nonresident alien individual limited partner was treated as being engaged in U.S. trade or business under §875(1) by reason of partnership's U.S. trade or business under the aggregate theory of partnership resulting in taxpayer's limited partnership interest having a permanent establishment in the United States within the meaning of the U.S.-Canada Income Tax Convention). The Tax Court's decision in the *Unger* case was affirmed on appeal in *Unger v. Commissioner*, 936 F.2d 1316 (D.C. Cir. 1991), thus, a Canadian individual was taxed on his distributive share of partnership's long-term capital gain from sale of real estate located in the United States; *Donroy, Ltd. v. United States*, 301 F.2d 200 (9th Cir. 1962) (Canadian corporate limited partners in California limited partnership treated as having permanent establishment in United States by reason of limited partnership's permanent establishment in United States); Rev. Rul. 90-80, 1990-2 C.B. 170 (foreign person that engaged in barter transactions in United States through partnership was considered to have permanent establishment in United States and was subject to U.S. tax on distributive share of the gain from the transactions under §871(b)).

[52] §874(a); Reg. §1.874-1(a).

[53] §871(b), §882.

[54] Reg. §1.1446-3(e)(1).

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of a U.S. trade or business. Such a treaty may help if the partnership does not have a "permanent establishment" in the United States.

IRS Advance Ruling. IRS won't ordinarily issue advance rulings or determination letters in the following areas:

- Whether a taxpayer is engaged in trade or business within the U.S. and whether income is effectively connected with the conduct of a trade or business within the U.S. under §864;
- Whether an instrument is a security as defined in Reg. §1.864-2(c)(2);
- Whether a taxpayer effects transactions in the U.S. in stocks or securities under Reg. §1.864-2(c)(2);
- Whether an instrument or item is a commodity as defined in Reg. §1.864-2(d)(3); for purposes of Reg. §1.864-2(d)(1) and §1.864-2(d)(2);
- Whether a commodity is of a kind customarily dealt in on an organized commodity exchange, and whether a transaction is of a kind customarily consummated at such place.[55]

Hedging With Exchange-Traded Bitcoin Options and Swaps

For U.S. federal income tax purposes, partnerships are not subject to an entity level tax; instead, each partner in its separate capacity includes its allocable share of the partnership's income, gain, loss, deduction, or credit in its income for each year — whether or not distributed.[56] In addition, the character of partnership income passes through to its partners, and subject to a number of limitations, investors in partnerships can use losses and deductions allocated to them to offset other income and gain.[57]

A taxpayer has gain or loss on an exchange of virtual currency for other property. If the fair market value of property received in exchange for virtual currency exceeds the taxpayer's adjusted basis in the currency, the taxpayer has taxable gain. The taxpayer has a loss if the fair market value of the property received is less than the adjusted basis of the virtual currency. Gain or loss on the sale of virtual currency is gain or loss from the sale or exchange of property, treated in a manner similar to the sale or exchange of securities. If held as investment property, the gain or loss on sale will be capital gain or capital loss.[58]

A "hedging transaction" means a transaction entered into by the taxpayer in the normal course of the taxpayer's trade or business primarily to manage aggregate risk of interest rate changes, price changes, and/or currency fluctuations only if all of the risk, or all but a de minimis amount of the risk, is with respect to ordinary property, ordinary obligations, or borrowings.[59] Transactions entered into for speculative purposes do not qualify as hedging transactions.[60] A taxpayer hedging the risk of fluctuation in the value of its virtual currency is not guaranteed ordinary income treatment under the specialized tax rules applicable to hedging transactions. It is not clear how the tax rules would apply to the following.

- *Mark-to-market rules.* Section 475(f) permits "traders" in securities or commodities to elect mark-to-market treatment for their securities and commodities. The election is not available to "investors."
- *Section 1256 contract in the context of U.S. exchange traded Bitcoin options, swaps.* Whether Bitcoin options or Bitcoin swaps will meet the definition of notional principal contracts, or Section 1256 contracts.
- *Wash sale rules in the context of ICOs.* When a taxpayer sells an ICO or an option on a ICO in order to realize a tax loss, only to buy it back immediately thereafter as a bargain.[61]
- *Short sale rules in the context of ICOs.* Short sale is defined as "a contract for the sale of shares which the seller does not own or the certificates for which are not within his control so as to be available for delivery at the time when, under the rules of the exchange, delivery must be made."[62] This definition has been extended to include sell-

[55] Rev. Proc. 2017-7, 2017-1 I.R.B. 269, §4.01(4).

[56] §701–§702(a); Reg. §1.701-1, §1.701-1(a).

[57] §702(b); Reg. §1.702-1(b); *see, e.g.*, §163(d), §709(b).

[58] Notice 2014-21.

[59] Reg. §1.1221-2(c)(3).

[60] Reg. §1.1221-2(c)(4)(ii); *see* T.D. 8985 (Mar. 15, 2002).

[61] §1091(a); IRS Publication 550 (2015), p. 59; Conf. Rep. No. 100-1104 Vol. II (accompanying Pub. L. No. 100-647), pp. II-132; Rev. Rul. 71-568, 1971-2 C.B. 312; *Corn Prods. Refining Co. v. Commissioner*, 16 T.C. 395 (1951), *aff'd*, 46 AFTR 528, 215 F.2d 513, 54-2 USTC ¶66082 (2d Cir. 1954), *aff'd on other issue*, 47 AFTR 1789, 350 U.S. 46, 100 L. Ed. 29, 55-2 USTC ¶9746 (S. Ct. 1955), *reh'g denied*, 48 AFTR 681, 350 U.S. 943, 100 L. Ed. 823 (S. Ct. 1956); *Sicanoff Vegetable Oil Corp. v. Commissioner*, 27 T.C. 1056 (1957), *rev'd on other issue*, 1 AFTR 2d 779, 251 F.2d 764, 58-1 USTC ¶9233 (7th Cir. 1958); *Trenton Cotton Oil Co. v. Commissioner*, 33 AFTR 610, 147 F.2d 33, 45-1 USTC ¶9163 (6th Cir. 1945), *reh'g denied*, 33 AFTR 910, 148 F.2d 208, 45-1 USTC ¶9224 (6th Cir. 1945); Rev. Rul. 74-218, 1974-1 C.B. 202.

[62] *Provost v. United States*, 46 S. Ct. 152 (1926), 5 AFTR 5681,

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ing short "against the box" where, though at the time the seller is "long" of the same stock (i.e., he already owns shares of that stock), the facts indicate that short sales are intended.[63]

- *Tax straddle rules* that apply to offsetting positions with respect to personal property. For purposes of these rules, actively traded personal property includes any personal property for which there's an established financial market.[64]
- *Valuation of different types of Bitcoins, Bitcoin derivative contracts.* Valuing Bitcoins, Bitcoin options, Bitcoin swaps in "a reasonable way that is consistently applied" remains unclear. For example, are taxpayers required to select one exchange and continue to use it, or can they use an average of different exchanges scattered all across the Internet around the world? Can taxpayers use the average rate for the day to calculate the exchange rate, or do they have to use a specific time during the day to pull exchange rates? While there are a few published exchanges for Bitcoin, the value reported on each exchange at any time of the day is usually not the same.

Until the IRS publishes further guidance, the approach suggested above could be used in applying the hedging rules to a foreign hedge fund's portfolio of Bitcoins, Bitcoin options, Bitcoin swaps, and ICOs.[65] However, even with clear guidance from the IRS, the challenges of tracking a foreign hedge fund's multiple Bitcoin wallets on the Internet could make it extremely difficult to administer these tax rules even with the assistance of advanced blockchain analysis tools.

Binary Bitcoin Options Winnings Received by Nonresident Alien

While there is no specific guidance on the matter, a foreign hedge fund's binary Bitcoin options winnings could be characterized as gambling winnings, which is gross income.[66] The Supreme Court has held that a full-time gambler, which included an active trader on the exchanges, was engaged in a trade or business.[67] With exceptions, U.S.-source gambling winnings received by a nonresident alien would be subject to 30% WHT.[68]

Form W-2G. Every person engaged in a trade or business and who, in the course of that trade or business, makes a "reportable payment" must make an information return for that payment. Unless the provisions of Reg. §1.6041-10(g) apply, a separate return is required for each payment of reportable gambling winnings.[69]

Backup withholding. Backup withholding is required for Bitcoin based "reportable payments," as those payments are treated the same as other payments made in property.[70]

Penalties. Failure to timely file or correctly report virtual currency transactions may be subject taxpayer to information reporting penalties under §6721 and §6722, and tax underpayments attributable to virtual currency transactions may be subject to accuracy-related penalties under §6662.[71]

Bitcoin Source of Income

The Code does not specify how to determine the source of each item of income, particularly of a foreign hedge fund's Bitcoin related income. However, it enumerates specific types of income that are treated as income from sources within the United States[72] and specifies when similar types of income are treated as income from sources outside the United States.[73] In addition, it recognizes that income may be from sources partly within and partly outside of the United States.[74]

Since different sets of sourcing rules apply to different types of income, proper income sourcing depends on proper characterization of a foreign hedge fund's Bitcoin-related income traded over the Internet. The characterization of such income could be determined under the international communications source rules.

International communications income includes all income from the transmission of communications or data from the United States to any foreign country or

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269 U.S. 443, 70 L. Ed. 352, 1 USTC ¶153.

[63] *DuPont v. Commissioner*, 24 AFTR 548, 110 F.2d 641, 40-1 USTC ¶9293 (3d Cir. 1940), *cert. denied*, 311 U.S. 657, 85 L. Ed. 421 (S. Ct. 1940).

[64] §1092; Reg. §1.1092(d)-1(a).

[65] If a foreign hedge fund is not a dealer, a trade or business within the United States does not include effecting transactions in derivatives for the taxpayer's own account, including hedging transactions, Reg. §1.864-2(c)(1), §1.864-2(d)(1)

[66] §61.

[67] *Commissioner v. Groetzinger*, 59 AFTR 2d 87-532, 480 U.S. 23, 94 L. Ed. 2d 25, 87-1 USTC ¶9191 (S. Ct. 1987), *aff'g* 56 AFTR 2d 85-5683, 771 F.2d 269, 85-2 USTC ¶9622 (7th Cir. 1985), *aff'g* 82 T.C. 793 (1984).

[68] §871(a)(1).

[69] https://www.irs.gov/pub/irs-pdf/iw2g.pdf.

[70] *Id.*

[71] Notice 2014-21.

[72] §861.

[73] §862.

[74] §863(b).

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from any foreign country to the United States. It includes any transmission of signals, images, sounds, or data by cable or satellite. A foreign hedge fund's Bitcoin related income for trading in data, a unique strings of letters and numbers such as "1Ez69SnzzmePmZX3WpEzMKTrcBF2gpNQ55" transmitted from the United States over the Internet to across the world would meet the definition of International communications income.[75]

The regulations provide that income from a communications activity is classified by identifying, to the IRS's satisfaction, two points between which the taxpayer bears the risk of transmitting the communication/Bitcoin.[76] Communications between two points within the United States is to be treated as entirely U.S. source, even if it is routed through a satellite located in space, regardless of its location. Similarly, income attributable to communications between two foreign locations is to be completely foreign source.[77] A foreign hedge fund's international communications income (other than a CFC) who is engaged in a U.S. trade or business is U.S. source income to the extent the income, based on all the facts and circumstances, would be attributable to functions performed, resources employed, or risks assumed in the United States[78]

EVERY FOREIGN PARTNERSHIP AND PARTNERS ENGAGED IN A U.S. TRADE OR BUSINESS MUST FILE A U.S. INFORMATION TAX RETURN

Every foreign partnership and partners engaged in a U.S. trade or business at any time during the tax year must file an information tax return on Form 1065 "U.S. Return of Partnership Income."[79]

Foreign partnerships that have U.S. investment or other passive income may also need to file an information return. Because of the fiscal transparency, the partnership return reports a pro-rata share of U.S. source income allocable to each partner.

Then the partners may also need to file a return or a claim for a refund of over-collected withholding taxes. As an anti-treaty shopping measure, a mandatory tax withholding applies to foreign partnerships. The tax is due on passive or investment income and income effectively connected with a U.S. trade or business. A foreign partnership will avoid tax withholding at source if it enters into a withholding agreement with the IRS to act as a withholding agent for its direct nonresident partners.

Information Return Penalties. Failure to timely file or correctly report virtual currency transactions, may be subject a taxpayer to information reporting penalties under §6721, §6722, and tax underpayments attributable to virtual currency transactions, may be subject to accuracy-related penalties under §6662.[80]

Foreign Account Tax Compliance Act (FATCA) Reporting

Enacted as part of the HIRE Act of 2010, FATCA imposes extensive reporting obligations on U.S. taxpayers, foreign entities and withholding agents. FATCA imposes a 30% U.S. WHT to payments of certain U.S. source income (e.g., dividends, interest, insurance premiums) made to foreign financial institutions (FFIs).

Foreign assets that are subject to FATCA reporting requirements include accounts with any FFI. For these purposes, investments in Bitcoin invested foreign hedge funds or Bitcoin denominated deposit accounts at a foreign binary Bitcoin exchange or a foreign Bitcoin options exchange (FBOE) could be considered FFI accounts for FATCA purposes, although the law on this subject is undeveloped at this time.

Starting in 2017, foreign hedge funds and other FFIs will be subject to a 30% WHT on certain foreign-source "pass-through payments" made to them unless these FFIs enter into a FATCA agreement.[81]

The FATCA reporting requirements, which are imposed under §6038D, should not be confused with the Treasury Department's FBAR requirements, which are imposed under the Bank Secrecy Act. The two reporting regimes, which have been unsuccessfully challenged by Sen. Rand Paul (R-Ky.), are separate and there are many differences, but they overlap and some taxpayers have to report under both regimes.[82] For example, a non-publicly traded Bitcoin invested foreign hedge fund or foreign private equity fund is covered by FATCA, but not the FBAR requirements.

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[75] §863(e)(2).

[76] Reg. §1.863-9(h)(3)(i).

[77] S. Rep. No. 99-313 (Pub. L. No. 99-514), p. 359.

[78] §863(e); Reg. §1.863-9(b)(2)(iv).

[79] The IRS has announced (Notice 2017-47) that it will not penalize partnerships that file returns, or request extensions to file returns, attributable to the first tax year beginning after December 31, 2015, by the 15th day of the fourth month following the close of that tax year — rather than by the 15th day of the third month following the close of the tax year, as now required. The IRS notes that partnerships qualifying for relief that have already been assessed penalties should receive a letter "within the next several months notifying them that the penalties have been abated." https://www.irs.gov/pub/irs-drop/n-17-47.pdf.

[80] Notice 2014-21.

[81] §1471(a).

[82] *Crawford v. Dep't of Treasury*, 119 AFTR 2d 2017-5161 (6th Cir. Aug. 18, 2017).

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Form 8938. U.S. individual taxpayers report foreign financial assets valued at $50,000 or more.[83] It is recommended that Bitcoin invested hedge fund accounts, Bitcoin denominated exchange accounts, be reported in the summary information in Part I of Form 8938. Specific information should be given in Part V.

Penalties. Noncompliance with FATCA subjects a taxpayer to taxes, severe penalties in excess of the unreported foreign assets, and exclusion from access to U.S. markets, which could include a regulated Bitcoin derivatives clearing market.

Foreign Financial Accounts (FBAR) Reporting

FinCEN Form 114. A U.S. person that has a financial interest in or signature authority over foreign financial accounts must file a Report of Foreign Bank and Financial Accounts (FBAR) if the aggregate value of the foreign financial accounts exceeds $10,000 at any time during the calendar year.

As noted, for U.S. tax purposes, a Bitcoin is characterized as property.[84] FBAR requires reporting of all foreign financial accounts — but not foreign property. The types of "accounts" which must be reported are defined very broadly and include traditional checking, savings, money market funds, CDs, life insurance plans, a securities account, an account with a person in the business of accepting deposits as a financial agency, an account with a broker or dealer for futures or options transactions in any commodity, or subject to rules of, a commodity exchange or association, an account with a mutual fund or similar pooled fund which issues shares available to the general public that have a regular net asset value determination and regular redemptions,[85] debit and credit cards,[86] and online Bitcoin-based gambling accounts.[87] U.S. entities that transfer or exchange virtual currencies for fiat currencies are considered a money transmitter and a financial institution for FBAR purposes, but not a foreign money transmitter.

A U.S. taxpayer's accounts at a foreign binary Bitcoin options exchange or a foreign Bitcoin options exchange could be reportable on an FBAR as a foreign financial account.

A U.S. taxpayer's shares in Bitcoin invested foreign hedge funds and foreign private equity funds that do not issue shares to the general public would not be not subject to the FBAR reporting requirements. A U.S. taxpayer's shares in publicly traded Bitcoin invested foreign hedge funds or foreign private equity funds would be subject to the FBAR reporting requirements.

Penalties. A U.S. taxpayer who did not file FinCEN Form 114 could face steep civil and criminal penalties. Each non-willful failure-to-file violation can carry a civil penalty of $10,000, while penalties for willful violations could be the greater of $100,000 or 50% of the amount in the account for each violation.

CONCLUSION

Bitcoins with their unprecedented investment returns are attracting hedge fund investments from all over the world. In the two weeks following the CFTC's approval of New York-based LedgerX, 70 Bitcoin-based hedge funds announced that they would soon be launching.[88] It is undeniable that virtual currencies are slowly beginning to seep into and blend with the existing world financial and legal infrastructure, while transforming it all at the same time.

With slim guidance available on tax issues relating to Bitcoins, Bitcoin options, Bitcoin swaps, ICOs and Bitcoin-invested hedge funds, tax advisors should be reminded of *Long-Term Capital Holdings v. United States*, a tax shelter case concerning failed Cayman Islands-based hedge fund Long-Term Capital Management (LTCM), which blew up during the 1998 credit crisis. The crisis began with the Russian government and the Russian Central Bank devaluing the ruble and defaulting on its debt.[89] LTCM, a highly leveraged $5 billion hedge fund, had a short-lived existence, offering phenomenal returns — 20% in 1994, 43% in 1995, 41% in 1996, 17% in 1997 — until its collapse in 1998, which roiled world financial markets.

LTCM's prominent partners included Myron Scholes and Robert C. Merton, who shared the 1997 Nobel Memorial Prize in Economic Sciences for the Black Scholes Options Pricing Model and were credited with the design of LTCM's hedged options trading strategy. Myron Scholes was also credited with LTCM's tax planning strategy, which was based on his new theory of "tax planning under uncertainty and information asymmetry" detailed in his book with Mark A. Wolfson, *Taxes and Business Strategies: A*

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[83] Reg. §1.6038D-5(a).

[84] Notice 2014-21.

[85] 31 C.F.R. §1010.350(c).

[86] CCA 200603026.

[87] Miscellaneous IRS Documents fincen20131028; *United States v. Hom*, 113 AFTR 2d 2014-2325 (D.C. Cir. 2014), *aff'd, rev'd & rem'd*, 118 AFTR 2d 2016-5222 (9th Cir. 2016) (unpublished).

[88] http://www.cftc.gov/PressRoom/PressReleases/pr7592-17; http://www.opalesque.com/665466/Opalesque_Roundup_Over_70_cryptocurrency_hedge_funds_in546.html.

[89] Roger Lowenstein, *When Genius Failed: The Rise and Fall of Long-Term Capital Management* (Random House, Oct. 9, 2000).

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Planning Approach.[90] The U.S. Tax Court, in a 196-page opinion, criticized Scholes's new theory of tax planning and denied LTCM's claim of $106 million in capital losses from 1997. The court imposed $56 million in associated taxes and penalties related to the tax shelter, finding that LTCM's transactions did not have any profit potential or business purpose.[91]

With little guidance from the IRS regarding the tax treatment of Bitcoin derivative products, the same fate of LTCM may be in store for Bitcoin-invested hedge funds and their partners.

Findings from multi-jurisdictional Bitcoin exchange and darkweb market investigations that used Chainalysis and WizSec — software technology designed to find Bitcoin users — showed millions of U.S. taxpayer Bitcoin transactions.[92] However, the "IRS stated that only 800 Americans had reported their Bitcoin gains from 2013 through 2015."[93] An IRS spokesman told the author that the agency "would not comment any further on Bitcoin related matters,"[94] but a spokesman for Treasury said that "the Treasury is expected to publish further guidance on identifying and addressing various tax issues concerning virtual currency transactions during the months to come."[95]

Until further guidance is issued by the IRS and Treasury, the many U.S. taxpayers who neglected to report their Bitcoin related taxable gains, foreign derivatives accounts and foreign hedge fund investments to the IRS and Treasury — under the erroneous assumption that virtual currencies are independent from any government or regulation — are advised to report them, as the IRS has indicated that these transactions give rise to tax obligations and tax reporting requirements as detailed in Notice 2014-21.

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[90] Prentice Hall 1991.

[91] *Long-Term Capital Holdings v. United States*, 94 AFTR 2d 2004-5666, 2004-2 USTC ¶50351, 330 F. Supp. 2d 122 (D.C. Cir. 2004), *aff'd*, 96 AFTR 2d 2005-6344, 2005-2 USTC ¶50575, 150 Fed. App'x 40 (2d Cir. 2005) (unpublished); *see also* Son of Boss tax shelters involving partnerships and options; http://www.nytimes.com/2003/07/13/business/a-tax-shelter-deconstructed.html?mcubz=0; http://www.nytimes.com/2004/08/28/business/hedge-fund-is-censured-and-ordered-to-pay-taxes.html?mcubz=0; http://www.nytimes.com/2003/07/09/business/partner-testifies-that-tax-shelter-of-hedge-fund-was-legitimate.html?mcubz=0; https://www.washingtonpost.com/archive/business/2003/07/23/long-term-capital-case-puts-tax-shelters-on-trial/0918aab1-d857-4ef5-8365-9c5b09257615/?utm_term=.7feea9d73a42; http://money.cnn.com/2003/07/02/news/companies/ltcm/index.htm; https://www.wsj.com/articles/SB105717449439742400; https://www.tax-news.com/news/LTCM_Loses_Tax_Shelters_Case_Against_IRS____17146.html; https://www.valuewalk.com/2016/11/lessons-failure-ltcm/2/.

[92] Interview with Jonathan Levin, co-founder of Chainalysis, which provides software to IRS, DOJ, DEA, FBI, Europol, and several other law enforcement and government agencies around the world to help identify the services that owners of digital currency use to store or spend their Bitcoin; http://blog.wizsec.jp/2017/07/breaking-open-mtgox-1.html; http://www.sciencemag.org/news/2016/03/why-criminals-cant-hide-behind-bitcoin; https://www.wired.com/images_blogs/threatlevel/2012/05/Bitcoin-FBI.pdf; https://leb.fbi.gov/2015/september/virtual-currency-investigative-challenges-and-opportunities.

[93] https://www.thestreet.com/story/14257905/1/bitcoin-investors-must-report-gains-to-the-irs.html.

[94] Interview with Dean J. Patterson, IRS Spokesperson.

[95] Interview with Mark Andersen, TIGTA Spokesperson.

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Regulations Fall on Bitcoin Around the World

By Selva Ozelli, Esq., CPA[*]

INTRODUCTION

Satoshi Nakamoto from Japan is credited with Bitcoin's design and its original reference implementation, including blockchain database that Softbank Group (Japan) CEO Masayoshi Son describes as the "disruptive, foundational technologies that are building the infrastructure for tomorrow." Bitcoin is a type of unregulated, virtual currency that is issued over the internet. It has ranked the best-performing currency in the world six out of the last eight years since its launch in 2009. This has allowed virtual currencies and blockchain technology to attract investment from the world's largest banks, investment companies, and technology companies to find new applications for its use in the burgeoning "FinTech" industry. Softbank launched a $100 billion technology-focused "SoftBank Vision Fund" in partnership with tech groups Apple (U.S.), Qualcomm (U.S.), Foxconn (Taiwan), Sharp (Japan), as well as Saudi Arabia's Public Investment Fund and Abu Dhabi's Mubadala Investment Company, because investing in Bitcoin is considered halal.[1]

Year	Currency	Year Performance
2016	BTC	+124%
2015	BTC	+35%
2014	USD	+13%
2013	BTC	+5,426%
2012	BTC	+195%
2011	BTC	+1,438%
2010	BTC	+480%
2009	BRL	+28%

In the last five years, total daily Bitcoin transactions have risen 900% from 33,800 to more than 335,000, as institutional investors began investing in virtual currencies, altering the underlying dynamics of the market itself. With increased usage and wider adoption of virtual currencies, the demand for Bitcoin has been steadily pushing its price up and leading to new Bitcoin-based binary Bitcoin brokers, wallets, bank accounts, exchanges, trading platforms, credit cards, financial products, and investment funds bubbling up all over the internet.

Bitcoin's price surge of 78% from $2,800 at the end of July 2017 to $5,000 at the beginning of September ($4,208 on October 4, 2017), was partially attributable to regulatory action from Switzerland and the United States, which was promptly followed by other countries around the world to further weave Bitcoins and Blockchain into the existing legal and financial infrastructure, while transforming them all at the same time.

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[1] Alan Boyle, *Softbank puts $1.7B into Intelsat merger with One Web satellite internet venture*, Geek wire (Feb. 28, 2017), available at https://www.geekwire.com/2017/softbank-intelsat-oneweb-satellite-internet/; Shivdeep Dhaliwal, *Is Bitcoin Halal? How Cryptocurrency Conforms with Islam and Sharia*, The Cointelegraph (Feb. 23, 2017), available at https://cointelegraph.com/news/is-bitcoin-halal-how-cryptocurrency-conforms-with-islam-and-sharia.

Current Bitcoin Price on September 1, 2017: $5,000		
Date	**Period Dollar Change**	**Percent Change**
Last 1 year	+$3,894.05	+681.08%
Last 2 years	+$4,246.79	+1,939.14%
Last 5 years	+$4,454.19	+38,365.11%

However, virtual currencies also have a dark side, as flagged by the Federal Bureau of Investigation (FBI) for the first time in an April 2012 report that analyzed the likelihood and consequences of illegal activities involving Bitcoins as part of the ever-growing shadow banking system.[2] The emerging frauds in the digital age, according to the FBI's report, include tax evasion, money laundering, theft of Bitcoins, theft of services to mine Bitcoins, and "ransomware," which uses a computer virus that locks computer or mobile phone files and will not release them until a Bitcoin payment is sent to a designated address (cybercrime).[3] As a result, Bitcoin-related cybercrime has garnered the attention of law enforcement and government agencies from all over the world.

Recent cases on point: During July 2017 law enforcement and government agencies from 19 different countries, in a collaborative and synchronized manner, took back-to-back actions against the emerging frauds in the digital age utilizing virtual currencies in various cybercrime transactions at two foreign virtual currency-based darkweb markets and one foreign virtual currency exchange, for violating of U.S. Financial Crimes Enforcement Network (FinCEN)'s money service business (MSB) registration rules as well as U.S. anti-money-laundering laws. The multi-jurisdictional fight against cybercrime on the internet flaunted the long reach of U.S. law, with severe legal and financial consequences.

On the heels of regulatory and multi-jurisdictional law enforcement actions, the world's largest web-based Bitcoin exchange — Bitfinex (Hong Kong) — which handled 10% of the transactions in the $166 billion virtual currency market, announced that it would be curtailing its services provided to U.S. customers.[4] In addition, several Bitcoin exchanges including Bitfinex began pulling out of Washington State.[5] These decisions were based on the new federal and state regulations, which added to their operational cost base.

This article provides an overview of the various virtual currency-based financial applications that are new to the world financial markets based on initiatives in Asia, the United States, and Europe. It provides an overview of the worldwide regulatory developments concerning virtual currencies as well as recent cases detailing the multi-jurisdictional collaborative efforts in cybercrime enforcement.

ABOUT BITCOINS

Bitcoin was launched in 2009, on the heels of one of the worst worldwide credit crises in financial history.[6] It is a decentralized, unlicensed, worldwide, virtual currency transfer system that requires only an internet connection to participate. It's a peer-to-peer system for online transactions, and when paired with third-party services, allows users to mine, buy, sell, or accept virtual currencies from anywhere in the world. There are many uses for virtual currencies, which allow users to move funds transnationally via the internet without being tied to one country's identity, capital controls, currency depreciation and devaluations, currency conversions, or government seizures. Bitcoin's decentralized feature is unique, making detecting suspicious activity, identifying users, and obtaining transaction records problematic for law enforcement. Virtual currency, unlike money, is not issued or regulated by any government; it is not handled by middlemen such as the Federal Reserve Bank nor represented by bank notes, or any other physical note. Strictly speaking, virtual currencies are nothing more than amounts associated with web addresses — unique strings of letters and numbers. For example, "1Ez69SnzzmePmZX3WpEzMKTrcBF2gpNQ55"

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[2] FBI, *Bitcoin Virtual Currency: Unique Features Present Distinct Challenges for Deterring Illicit Activity* (Apr. 24, 2012), available at https://www.wired.com/images_blogs/threatlevel/2012/05/Bitcoin-FBI.pdf; Brett Nigh & C. Alden Pelker, *Virtual Currency Investigative Challenges and Opportunities*, FBI Law Enforcement Bulletin (Sept. 8, 2015), available at https://leb.fbi.gov/2015/september/virtual-currency-investigative-challenges-and-opportunities.

[3] Michael Reilly, *The WannaCry Ransomware Attack Could've Been a Lot Worse*, MIT Technology Review (May 15, 2017), available at https://www.technologyreview.com/s/607872/the-wannacrypt-ransomware-attack-couldve-been-a-lot-worse/.

[4] Joseph Young, *Bitfinex Closes its Exchange to US Consumers, Impractical Regulations*, BTCManager.com (Aug. 15, 2017), available at https://btcmanager.com/bitfinex-closes-exchange-us-consumers-impractical-regulations/.

[5] Josiah Wilmoth, *'Reckless' Regulations Force Bitcoin Exchange ShapeShift to Exit Washington State* (Aug. 31, 2017), available at https://www.cryptocoinsnews.com/shapeshift-leaves-washington-state-due-to-bitlicense-style-regulations/.

[6] The crypto-currency concept was first described in 1998 by Wei Dai on the Cypherpunks mailing list. He suggested a new form of money that uses cryptography, rather than a central issuing authority, to control its creation and transactions. The first Bitcoin specification and proof of concept was published in 2009 in a cryptography mailing list by Satoshi Nakamoto, who left the project in late 2010.

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represented nearly 30,000 Bitcoins, worth about $20 million, when seized by the FBI during the Bitcoin darkweb market shutdown of the Silk Road in October 2013.[7]

Since Bitcoin's launch, 3 million people have sent $166 billion in virtual currency payments via the internet for goods or services, or have held the funds for investment. Although there are approximately 800 active virtual currencies listed, Bitcoin is by far the most popular, comprising nearly 80% of the entire virtual currency market.[8] Bitcoins originally were used in the online gaming industry, but the increasing popularity of virtual currencies allows users to pay for everything, even real estate in a high-end Dubai real estate project, in the same way as fiat currencies.[9] More than 100,000 merchants worldwide now accept them as legal tender.

Users access their virtual currencies through a wallet, which is the equivalent of a bank account. The wallet enables virtual currency owners to receive the virtual currency, provides storage for them, and enables the owner to send their Bitcoins to other wallets. All of these Bitcoin transactions are tracked and made public using blockchain, which is a digital ledger distributed over a network of computers rather than located on a single or multiple servers. One person or organization does not own it. Transactions made in virtual currencies are recorded chronologically and publicly. It is almost impossible to alter the historical records on a blockchain and more importantly, access to a block can also be restricted. Therefore, when virtual currencies are stolen, they can be traced to a wallet. Blockchains "provide a really useful source of truth" explained Jonathan Levin, cofounder of Chainalysis, which develops software tools for analyzing blockchain data.[10]

[7] *United States v. Ulbricht*, No. 1:14-cr-00068 (S.D.N.Y. Feb. 4, 2013), sealed complaint filed Sept. 27, 2013, available at http://i.cdn.turner.com/money/2013/images/10/02/UlbrichtCriminalComplaint.pdf?iid=EL.

[8] Jason Rowley, *How ethereum became the platform of choice for ICO'd digital assets*, Crunch Network (June 8, 2017), available at https://techcrunch.com/2017/06/08/how-ethereum-became-the-platform-of-choice-for-icod-digital-assets/.

[9] Ryan Browne, *Real estate project in Dubai to be the 'first major development where you can purchase in bitcoin'*, CNBC (Sept. 5, 2017), available at https://www.cnbc.com/2017/09/05/dubai-real-estate-project-first-to-be-priced-in-bitcoin-michelle-mone.html; Jon Buck, *First Bitcoin-Only Real Estate Transaction Completed in Texas* (Sept. 19, 2017), available at https://cointelegraph.com/news/first-bitcoin-only-real-estate-transaction-completed-in-texas.

[10] Interview with Jonathan Levine, founder of Chainanlysis.

NEW BITCOIN-BASED FINANCIAL ALTERNATIVES

Bitcoin's volatile upwards price surge and its popularity among FinTech investors provided fertile ground for the development of Bitcoin-based new financial alternatives for the first time in history.

Virtual Currency Prediction Markets

When Bitcoin first appeared in 2009, the gambling industry was one of the industries that immediately started to adopt it due to Bitcoin's unregulated nature. Since then, hundreds of online Bitcoin prediction markets have been popping up like mushrooms processing millions of Bitcoin trade predictions on a daily basis. If you are right, you win Bitcoins and can even open Bitcoin-denominated savings accounts that pay above-market interest rates.

A binary Bitcoin option is a simple type of option that is valued according to a true/false statement. For example, if the price of the underlying asset Bitcoin is above a certain level, the call (long) option will pay 100; if it is below, it will pay 0. For a put option the reverse is true.

Binary Bitcoin options make for simple valuation and are therefore a good way for traders to avoid complicated valuations, which often work in favor of option issuers to the detriment of buyers. There are two different ways to use Bitcoins for binary options trading:

- The first is similar to playing at a Bitcoin casino — your Bitcoin is the currency and you trade/play in the same way as someone using fiat currencies as a deposit.
- The second method is trading Bitcoin as an asset.

Both types of brokers are often referred to as Bitcoin binary options brokers. Most Bitcoin binary options brokers only offer it as a virtual currency pair versus the U.S. dollar.

On March 18, 2013, FinCEN issued interpretive guidance that required a money service business (MSB) to include virtual currencies as reportable financial transactions. This marked a regulatory breakthrough for all companies that dealt in virtual currencies around the world. It subjected foreign MSBs to registration requirements within 180 days of beginning operations, which required them to implement an effective anti-money-laundering (AML) program, maintain records, and file reports with FinCEN.[11]

A foreign-located business qualifies as an MSB if it does business as an MSB wholly or in substantial part

[11] FIN-2013-G001, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies

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within the United States. Whether or not a foreign-located person's MSB activities occur within the United States depends on all of the facts and circumstances of each case, including whether persons in the United States are obtaining MSB services from the foreign-located person, such as sending money to or receiving money from third parties through the foreign-located person.[12] A foreign-located MSB will have the same requirements as an MSB with a physical presence in the United States with respect to its U.S. activities. FinCEN "will hold accountable foreign-located money transmitters, including virtual currency exchangers, wallets, prediction markets, hedge funds, asset management companies that do business in the United States when they willfully violate U.S. anti-money laundering laws."[13]

Virtual Currency Wallets

Bitcoin wallets are programs that help send and receive Bitcoin. They generate your Bitcoin address, which serves as your personal address for receiving Bitcoins. Virtual currency wallets have been around since the very first software client for Bitcoin was created.

On January 30, 2017, the Swiss Financial Market Supervisory Authority (FINMA) in a landmark ruling approved Silicon Valley-based Xapo, a Bitcoin wallet, to operate in the country, marking the first regulatory step forward for companies that provide safekeeping for the virtual currency.[14] The Swiss regulators did not want Bitcoins to undermine the Swiss banking system, which housed around $2 trillion, or 27%, of offshore wealth and reshape the financial landscape after the Swiss repealed their bank secrecy rules.

There are two types of Bitcoin wallets: (1) a desktop wallet or (2) a smartphone wallet. The high number of internet users, who have a propensity for smartphone and mobile payments, have played a key role in the explosive development of the Bitcoin-based FinTech sector. A London-based innovative technology company, d:code:it "designs first of its kind financial services applications for smartphones."[15] while Silicon Valley-based technology company Abra develops "Bitcoin-based digital wallet applications to buy, sell, store, send, and receive Bitcoin deposits or alternatively in over 50 fiat currencies, and facilitate Bitcoin transfers between any two smartphones around the world."[16] Abra smartphone users can even leverage up and buy Bitcoins on their smartphones with their American Express card.

Traditional Banking Institutions Invest in Bitcoins and Blockchain Technology

On July 10, 2017, the Swiss FINMA issued another breakthrough decision by approving a private Swiss bank to offer digital asset management services in virtual currencies allowing customers to buy and hold Bitcoins within their Swiss bank accounts through a partnership with brokerage service Bitcoin Suisse, subjecting these accounts to tax transparency rules (Common Reporting Standard (CRS), Foreign Account Tax Compliance Act (FATCA)).[17] The Swiss adored Bitcoin so much that the municipality of Chiasso allowed residents to pay their taxes in Bitcoin.[18]

Following FINMA's pronouncement, six of the world's biggest banks — HSBC (U.K.), Barclays (U.K.), Credit Suisse (Switzerland), Canadian Imperial Bank of Commerce (Canada), State Street (U.S.), and Mitsubishi UFJ (Japan) — joined a project to create a new form of digital currency "utility settlement coin," which was created by UBS (Switzerland), BNY Mellon (U.S.), NEX (U.K.), Banco Santander (Spain), Deutsche Bank (Germany), along with Blockchain startup Clearmatics (U.K.) in 2015. These banks aim to use the utility settlement coin that could be amplified by fiat currencies issued on the Blockchain for clearing and settling financial transactions.[19]

Others are testing their own virtual currencies across blockchain-based platforms: Citibank (U.S.); the Commonwealth Bank of Australia, in partnership with Wells Fargo (U.S.) and Brigham Cotton (Austra-

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(Mar. 18, 2013); 31 C.F.R. §1010.100(ff)(5).

[12] Donald J. Mosher, *FinCEN Issues Assessment Against Virtual Currency Exchange — the First Enforcement Action Against a Foreign-Located Money Services Business*, Payments Journal (Aug. 14, 2017), available at http://paymentsjournal.com/fincen-issues-assessment-against-virtual-currency-exchange-the-first-enforcement-action-against-a-foreign-located-money-services-business/.

[13] *Id.* (quoting Jamal El-Hindi, FinCEN's Acting Director).

[14] *Switzerland grants bitcoin wallet Xapo conditional approval to operate in the country*, blockchain technews (Jan. 30, 2017), available at https://www.blockchaintechnews.com/news/switzerland-grants-bitcoin-wallet-xapo-conditional-approval-to-operate-in-the-country/.

[15] Interview with Kerem Ozelli, CEO d:code:it.

[16] Interview with Bill Barhydt, CEO of Abra.

[17] Wolfie Zhao, *Swiss Bank Launches Bitcoin Asset Management Service*, Coindesk (July 12, 2017), available at https://www.coindesk.com/swiss-bank-launches-bitcoin-asset-management-service/.

[18] James Parker, *Wait? Now You Can Pay Your Taxes in Bitcoin*, Ethereum World News (Sept. 12, 2017), available at https://ethereumworldnews.com/wait-can-now-pay-taxes-bitcoin/.

[19] Joshua Althauser, *Major Banks Join USC Project for Blockchain-based Cryptocurrency Banking*, The Cointelegraph (Aug. 31, 2017), available at https://cointelegraph.com/news/major-banks-join-usc-project-for-blockchain-based-cryptocurrency-banking.

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lia); Mizuho Bank (Japan) and seven other large European banks in partnership with IBM (U.S.); Microsoft (U.S.) in partnership with Bank Hapoalim (Israel); the largest state–owned Chinese banks in partnerships with prominent Chinese technology companies; Amazon Web Services (U.S.) in partnership with Digital Currency Group (U.S.) and Mitsubishi UFJ Financial Group (MUFG) (Japan).[20]

JP Morgan Chase Bank, the largest U.S. bank, is a member of two blockchain consortiums — Enterprise Ethereum Alliance and the Hyperledger Project — dedicated to developing various financial services applications on blockchain technology.[21] "Blockchain is like any other technology. If it is cheaper, effective, works, and secure, then we are going to use it and transport currency, but it will be dollars, not Bitcoins" explained the bank's CEO Jamie Dimon. "Bitcoin is a fraud that will ultimately blow up. It is only fit for use by drug dealers, murderers and people living in North Korea" added Dimon in a notable tirade that sent shock waves across the world.[22]

Bitcoin Exchanges

The first Bitcoin exchange was Bitcoin Market where Bitcoin traded for the first time for $0.3 cents.[23] It was established on February 6, 2010, but was shut down six months later after being scammed. Mt. Gox (Japan) quickly rose to prominence during the same year, but met its end four years later.

The enactment of FinCEN's Bitcoin regulations, which imposed registration requirements on MSBs in 2013, allowed U.S. law enforcement and agencies using the long arm of U.S. law to work collaboratively with global law enforcement and agencies and with private technology companies in multi-jurisdictional investigations to shed light on cybercriminals, who tainted Bitcoin's reputation by using them in cybercrime transactions on Bitcoin exchanges, wallets, and darkweb markets.

- 2013: U.S. law enforcement and agencies, with the assistance of various global law enforcement and agencies in a multi-jurisdictional investigation, cracked down on cybercrime by shutting down $6 billion Costa Rica-based virtual currency exchange Liberty Reserve and popular drug trafficking darkweb market $1.2 billion Silk Road for money laundering transactions for the first time in Bitcoin's history. An Australian and a Czechoslovakian Bitcoin exchange were hacked, and millions in virtual currency were stolen. The Chinese Bitcoin exchange GBL in a "Bitcoin Exit Scam" mysteriously disappeared, taking more than $4 million of the virtual currency with it. A person who robbed the website Sheep Marketplace of 96,000 Bitcoins — about $100 million at current prices — attempted to hide the heist by repeatedly trading it through various "tumblers," which mix up and launder old Bitcoins for new.
- 2014: As part of "Operation Onymous," a global law enforcement effort, Feds and EUROPOL seized three darkweb markets; DOJ announced charges against Bitcoin exchange Silk Road's CEO and other unlicensed MSB's operators and forfeited $28 million worth of Bitcoins belonging to Silk Road. 850,000 Bitcoins worth more than $450 million were stolen from the world's largest Japanese exchange Mt. Gox, bankrupting the exchange and resulting in the arrest of the company's CEO on charges of embezzlement. A Canadian hacker stole thousands in Bitcoins from several websites. "The idea that Bitcoin has some huge intrinsic value is just a joke in my view. Stay away from it. Bitcoin is a mirage basically" exclaimed famed value investor Warren Buffet.[24]
- 2015: Two former FBI agents were charged by the Department of Justice with stealing Bitcoins during the 2013 Silk Road probe. In another "Bitcoin Exit Scam," administrators of the largest darkweb market, Evolution, suddenly disappeared with $12 million of Bitcoins of its users' drug money. 19,000 Bitcoins worth $5 million were stolen from the world's third-largest exchange, Slovenia-based Bitcoin Bitstamp.
- 2016: The DOJ convicted the fourth defendant in a scheme to defraud a Bitcoin gaming company of over $16 million worth of virtual currency. The IRS issued John Doe subpoenas to investigate U.S. tax evasion at Coinbase Inc. exchange. 120,000 Bitcoins worth $95 million were stolen

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[20] Yessi Bello Perez, *8 Banking Giants Embracing Bitcoin and Blockchain Tech*, coindesk (July 27, 2015), available at https://www.coindesk.com/8-banking-giants-bitcoin-blockchain/.

[21] Olga Kharof, *AmEx Joins JP Morgan, IBM in Hyperledger Effort*, Bloomberg (Jan. 30, 2017), available at https://www.bloomberg.com/news/articles/2017-01-30/amex-joins-jpmorgan-ibm-in-hyperledger-blockchain-effort.

[22] Angela Monaghan, *Bitcoin is a fraud that will blow up, says JP Morgan boss*, The Guardian (Sept. 13, 2017), available at https://www.theguardian.com/technology/2017/sep/13/bitcoin-fraud-jp-morgan-cryptocurrency-drug-dealers; Evander Smart, *J.P. Morgan Chase CEO Jamie Dimon: 'Bitcoin Is Going To Be Stopped!'* The Cointelegraph (Nov. 5, 2015), available at https://cointelegraph.com/news/jp-morgan-chase-ceo-jamie-dimon-bitcoin-is-going-to-be-stopped.

[23] Benjamin Wallace, *The Rise and Fall of Bitcoin*, Wired (Nov. 23, 2011), available at https://www.wired.com/2011/11/mf_bitcoin/.

[24] Tae Kim, *Bitcoin up sevenfold since Warren Buffet warned digital currency was a 'mirage,'* CNBC (Sept. 7, 2017), available at https://www.cnbc.com/2017/09/07/bitcoin-up-sevenfold-since-warren-buffett-warned-digital-currency-was-a-mirage.html.

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from the world's largest Bitfinex exchange. North Koreans perpetrated several cybercrime attacks at banks. Drug dealer's favorite virtual currency — Monero — that increased 2,760% in value during 2016, made its debut at the largest and most popular darkweb market Alphabay. U.S.-based Bitcoin exchange Cryptsy threatened bankruptcy, claiming that millions were lost in a Bitcoin heist, while it was nothing more than a "Bitcoin Exit Scam" by its operator.

A crack in the dam opened the floodgates on April 26, 2016, when Bitstamp became the first E.U.-Certified Bitcoin Exchange. Bitstamp's approval was the culmination of a two-year vetting process by the Ministry of Finance in Luxembourg, which approved Bitstamp's use throughout the European Union (EU), marking a regulatory breakthrough for Bitcoin exchanges in Europe for the first time.

Each Bitcoin exchange is subject to operation under different rules, accepted payment methods, and fees, along with other factors. Due to regulatory constraints, not all web-based Bitcoin exchanges will accept customers from all around the world. Bitcoin exchanges can accept a wide variety of payment methods including bank transfer, mobile payments, wire transfers, and credit cards. Bitcoin exchanges can have a variety of fees: deposit fees, transaction fees, and withdrawal fees, as well as varied conversion rates between Bitcoin and fiat currencies. Finally, Bitcoins stored on a Bitcoin exchange are subject to hacking, theft, exit scam, and exchange bankruptcy risks, which may or may not be protected by laws of the venue in which the investors and dealers are trading Bitcoins.

On April 1, 2017, Japan officially recognized Bitcoin and virtual currencies as legal means of payment and Japan's Financial Services Agency (FSA) imposed registration requirements on Bitcoin exchanges. FSA's regulations prompted Japanese banks SoftBank Investment, Sumitomo Mitsui Banking Corporation, Mizuho Financial Group Inc., and Dai-ichi Life Insurance Company to continue to invest in Bitcoin exchanges to the point of making Japan the top Bitcoin Exchange market in the world, beating out both China and the United States.[25]

After designating Bitcoin as a commodity and not a currency on September 17, 2015, the Commodities Futures Trading Commission (CFTC), in a breakthrough ruling, on July 24, 2017, approved a proposal to launch a regulated Bitcoin derivative clearing exchange, LedgerX.[26] At a Bitcoin derivatives exchange, virtual currency listings and prices are tracked and can be looked up by ticker symbol. By publishing continuous, live markets for Bitcoin option prices, an exchange enables independent parties to engage in price discovery and execute transactions. "For the first time, institutional investors will have the ability to obtain Bitcoin and then hedge its volatility using a U.S. federally regulated venue. Initially, LedgerX intends to list a Day Ahead Swap and one to six month Bitcoin-to-U.S. dollar options contracts. The New York-based LedgerX derivatives market is expected to open by the end of September."[27] The Chicago Board Options Exchange (CBOE) is planning to start offering cash-settled Bitcoin futures by April 2018.[28]

Other platforms that offer virtual currency futures and options trading are Bitcoin Mercantile Exchange, owned by Seychelles-incorporated HDR Global Trading Ltd.; Deribit of Amsterdam; Singapore-based Coinut options exchange; Dublin-based Predictious; and Hong Kong-based Bitmex.

Virtual currency exchanges in Mexico and India have been thriving too, even though the Central Bank of Mexico and Central Bank of India have yet to decide on Bitcoin's classification between a commodity and a currency and enact proper regulations for these exchanges.[29]

On September 11, 2017, China's central bank announced that it would shut down all domestic Bitcoin exchanges, delivering a blow to a once-thriving industry of commercial trading for virtual currencies, which began taking off four years ago.[30] In the aftermath of China's announcement, Bitcoin's value fell

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[25] Joseph Young, *Japan Becomes Largest Bitcoin Exchange Market, Beats China and U.S.*, The Cointelegraph (Feb. 17, 2017), available at https://cointelegraph.com/news/size-matters-japan-becomes-largest-bitcoin-exchange-market-beats-china-and-us.

[26] Press Release, CFTC Orders Bitcoin Options Trading Platform Operator and its CEO to Cease Illegally Offering Bitcoin Options and to Cease Operating a Facility for Trading or Processing of Swaps without Registering, CFTC (Sept. 17, 2015), available at http://www.cftc.gov/PressRoom/PressReleases/pr7231-15; Press Release, CFTC Grants DCO Registration to LedgerX LLC, CFTC (July 24, 2017), available at http://www.cftc.gov/PressRoom/PressReleases/pr7592-17.

[27] Interview with Marie Giangrande, Spokesperson, LedgerX.

[28] John Detrixhe, *A Chicago exchange says bitcoin is here to stay, but it will provide a way to bet against it*, Quartz (Sept. 14, 2017), available at https://qz.com/1076286/cboes-chris-concannon-says-bitcoin-is-here-to-stay-and-futures-will-let-you-short-the-cryptoasset/.

[29] Joshua Althauser, *Banco de Mexico Governor: Bitcoin Is Commodity Rather Than Currency*, The Cointelegraph (Aug. 29, 2017), available at https://cointelegraph.com/news/banco-de-mexico-governor-bitcoin-is-commodity-rather-than-currency; *Bitcoin Regulation in 2017*, India Bitcoin, available at http://www.indiabitcoin.com/bitcoin-regulation-in-2017/.

[30] Constantine Courcoula & Lulu Yilun Chen, *Bitcoin Crashes After Chinese Exchange Says It Will Halt Trading*, Bloomberg

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— to the benefit of Bitcoin short sellers. The client base of Coinbase Inc., a $10 billion Silicon Valley-based virtual currency exchange, shot up to more than 10 million registered users. The virtual currency exchange Gatecoin (Hong Kong) received a surge of registrations from Chinese clients with a "massive number" of inquiries from Chinese token founders after reports of China's ICO ban. And Gibraltar, the age-old tax haven, repositioned itself as the new Bitcoin venue of choice, widely advertising it in press releases.

Initial Coin Offering (ICO)

Initial Coin Offering (ICO) is a new way of fundraising enabled by digital currencies where participants invest money and receive digital "tokens" in return. A person, project, or company in need of capital creates a new kind of digital coin and sells a tranche of them for fiat currencies on a Bitcoin trading platform or broker dealer. These coins are created using the same kind of technology behind virtual currencies such as Bitcoin or Ethereum — a crowdfunding mechanism built on top of blockchain.

One important distinction is the difference between ICO trading platforms and brokers. ICO trading platforms are websites that automatically connect buyers and sellers, usually for a small service fee, and have options such as limit orders and stop loss. Brokers on the other hand are ICO websites that simplify the process by allowing you to buy ICOs through them at a predetermined price. When you buy ICOs from broker websites, the process is usually much simpler, but it's also more expensive.

ICOs have already raised $2 billion in the first half of the year, averaging 20 new virtual coin offerings a month, with the ICO of Ethereum bringing an 82,000-percent investment return for its investors.[31]

The increased use of ICOs motivated the Securities Exchange Commission (SEC) to issue on July 25, 2017, a landmark opinion concerning Bitcoins stating that ICOs can sometimes be considered securities — and as such are subject to strict laws and regulations.[32]

On August 10, 2017, Singapore's financial overseer said it would follow the United States in regulating ICOs under securities law.[33] On August 24, 2017, the Canadian Securities Exchange Administrators (CSA) announced that securities laws might apply to ICOs.[34] On September 4, 2017, seven Chinese regulators — including the People's Bank of China, China Securities Regulatory Commission, China Banking Regulatory Commission, and China Insurance Regulatory Commission — imposed a ban on raising funds using ICOs, making them illegal. On the same day, South Korea pledged to "strengthen levels of punishment" for those looking to raise money through ICOs, all the while hosting road shows for ICOs. On September 12, 2017, Britain's Financial Conduct Authority (FCA) warned that ICOs are "very high risk" and speculative investments.

Bitcoin Bonds

On August 30, 2017, the Mexican Ministry of Finance issued proposed FinTech Act, which allows for the creation of FinTech firms that will engage in virtual financial activities including issuance of Bitcoin bonds.[35]

What is a virtual currency bond? A Solidus Bond is a U.S. patented, peer-to-peer digital bearer bond, debt instrument that uses blockchain to perform the functions of coupon payments and bond redemption typically carried out by financial institutions.

The World Bank has revealed plans to explore blockchain technology to support a mobile phone-based bond issuance dubbed "M-Kaibab" for Kenya. BNP Paribas's (France) securities services division is working on a blockchain platform that would enable retail investors to lend money to businesses via mini-bonds. IBM (U.S.) has partnered with SBI (Japan), an online financial services conglomerate, on a new blockchain pilot focused on developing the foundations for a next-generation bond trading system.

Meanwhile, a Japanese company, Fisco, has already issued a three-year debt of 200 Bitcoins — and insurance giant Allianz (Germany) has successfully used blockchain-based smart contracts to handle catastrophe swaps and bonds. "Bitcoin's price will explode but mass adoption is not going to happen" Allianz's

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(Sept. 14, 2017), available at https://www.bloomberg.com/news/articles/2017-09-14/bitcoin-tumbles-as-chinese-exchange-says-it-will-halt-trading.

[31] Matthew Leising & Matt Robinson, *SEC Is Set to Monitor Digital Coin Sales as Market Tops $2 Billion*, Bloomberg (Sept. 15, 2017), available at https://www.bloomberg.com/news/articles/2017-09-15/sec-said-to-monitor-digital-coin-sales-as-market-tops-2-billion.

[32] SEC Release No. 81207 (July 25, 2017).

[33] Ravi Menon, *Singapore Throws Down Gauntlet*, finews.asia (Aug. 10, 2017), available at https://www.finews.asia/finance/25247-singapore-cryptocurrency-digital-token-crackdown-regulatory-warning-mas.

[34] http://www.osc.gov.on.ca/en/NewsEvents_nr_20170308_osc-highlights-potential-securities-law-requirements.htm; http://www.osc.gov.on.ca/documents/en/Securities-Category4/csa_20170824_cryptocurrency-offerings.pdf.

[35] Darryn Pollock, *Mexico to Join Club of Countries With Bitcoin Regulation* (Sept. 19, 2017), available at https://cointelegraph.com/news/mexico-to-join-club-of-countries-with-bitcoin-regulation.

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chief economic advisor Mohamed El-Erian predicted.[36]

Asset Management in Bitcoins

On September 6, 2017, the British Columbia Securities Commission (BCSC) announced the first registration in Canada of an investment fund manager solely dedicated to the management of virtual currency investments.[37] One of the main attractions to Bitcoin was its upward price volatility. The digital currency has sextupled in 2017, and was up about 78% in August alone. "Virtual currency investments are a new and novel form of investing in Canada. We have seen from the market and from investors that there is a strong appetite for access to these kinds of investments. This first registration allows access to Bitcoin investments, while providing the BCSC with unique mechanisms to monitor operations in a rapidly developing area."[38]

Bitcoins, with their unprecedented volatile investment returns, coupled with the opening of new Bitcoin-based derivatives exchanges that allow for the ability to short or to take leveraged positions in options and digital currencies, began to attract hedge fund investors.

Options are widely used to manage hedge funds' portfolio risks or "to hedge or speculate on the price of an underlying asset with a quantified risk," according to retired hedge fund manager Michael Steinhardt, whose career earnings made him a legend in the industry.

Steinhardt set up his first fund in 1967, "following a strategy created by Alfred Winslow Jones. He married (1) short sales to hedge against stock market risk; (2) leverage to boost stock trading returns; and (3) long positions in stocks, to continuously extract stock market trading profits as their prices moved up and down."

Steinhardt, in an interview, explained that he expanded on Jones' strategy "by incorporating bonds in addition to stocks, as well as new derivative hedging products that entered the markets in addition to short sales" to his portfolio, throughout his career. He began hedging with "long and short exchange-traded stock options to hedge the price of stocks when stock options debuted in 1973, at the Chicago Board of Options Exchange (CBOE)." Over a period of 28 years, using his own "Steinhardt Style Hedged Trading Strategy," he earned "hedged annual returns of 24.5 percent — triple the S&P 500 average," Steinhardt said.[39]

The illustrious careers of hedge fund legends have inspired contemporary Bitcoin traders to set up Bitcoin-invested hedge funds that surf Bitcoin's extreme price volatility on the internet:

- Michael Steinhardt (1967–1995, 24.5%);
- George Soros, who incorporated foreign exchange in addition to stocks and bonds to his hedge fund trading strategy only to claim the title "the Man Who Broke the Bank of England" when he successfully shorted the British pound out of the European Exchange Rate Mechanism (ERM) mechanism and became a billionaire overnight on Black Wednesday, September 16, 1992 (1973–2011, 20%);
- Bruce Kovner, the global macro hedge fund manager who incorporated commodities in addition to stocks, bonds, and foreign exchange to his hedge fund and combined computerized as well as traditional trading strategies to arbitrage world financial markets, like Mozart's piano sonatas (1983–2011, 14%); and
- Prof. David Shaw, the quant who developed first-of-its-kind computerized hedged trading strategies for stocks, bonds, foreign exchange, commodities, asset backed securities, convertible securities, and reinsurance contracts to exploit inefficiencies in world financial markets with the help of state-of-the-art high-speed computer networks (1988–2012, 14%).

There are now about 55 virtual currency hedge funds: (1) those that have portfolios containing exclusively virtual currencies, Bitcoin options, and ICOs; and (2) those that have added some virtual currency to a mix of other asset types.

In China, the FinTech Blockchain Group runs an exclusively virtual-currency-invested hedge fund that trades virtual currencies 24 hours a day, seven days a week, using a cutting-edge computerized lightning-quick trading strategy to arbitrage tiny price discrepancies on the countless web venues where it changes hands. Zhou Shuoji, FinTech Blockchain Group's

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[36] William Suberg, *Bitcoin Price Will 'Explode' but Adoption 'Won't Happen': Allianz Chief Economist*, The Cointelegraph (Sept. 14, 2017), available at https://cointelegraph.com/news/bitcoin-price-will-explode-but-adoption-wont-happen-allianz-chief-economist.

[37] BCSC, News Release, *B.C. Securities Commission grants landmark bitcoin investment fund manager registration* (Sept. 6, 2017), available at http://www.bcsc.bc.ca/News/News_Releases/2017/69_B_C__Securities_Commission_grants_landmark_bitcoin_investment_fund_manager_registration/.

[38] Zach Masum, Manager, Legal Services, Capital Markets Regulation, and leader of the BCSC's Tech Team.

[39] Interview with retired hedge fund manager Michael Steinhardt.

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high-speed Bitcoin trader said "It's the golden age to be in the Bitcoin market because it's imperfect."[40]

In the United States, hedge fund manager Timothy Enneking of Crypto Asset Management, said "I don't think the world has seen but the pointy end of the spear in terms of what's going to happen in cryptocurrencies" and launched the first SEC registered Crypto Asset Fund exclusively invested in virtual currency products.[41] Hedge fund manager Mike Novogratz, Fortress Investment Group (U.S.) president who was among early investors in virtual currencies and exchanges, admitted that 10% of his net worth is invested in Bitcoins, the "best investment of my life."[42] Softbank Group acquired Fortress Investment Group earlier during this year.

In the two weeks following the CFTC's approval of New York-based LedgerX, 70 additional Bitcoin-based hedge funds announced that they would be launching soon. Among these hedge funds are Silicon Valley-based Pantera Capital, which will launch an SEC-registered $100 million ICO-focused hedge fund. French bank BNP Paribas will add Bitcoin to one of its currency funds.

According to a spokesman for FinCEN, "A foreign hedge fund may have to register with FinCEN depending on several factors. If the foreign hedge fund is registered with, and functionally regulated or examined by, the SEC [or] CFTC, or if it engages in activities that, if conducted in the U.S., would require it to register with the SEC or CFTC, then it would not have to register as an MSB. If it does not satisfy this condition, the answer depends on how it operates, on behalf of whom, and where its customer base is located."[43]

An unregistered virtual currency hedge fund managed by John Chalekson, by using a "game theoretic equilibrium" trading strategy to "dominate the hedge fund indices with extraordinary numbers," delivered an astonishing "2,129 percent investment return to his investors through August 2017 primarily by investing in new virtual currencies, ICOs in long positions, without hedging or using any leverage — 266 times the S&P 500 average."[44] Traditional hedge funds, in contrast, on average, returned 3.7% through the first half of 2017, according to data provided by HFR, and the S&P 500 gained 8% over the same period.

U.S. mutual fund giant Fidelity Investments, with $6.3 trillion under administration, joined with virtual currency exchange Coinbase Inc. "to enable Fidelity clients to track their digital assets alongside more traditional investments, like stocks, bonds and mutual funds."[45] Fidelity did so because, a company official said, "we can see that the evolution of Bitcoin and blockchain technology is setting the investment industry up for disruption."[46]

WORLD REGULATORY GUIDELINES PROPOSED BY INTER-GOVERNMENTAL ORGANIZATIONS ON BITCOINS AND BLOCKCHAIN TECHNOLOGY

The topic of Bitcoin and other virtual currencies is attracting considerable attention among global regulators, legislators, and central banks — some which are pondering adding virtual currencies to their reserves.[47] There are also a multitude of perceived risks that the authorities and stakeholders are exploring in order to identify the regulatory measures that may be necessary to mitigate concerns over security, consumer protection, and financial crime. Some coordinated guidelines have been put forward by inter-governmental organizations as detailed below.

However, so far, there is more muscle behind building digital assets, virtual currencies, and blockchain technology than implementing a coordinated global legal and regulatory transnational solution.

Enterprise Ethereum Alliance is a 150-member alliance that includes technology behemoths and large financial institutions like Samsung (South Korea), ING (Netherlands), and Central Bank of Canada, which are

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[40] *High-Speed Traders Are Taking Over Bitcoin*, Bloomberg (Jan. 17, 2017), available at https://www.bloomberg.com/news/articles/2017-01-16/high-speed-traders-are-taking-over-bitcoin-as-easy-money-beckons.

[41] Interview with Timothy Enneking of Crypto Asset Management, Ari Levy, *Crypto Asset Fund looks to raise $400 million to buy into blockchain frenzy*, CNBC (June 6, 2017), https://www.cnbc.com/2017/06/06/crypto-asset-fund-aims-to-raise-400-million-for-blockchain-deals.html.

[42] Heather Long, *Billionaire says he has 10% of his money in Bitcoin and Ether*, CNN Money (Apr. 20, 2017), available at http://money.cnn.com/2017/04/20/investing/mike-novogratz-bets-big-on-bitcoin-ether-blockchain/index.html.

[43] Candice Basso, FinCEN — Office of Public Affairs.

[44] Mark Melin, *Bitcoin Hedge Fund Up 2,129% Raises Concerns*, ValueWalk (Aug. 25, 2017), available at https://www.valuewalk.com/2017/08/crypto-hedge-fund/.

[45] Interview with Steve Austin, Fidelity Investments, Corporate Media Relations.

[46] Quote by Abigail P. Johnson, Chairman and CEO, Fidelity Investments from Keynote Speech at Consensus 2017, provided by Steve Austin, Fidelity Investments, Corporate Media Relations.

[47] Many countries' central banks — including Reserve Bank of Australia (RBA), Bank of England, and China's as well as Vietnam's central bank — are contemplating adding virtual currencies to their currency reserves; The People's Bank of China, the Chinese central bank, has already developed a prototype for its own cryptocurrency that could begin circulating in the near future alongside the official renmibi or yuan. Researchers at Finland's central bank have dubbed Bitcoin's economic system "revolutionary."

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committed to developing business applications with Ethereum, a decentralized blockchain platform for applications that backs the popular digital currency Ether.[48]

The Hyperledger blockchain project is an open source global collaborative effort created to advance cross-industry blockchain technologies with over 100 members including technology behemoths like Huawei (China), Intel (U.S.), and Oracle (U.S.).[49]

The R3 distributed ledger consortium on the other hand is one of many consortiums focused on building capital markets infrastructure.[50] There are also a number of varying industry-focused consortiums, including telecommunications, committed to exploring use cases for blockchain technology as well.

A fragmented patchwork of global regulatory initiatives is developing in different jurisdictions where legislative action has already been taken or is underway. The legal status of Bitcoin varies substantially from country to country and is still undefined or changing in many of them, with differing regulatory and tax implications as summarized in the table at the end of this article.

Financial Action Task Force

(FATF) The FATF is an inter-governmental organization representing most of the world's major economies that was established to combat money laundering, terrorism financing, and other related threats to the integrity of the international financial system. In June 2014 and 2015, FATF published Guidance for a Risk-Based Approach to Virtual Currencies. The guidance is intended to aid national authorities seeking to develop regulatory regimes for virtual currencies.

Organization for Economic Cooperation Development (OECD)

The mission of the OECD is to promote policies that will improve the economic and social well-being of people around the world. The OECD published a paper stating that the most significant overall development in financial market innovation between 2002 and 2013 is, and will continue to be, the expansion of market-based finance, sometimes referred to as "shadow banking," which has increased in value of assets from about $25 trillion to more than $75 trillion over this period, and the illegal uses of Bitcoin and how that might be interpreted by government institutions. To fight corruption and tax evasion relating to the ever-growing shadow banking system, the OECD developed guidelines for the global tax transparency standards proposed by the G-20, and worked through the Global Forum. OECD's two major tax transparency initiatives have been Base Erosion and Profit Shifting (BEPS) Reform Agenda and the Global Standard on Automatic Exchange of Information (AEOI).[51]

International Monetary Fund (IMF)

In its published paper on virtual currencies, the IMF pointed out that more could be done at the international level to facilitate the process of developing and refining policies at the national level.[52]

Basel Institute on Governance

The Basel Institute on Governance is an independent not-for-profit competence center working around the world with the public and private sectors to counter corruption and other financial crimes and to improve the quality of governance. All countries are advised to take action against Digital Currencies Mixers/Tumblers, which are designed exclusively to anonymize transactions and to make it impossible for Law Enforcement Agencies to detect and trace suspicious transactions. Europol, INTERPOL, and the Basel Institute on Governance have formalized the establishment of a tripartite partnership for a working group on money laundering with digital currencies.[53]

BITCOIN AND BLOCKCHAIN REGULATORY ACTION BY U.S. FEDERAL GOVERNMENT

Guidance from Non-Government Agency

Financial Industry Regulatory Authority (FINRA): FINRA is dedicated to investor protection and market integrity through effective and efficient regulation of broker-dealers. On May 7, 2014, FINRA issued an In-

[48] https://entethalliance.org/members/.

[49] https://www.hyperledger.org/about.

[50] https://www.r3.com.

[51] *See* https://www.oecd.org/cleangovbiz/Integrity-Forum-2017-Kim-Kang-blockchain-technology.pdf; http://www.oecd.org/tax/beps/; http://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/.

[52] Dong He, et al., IMF Staff Discussion Note, *Virtual Currencies and Beyond: Initial Considerations* (Jan. 2016), available at https://www.imf.org/external/pubs/ft/sdn/2016/sdn1603.pdf.

[53] In a 2015 report, Europol wrote that Bitcoin was becoming the "common currency" for cybercriminals, accounting for over 40% of all identified criminal-to-criminal payments, available at https://www.europol.europa.eu/activities-services/main-reports/internet-organised-crime-threat-assessment-iocta-2015.

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vestor Alert cautioning investors about the risks of buying and using digital currency such as Bitcoin.[54]

U.S. Consumer Financial Protection Bureau (CFPB): CFPB warned consumers about Bitcoin in 2014.[55] The most popular online exchange for trading digital currencies — Coinbase Inc. (U.S.) — has generated a surge of 4,700% in customer complaints this year.[56]

Office of the Comptroller Currency (OCC): The OCC announced it would consider licenses for financial technology companies that offer bank products and services. Such entities could receive special-purpose national bank charters. This demonstrated that the OCC recognized that technology-based products and services were the future of banking.[57]

Federal Deposit Insurance Corporation (FDIC): In 2015 FDIC insurance became available for Bitcoin exchanges through partnering banks.[58]

U.S. Federal Government Regulation of Bitcoin

The Bank Secrecy Act (BSA), which was enacted to help prevent money laundering, created a number of reporting obligations for financial institutions and MSB. MSBs include: (1) dealers in foreign exchange, (2) check cashers, (3) issuers or sellers of traveler's checks or money orders, (4) providers of prepaid access, (5) money transmitters, (6) the U.S. Postal Service, and (7) sellers of prepaid access. MSBs are subject to the BSA reporting requirements, including Currency Transaction Reports (CTR) and Suspicious Activity Reports (SARs). Under delegated authority from the Department of the Treasury's FinCEN, the Internal Revenue Service has BSA enforcement responsibilities for financial institutions (FFI) not regulated by a federal bank agency or another federal regulator — including casinos, insurance companies, securities, and futures brokers.

Starting in March 2013, the U.S. regulators began regulating Bitcoins as follows:

FinCEN: A key aspect of FinCEN's mission is to administer and issue regulations pursuant to the BSA. Financial institutions do this by instituting effective anti-money-laundering (AML) programs, and maintaining records and filing reports with FinCEN. FinCEN, along with its law enforcement partners, uses the data contained in these reports to detect and deter money laundering, terrorist financing, and other financial crime.

In March 2013, FinCEN issued interpretive guidance that addressed the applicability of the BSA to persons creating, obtaining, distributing, exchanging, accepting, or transmitting virtual currency. This advice required MSBs to include a Bitcoin as a reportable financial transaction.[59] FinCEN's guidance explained that administrators or exchangers of virtual currencies have registration requirements and a broad range of AML program, recordkeeping, and reporting responsibilities. Those offering virtual currencies must comply with these regulatory requirements, and if they do so, they have nothing to fear from the Treasury Department.

In January 2014, FinCEN issued clarifying rulings on virtual currency miners and investors. The first ruling stated that to the extent a user creates or "mines" a virtual currency solely for a user's own purposes, the user is not a money transmitter under the BSA.[60] The second ruling stated that a company purchasing and selling virtual currency as an investment exclusively for the company's benefit is not a money transmitter.[61] The guidance explains how FinCEN's "money transmitter" definition applies to certain exchangers and system administrators of virtual currencies depending on the facts and circumstances of that activity. Those who use virtual currencies exclusively for common personal transactions like buying goods or services online are not affected by this guidance.

FinCEN Form 114: FinCEN oversees Report of Foreign Bank and Financial Accounts (FBAR) enforcement imposed under the BSA. A U.S. person that has a financial interest in or signature authority over foreign financial accounts must file a Report of Foreign Bank and Financial Accounts (FBAR) if the aggregate value of the foreign financial accounts ex-

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[54] FINRA, *Bitcoin: More Than a Bit Risky*, Investor Alert (May 7, 2014), available at http://www.finra.org/investors/alerts/bitcoin-more-bit-risky.

[55] CFPB, CFPB Warns Consumers About Bitcoin (Aug. 11, 2014), available at https://www.consumerfinance.gov/about-us/newsroom/cfpb-warns-consumers-about-bitcoin/.

[56] Josaih Wilmoth, *Coinbase Compliants Have Increased 4,700% (So Far) in 2017*, Cryptocoins News (Feb. 9, 2017), available at https://www.cryptocoinsnews.com/coinbase-complaints-have-increased-4700-so-far-in-2017/.

[57] OCC, White Paper, "Comments on "Exploring Special Purpose National Bank Charters for Fintech Companies" (Jan. 12, 2017), available at https://www.occ.gov/topics/responsible-innovation/comments/comment-greenspan.pdf; see also https://www.occ.gov/topics/responsible-innovation/comments/comment-shape-shift.pdf.

[58] Michael B. Bernardo, *Virtual Currencies: Bitcoins, Blockchain and Beyond*, FDIC (Oct. 26, 2016), available at https://www.fdic.gov/conference/presentations/virtual_currencies_benardo.pdf.

[59] FIN-2013-G001, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies.

[60] FIN-2014-R001, Application of FinCEN's Regulations to Virtual Currency Mining.

[61] FIN-2014-R002, Application of FinCEN's Regulations to Virtual Currency Software Development and Certain Investment Activity.

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ceeds $10,000 at any time during the calendar year. FBAR requires reporting of all foreign financial accounts including online Bitcoin-based accounts.[62]

Securities Exchange Commission (SEC): After issuing two investor alerts in 2013 and 2014 to make investors aware about the potential risks of investments involving Bitcoin and other forms of virtual currencies, during July 2017 the SEC stated that ICOs can sometimes be considered securities — and as such are subject to strict laws and regulations.[63]

U.S. Commodities Futures Trading Commission (CFTC): In September 2015 the CFTC classified Bitcoin as a commodity.[64] In May 2017 the CFTC announced plans to open an Office for FinTech Innovation LabCFTC that would be the "focal point for the CFTC's efforts to promote responsible FinTech innovation and fair competition for the benefit of the American public.[65] During July 2017, the CFTC approved a proposal to launch a regulated Bitcoin futures market so that Bitcoin users can rely on futures contracts to hedge and protect themselves from Bitcoin market uncertainty and volatility.[66]

Internal Revenue Service (IRS): The IRS has primarily focused its limited virtual currency efforts on tax compliance issues. In March 2014, the IRS issued Notice 2014-21 addressing the tax treatment of a Bitcoin, which is characterized as property, and not a currency, gains of which are subject to federal taxation.[67] The IRS had no immediate comment on whether they would publish further guidance on addressing various tax issues concerning virtual currency transactions.[68] Depending on the taxpayer, the Bitcoin transaction, and the Bitcoin product several U.S. tax reporting requirements under Information Reporting and Backup Withholding, Foreign Account Tax Compliance Act (FATCA), Country-by-Country Reporting (CbCR) may apply.

Treasury: During November 2016, the Treasury Inspector General for Tax Administration published a paper titled *As the Use of Virtual Currencies in Taxable Transactions Becomes More Common, Additional Actions Are Needed to Ensure Taxpayer Compliance*, which addressed the deficiencies in taxpayer noncompliance issues for transactions involving virtual currencies.[69] "The Treasury is expected to publish further guidance on identifying and addressing various tax issues concerning virtual currency transactions during the coming months."[70]

The Federal Reserve Bank: On December 5, 2016, the Federal Reserve Bank issued a paper on blockchain issues.[71]

Proposed Amendment to Anti-Money Laundering Laws: On May 25, 2017, a Senate bill, titled "Combating Money Laundering, Terrorist Financing and Counterfeiting Act of 2017," was introduced that would make Bitcoins more of a target for regulatory oversight for prepaid access devices, digital wallets, and other digital currency exchangers as being subject to reporting requirements if they contain the virtual currency equivalent of $10,000 or higher.[72]

Proposed Homeland Security Assessment of Terrorists Use of Virtual Currencies Act: The act was introduced to the House of Representatives on May 16, 2017. As written, it directs the Under Secretary of Homeland Security for Intelligence and Analysis to develop and disseminate a threat assessment regarding terrorist use of virtual currency.[73]

BITCOIN AND BLOCKCHAIN REGULATORY ACTION BY U.S. STATES

Guidance from Non-Government Agency

Conference of State Bank Supervisor (CSBS): On September 15, 2015, the CSBS released the CSBS

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[62] *See United States v. Hom*, No. C 13-03721 WHA, 2014 BL 155262, 2014 ILRC 2033 (N.D. Cal. June 4, 2014), *aff'd, rev'd and rem'd*, 657 Fed. App'x 652 (9th Cir. 2016) (unpub. op.).

[63] SEC Release No. 81207 (July 25, 2017); *see also* https://www.sec.gov/investor/alerts/ia_virtualcurrencies.pdf; https://www.sec.gov/oiea/investor-alerts-bulletins/investoralertsia_bitcoin.html; https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_coinofferings.

[64] *See* http://www.cftc.gov/idc/groups/public/@aboutcftc/documents/file/gmac_100914_bitcoin.pdf; http://www.cftc.gov/PressRoom/PressReleases/pr7274-15; http://www.cftc.gov/LawRegulation/Enforcement/EnforcementActions/2015EnforcementActions/index.htm; http://www.cftc.gov/idc/groups/public/@newsroom/documents/file/tac022316_levy.pdf; http://www.cftc.gov/LawRegulation/Enforcement/EnforcementActions/2016EnforcementActions/index.html.

[65] *See* http://www.cftc.gov/LabCFTC/index.htm.

[66] *See* http://www.cftc.gov/PressRoom/PressReleases/pr7592-17.

[67] Notice 2014-21, 2014-16 I.R.B. 938, *see also* https://www.irs.gov/uac/newsroom/irs-virtual-currency-guidance.

[68] Dean J. Patterson, Spokesperson, IRS.

[69] TIGTA Report 2016-30-083 (Nov 12, 2016), available at https://www.treasury.gov/tigta/auditreports/2016reports/201630083fr.pdf.

[70] Mark Andersen, Spokesperson/U.S. Treasury Inspector General For Tax Administration (TIGTA).

[71] Mills et al., *Distributed ledger technology in payments, clearing, and settlement*, Finance and Economics Discussion Series 2016-095. Washington: Board of Governors of the Federal Reserve System, available at https://www.federalreserve.gov/econresdata/feds/2016/files/2016095pap.pdf.

[72] S. 1241, 115th Cong. (2017).

[73] H.R. 2433, 115th Cong. (2017).

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Regulatory Framework for State Regulation of Certain Virtual Currency Activities (Model Framework). The Model Framework encourages states to license and supervise virtual currency businesses to protect consumers and the marketplace while supporting innovation.[74]

The North American Securities Administrators Association (NASAA): NASAA is the oldest international organization devoted to investor protection and is the voice of state securities agencies responsible for efficient capital formation and grassroots investor protection. It included digital currency on its list of the top ten threats to investors for 2013.[75]

U.S. State Regulation of Bitcoin and Blockchain

Alabama: On August 1, 2017, the Alabama Monetary Transmission Act regulating Bitcoins under Alabama Securities Commission (ASC) went into effect.[76]

California: In June 2014, California repealed its ban on using currencies besides the U.S. dollar to accommodate the increasing use of alternative methods of payment, including virtual currencies.[77]

Connecticut: On June 19, 2015, Connecticut's Department of Banking enacted legislation amending the Connecticut Money Transmission Act to require licenses for all virtual currency businesses operating in Connecticut and imposed additional requirements such as requiring surety bonds sufficient to "address the current and prospective volatility of the market in such currency or currencies."[78]

Delaware: On July 10, 2017, Delaware passed landmark blockchain legislation that recognized the trading of stocks using blockchain technology. This new bill legally recognized stock ledgers and other business records on blockchain for companies incorporated in Delaware.[79] It also issued a consumer alert concerning Bitcoins.[80]

Florida: On July 1, 2017, a bill clarified what virtual currency is and prohibited its use in laundering criminal proceeds.[81]

Georgia: Enacted H.B. 11, which gave state regulators the power to regulate blockchain businesses. But the legislation did not specify what constituted a virtual, digital, or blockchain currency.

Hawaii: Hawaii required Coinbase Inc. to comply with existing regulations on money transmitters and financial service providers.[82]

Illinois: Issued proposed guidance for virtual currencies.[83]

Kansas, South Dakota, and Texas: Have issued guidance regarding virtual currency, which tends to treat Bitcoin exchanges as money transmitters, provided they meet certain conditions.

Louisiana: Issued a consumer alert concerning Bitcoins.[84]

Maryland: Issued a consumer alert concerning Bitcoins.[85]

Michigan: Issued a consumer alert concerning Bitcoins.[86]

Missouri: Bitcoins purchased from ATM machines are intangible property and thus not subject to Missouri sales and use tax. The Department of Revenue noted that absent an enumeration as a taxable service, sales/use tax is not imposed on intangible property.[87]

Nebraska: Lawyers in Nebraska can now accept virtual currency as payment, according to a new advi-

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[74] CSBS, Press Release, *State Regulators Issue Model Regulatory Framework for Virtual Currency Activities* (Sept. 15, 2015), available at https://www.csbs.org/news/press-releases/pr2015/Pages/PR091515.aspx; Jeremy Nation & Jason Civalleri, *A Look at the Uniform Regulation of Virtual Currency Businesses Act*, ETH News (June 28, 2017), available at https://www.ethnews.com/a-look-at-the-uniform-regulation-of-virtual-currency-businesses-act.

[75] *See* http://www.nasaa.org/3752/top-investor-threats/.

[76] The Alabama Monetary Transmission Act, §§8-7a-1 to 8-7a-27.

[77] Calif. Assembly Bill (AB) 129.

[78] Conn. Pub. Act No. 15-53.

[79] Del. S.B. 69, 149th Gen. Assembly (2017); *see also* https://dailyfintech.com/2017/07/10/blockchain-bitcoin-crypto-weekly-cxo-briefing-for-week-starting-10th-july-2017/.

[80] Delaware Attorney General Investor Protection Unit, Investor Advisory: Bitcoin & Other Virtual Currencies, available at http://attorneygeneral.delaware.gov/wp-content/uploads/sites/50/2017/03/Virtual_Currency_Advisory.pdf.

[81] Fla. H.B. 1379 (2017).

[82] *See* https://bitcoinmagazine.com/articles/how-five-states-are-approaching-bitcoin-regulation/.

[83] Illinois Department of Financial and Professional Regulation (IDFPR): Request for Guidance, Digital Currency Regulatory Guidance, available at https://www.idfpr.com/news/PDFs/IDFPRRequestforCommentsDigitalCurrencyRegulatoryGuidance2016.pdf.

[84] *See* http://www.ofi.state.la.us/SOCGuidanceVirtualCurrency.pdf.

[85] *See* http://www.dllr.state.md.us/finance/advisories/advisoryvirtual.shtml.

[86] *See* https://www.michigan.gov/documents/difs/Consumer_Counselor-Virtual_Currency_462034_7.pdf.

[87] Mo. Dept. of Rev., No. LR 7411 (Sept. 12, 2014).

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sory opinion published by an ethics committee appointed by the state's supreme court.[88]

Nevada: Has become the first state to ban local governments from taxing blockchain use.[89]

New Hampshire: As of January 1, 2016, Bitcoin sellers are considered money transmitters under New Hampshire law, and must be licensed and bonded as such.

New York: On June 3, 2015, The New York State Department of Financial Services (NYDFS) established a "BitLicense" law enforcement officials and government agencies framework for New York virtual currency businesses. The framework — the first statewide effort in the country — requires licensees to have strong compliance and supervisory policies and procedures.[90]

North Carolina: Enacted a virtual currency statute that integrates the regulation of virtual currency into existing money transmitter statutes.[91]

Ohio, Massachusetts, and Rhode Island: Have taken a creative approach to expanding the term "physical presence" to include the placement of internet cookies on in-state computers. These states are looking to require online sellers to collect and remit a sales tax as an "internet tax" on web-based businesses after their sales revenue reaches a specified threshold or after the seller has made a certain number of sales.[92]

Vermont: On May 4, 2017, Vermont law recognized digital currency as a permissible investment.[93]

Washington: On July 23, 2017, Washington enacted legislation to require licenses for all virtual currency businesses and comply with the money transmitter bond requirement.[94]

West Virginia: On May 23, 2017, lawmakers completed bill criminalizing the use of virtual currency for money laundering.[95]

European Union (EU) Regulation of Bitcoin and Blockchain

European Central Bank (ECB): According to the ECB, traditional financial sector regulation is not applicable to Bitcoin because it does not involve traditional financial actors. The ECB classifies Bitcoin as a convertible decentralized virtual currency.[96] No Member State can introduce its own virtual currency.[97]

The European Banking Authority (EBA): In July 2014 the EBA advised European banks not to deal in virtual currencies until law enforcement officials and government agencies put regulations in place.[98] On December 12, 2013, the EBA issued an investor alert to highlight the possible risks an investor may face when buying, holding, or trading virtual currencies such as Bitcoin.[99]

EU's Markets in Financial Instruments Directive (MiFID): The Bitcoin is not deemed as a regulated instrument under the MiFID.[100]

European Commission (EC): A European Directive of 2009 regulates the use of virtual currencies with the aim of harmonizing payment methods, increasing competition, and facilitating market access.[101]

The power to levy taxes is central to the sovereignty of EU Member States, which have assigned only limited competences to the EU in this area. During June 2015, the EC adopted "A Fair and Efficient Corporate Tax System in the European Union: Five Key Areas for Action."[102] The action plan was aimed at coordinating an EU-wide response to corporate tax avoidance, following global standards developed by the OECD. As part of this action plan, one of the proposals is for the EC to establish a so-called "equalisation tax" on the turnover generated in Europe by the digital companies.[103]

The European parliament is going to adopt the virtual currency exchange amendments into the existing

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[88] *See* https://www.coindesk.com/courting-bitcoin-nebraska-ethics-board-gives-lawyers-ok-accept/.

[89] Nev. S.B. 398 (2017).

[90] N.Y. Code, Part 200, Virtual Currencies.

[91] H.B. 289.

[92] Stephanie E. Cangialosi, Sales Tax Slice: "Internet Taxes Explained," SALT Talk Blog, Bloomberg BNA (Aug. 17, 2017), available at www.bna.com/sales-tax-slice-b73014463317/.

[93] Vt. H. 182.

[94] Wash. S.B. 5031.

[95] W.V. H.B. 2585.

[96] European Central Bank, *Virtual Currency Schemes* (Oct. 2012), available at https://www.ecb.europa.eu/pub/pdf/other/virtualcurrencyschemes201210en.pdf; Frankfurt am Main: European Central Bank, ISBN 978-92-899-0862-7 (Mar. 5, 2014).

[97] Matthew De Silva, *European Central Bank's Mario Draghi: 'No Member State Can Introduce Its Own Currency,'* ETH New (Sept. 7, 2017), available at https://www.ethnews.com/european-central-banks-mario-draghi-no-member-state-can-introduce-its-own-currency.

[98] EBA Opinion on 'virtual currencies, European Banking Authority, p. 46. (July 4, 2014).

[99] EBA, Warning to Consumers on Virtual Currencies (Dec. 12, 2013), available at http://www.eba.europa.eu/documents/10180/598344/EBA+Warning+on+Virtual+Currencies.pdf.

[100] Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on Markets in Financial Instruments Amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and Repealing Council Directive 93/22/EEC, 2004 O.J. (L 145) 1, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32004L0039:EN:HTML.

[101] Directive 2009/110/EC.

[102] *See* https://ec.europa.eu/taxation_customs/business/company-tax/action-plan-corporate-taxation_en.

[103] *See* http://g8fip1kplyr33r3krz5b97d1.wpengine.netdna-

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anti-money-laundering laws. EU legislation identifies the virtual currency exchange markets, but not the virtual currency exchangers. The draft law stipulates that virtual currency providers must undergo a mandatory licensing within the state in which they offer their services.[104] A 2017 proposal would require virtual currency exchanges and wallets to identify suspicious activity.[105]

Court of Justice of the European Union (ECJ): Virtual currency can be exchanged free of value-added tax (VAT) in the EU. In October 2015, the ECJ ruled that a Bitcoin was exempt from VAT because it was not property, but was a currency.[106]

See Table 1 for a summary of Bitcoin legislation around the world.

MULTI-JURISDICTIONAL BITCOIN INVESTIGATIONS

There is a dark side to Bitcoins as they have become essential for criminal and fraudulent activity. Individuals involved in illicit activities constantly seek to exploit new ways to launder corruption proceeds and evade the scrutiny of world law enforcement and agencies. One of the "advantages" of Bitcoins touted by their supporters for use in illegal transactions is their independence from any government or regulation so that corrupt payments made using Bitcoin would go "undetected" and would remain hidden in the deep dark web, lurking in the shadows of non-disclosure rules. The FBI's aforementioned April 2012 report was the first step that led to FinCEN's regulation of Bitcoins in March 2013.

"Most of you are familiar with emerging virtual currencies. . . [which] have the potential to transform the world, and to do so in a positive way. But criminals are also increasingly using virtual currency to perpetrate fraud schemes and conceal the proceeds. The DOJ has successfully prosecuted individuals for laundering illegal proceeds through virtual currencies."[107]

These multi-jurisdictional cybercrime investigations involving virtual currencies over the internet can be very complex. Corruption can be notoriously hard to detect as parties deliberately conceal key evidence: bribes paid from slush funds, using virtual currencies or illicit dealings disguised by parties using aliases; contracts buried underneath complex layers of offshore; and companies with undisclosed ownership. For these reasons in multi-jurisdictional cybercrime investigations, law enforcement and agencies use the latest technology — commercial imagery satellites, Unmanned Aerial Vehicles (UAV) drones equipped with Wide Area Augmentation Systems (WAAS), data analytics, smartphones, social media, software technology designed to find Bitcoin users from Chainalysis and WizSec — to gather evidence about activities that only intelligence agencies could observe in the past. "The DOJ supports greater transparency on beneficial ownership. Cyber Crime investigations often involve the transfer of illicit payments through offshore bank accounts, using virtual currencies. Thus, in conducting multi-jurisdictional Cyber Crime investigations, the DOJ relies on financial information obtained from domestic and foreign financial institutions, as well as financial reports pursuant to laws and regulations, suspicious activity reports (SARs), press reports, whistleblowers, data leaks, cooperating companies or individuals, referrals from other domestic and foreign authorities, as well as any other sources."[108]

Multi-jurisdictional cybercrime investigations can result in civil and criminal charges that include: aid and abetting, fraud, money laundering, charges under RICO Act, FCPA, tax evasion, and wire fraud when there is discovery of foreign tax evasion.[109] These investigations necessitate the involvement of several U.S. law enforcement and agencies as follows:

- U.S. Department of Justice (DOJ);
- U.S. Securities and Exchange Commission (SEC);
- Federal Bureau of Investigation (FBI);
- Commodities Futures Trading Commission (CFTC);
- Office of the Comptroller of the Currency (OCC);
- Federal Deposit Insurance Corporation (FDIC);
- U.S. Secret Service (USSS);

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cdn.com/wp-content/uploads/2017/09/170907-joint-initiative-digital-taxation252c-signed-letter-by-4-ministers.pdf.

[104] *See* https://malta.blockchainconf.world/en/news/eu-to-include-cryptocurrency-exchangers-in-the-anti-money-laundering-legislation.

[105] *See* https://ec.europa.eu/info/sites/info/files/2017-fintech-consultation-document_en_0.pdf.

[106] Stephanie Bodoni and Amy Thomson, *EU's Top Court Rules That Bitcoin Exchange Is Tax-Free*, BloombergBusiness, Bloomberg (Oct. 22, 2015).

[107] Department of Justice, Deputy Attorney General Rod J. Rosenstein Delivers Remarks at the Emerging Frauds in the Digital Age Conference (May 23, 2017), available at https://www.justice.gov/opa/speech/deputy-attorney-general-rod-j-rosenstein-delivers-remarks-emerging-frauds-digital-age.

[108] Nicole A. Navas, Spokesperson/Public Affairs Specialist, U.S. Department of Justice (DOJ).

[109] The DOJ may seek to bring criminal charges against a company and impose criminal penalties based on *Pasquantino v. United States*, 544 U.S. 349 (2005), where the Supreme Court upheld convictions under the wire fraud statute for carrying out a scheme to evade Canadian taxes.

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- U.S. Immigration and Customs Enforcement (ICE);
- Homeland Security Investigations (HSI);
- Drug Enforcement Agency (DEA);
- Office of the Inspector General (OIG);
- U.S. Department of the Treasury (Treasury);
- Financial Crimes Enforcement Network (FinCEN);
- Internal Revenue Service-Criminal Investigation (IRS-CI).

MULTI-JURISDICTIONAL BITCOIN CENTRIC CYBERCRIME CASES AROUND THE WORLD

Case 1 — The First Multi-Jurisdictional Virtual Currency Exchange ShutDown

The first virtual currency market shuttering occurred during May 2013, on the heels of FinCEN's issuance of Bitcoin rules. At the time, this case was believed to be the largest international internet-based money laundering prosecution in history.

It took the teamwork of law enforcement and agencies from 17 different countries to achieve this operation. In the United States, DOJ, USSS, the IRS-CI, ICE, HSI, and FinCEN were involved. The 16 other countries were: Costa Rica, the Netherlands, Spain, Morocco, Sweden, Switzerland, Cyprus, Australia, China, Norway, Latvia, Luxembourg, the United Kingdom (U.K.), Russia, Canada, and France — INTERPOL.

The Costa Rica-based virtual currency exchange Liberty Reserve and seven of its principals and employees were charged by the DOJ for violating AML at the same time as its founder was arrested by the Spanish National Police in Spain and sentenced in the United States to 20 years in jail in connection with AML violations.

"Global enforcement is an important step towards reining in the 'Wild West' of illicit Internet banking. As crime goes increasingly global, the long arm of the law has to get even longer, and in this case, it encircled the earth," explained the DOJ about the shuttering of Liberty Reserve, which operated one of the world's most widely used digital currency services, by marketing its own brand of virtual currency to over 1 million users worldwide, including more than 200,000 users in the United States, who conducted approximately 55 million criminal money laundering transactions.

"Liberty Reserve operated hidden in the dark web, illegally as an unlicensed money transmitting business (MSB) in violation of Section 311 of the USA PATRIOT Act, as a primary money laundering concern that laundered over $6 billion in illicit proceeds since 2001, for over 12 years. It deliberately avoided regulatory scrutiny and tailored its services to illicit actors looking to launder their ill-gotten gains from credit card fraud, identity theft, investment fraud, computer hacking, narcotics trafficking, and tax evasion" explained FinCEN.[110] "Dismantling the fraudulent financial operations of transnational criminal organizations is critical because these groups can succeed only so long as they can funnel their illicit proceeds freely and without detection," clarified HSI.

"Digital currencies are not constrained by national regulations or borders, therefore cooperation in fighting against criminal uses of digital currencies must also transcend borders and integrate solutions from both enforcement and private sector" said INTERPOL.[111] "In the cyber age of money laundering, criminals are gravitating toward digital currency alternatives as a means to move, conceal and enjoy their ill-gotten gains. If Al Capone were alive today, this is how he would be hiding his money. Our efforts today shatter the belief among high-tech money launderers that what happens in cyberspace, stays in cyberspace," explained the IRS-CI about the first of its kind shuttering of a Costa Rica based virtual currency exchange, Liberty Reserve.[112]

Case 2 — The Concurrent Shuttering of Two Virtual Currency Darkweb Markets

On July 20, 2017, the concurrent shutting down of a pair of foreign Bitcoin-based darkweb markets and arresting their administrators all at once ranked as one of the most sophisticated takedown operations in the fight against cybercrime. "This is likely one of the most important criminal investigations of the year taking down the largest dark net marketplace in history,"

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[110] *See* https://www.justice.gov/opa/pr/founder-liberty-reserve-pleads-guilty-laundering-more-250-million-through-his-digital; https://www.fincen.gov/sites/default/files/special_measure/Withdrawal_LR.pdf; https://www.irs.gov/pub/foia/ig/ci/CI-2016-05-06-A.pdf; https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-charges-against-liberty-reserve-one-world-s-largest; https://www.fincen.gov/resources/statutes-regulations/usa-patriot-act/liberty-reserve-sa; https://www.treasury.gov/press-center/press-releases/Pages/jl1956.aspx; https://www.ice.gov/news/releases/liberty-reserve-information-technology-manager-pleads-guilty-manhattan-federal-court; http://thetaxtimes.blogspot.com/2015/04/irs-ci-fiscal-year-2014-annual-business.html

[111] Sirena Rubinoff, *The Past, Present, and Future of Bitocoin*, ETF Daily News (Aug. 17, 2017), available at https://etfdailynews.com/2017/08/17/the-past-present-and-future-of-bitcoin/.

[112] Marc Santora, William K. Rashbaum & Nicole Perlroth, *Online Currency Exchange Accused of Laundering $6 Billion*, New York Times (May 28, 2013).

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said the DOJ. Alpha Bay and Hansa Market were successors to the first and most famous darkweb market Silk Road, which the authorities took down in October 2013 following Liberty Reserve.

The back-to-back darkweb market shutdown operation involved the teamwork of law enforcement and agencies from 12 different countries. From the United States: DOJ, FBI, DEA, IRS-CI. From 11 countries: the Netherlands-Europol, U.K., France, Lithuania, Canada, Germany, Thailand, Cyprus, Lichtenstein, Antigua & Barbuda, and Belgium — European Commissioner.

These two foreign-owned Bitcoin darkweb markets operated as hidden unlicensed MSBs and were involved in laundering illicit proceeds from of the sale of opioids, including fentanyl and heroin as well as weapons.

(1) The Netherlands-based Hansa had 10,000 users and utilized virtual currencies to launder funds deriving from illegal transactions. Hansa's servers in the Netherlands, Germany, and Lithuania were seized.

(2) Thailand based-AlphaBay had 240,000 users and utilized virtual currencies Bitcoin, Monero, and Ethereum to launder over $1 billion deriving from illegal transactions since 2014. AlphaBay's servers in Canada and the Netherlands were seized.

Law enforcement also arrested two administrators of Hansa in Germany and a Canadian man suspected of running AlphaBay in Bangkok. "Alexander Cazes was due to be extradited to the U.S. on charges of racketeering, narcotics distribution, money laundering and related crimes" explained the DOJ. Cazes was later found hanged in a presumed suicide in his Bangkok prison cell.

"What made this operation really special was the strategy developed by the FBI, DEA, the Dutch Police and Europol to magnify the disruptive impact of the joint action to take out AlphaBay and Hansa," Europol explained. "This involved taking covert control of Hansa under Dutch judicial authority a month ago, which allowed Dutch police to monitor the activity of users without their knowledge, and then shutting down AlphaBay by U.S. law enforcement and agencies during the same period. It meant the Dutch police could identify and disrupt the regular criminal activity on Hansa but then also sweep up all those new users displaced from AlphaBay who were looking for a new trading platform. In fact they flocked to Hansa in their droves, with an eight-fold increase in the number of new members of Hansa recorded immediately following the shutdown of AlphaBay. As a law enforcement strategy, leveraging the combined operational and technical strengths of multiple agencies in the U.S. and Europe, it has been an extraordinary success and a stark illustration of the collective power the global law enforcement community can bring to disrupt major criminal activity."[113] "The so-called anonymity of the dark web is illusory. . .More to come," the DEA made clear.[114]

Case 3 — Shuttering of Bulgaria Based BTC-e Bitcoin Exchange — FinCEN's First Action Against a Foreign-Located MSB and Second Highest Penalty $110 Million

Only six days after the shuttering of Bitcoin darkweb markets AlphaBay and Hansa, on July 26, 2017, law enforcement and agencies from the United States and Greece, in a team effort shut down Bulgarian-based Bitcoin exchange BTC-e.

This was FinCEN's first action in collaboration with the DOJ, IRS-CI, FBI, U.S. Secret Service (USSS), U.S. Immigration and Customs Enforcement (ICE), Federal Deposit Insurance Corporation (FDIC), Office of the Inspector General (OIG), and Greek law enforcement against a foreign MSB.

In a 21-count indictment and hundreds of millions in civil monetary penalties, FinCEN and DOJ charged Bulgarian Bitcoin exchange BTC-e and BTC-e's Russian head, Alexander Vinnick, for operating an alleged international $4 billion money laundering scheme. On the same day, Mr. Vinnick was arrested while on vacation in Thessaloniki and put in jail by Greek law enforcement in coordination with U.S. regulators to face money-laundering charges in the United States.[115]

DOJ's 21-count indictment painted BTC-e, operated by Vinnick, as a hub of illicit activity:

- BTC-e and Vinnick were charged with one count of operation of an unlicensed MSB, and one count of conspiracy to commit money laundering for processing transactions involving over 300,000 Bitcoins stolen between 2011 and 2014 from one of the world's largest Bitcoin exchanges, Japan based Mt. Gox — valued at $840 million ; for facilitating at least $3 million in Bitcoin transactions tied to ransomware attacks such as "Crypto locker" and "Locky"; for sharing customers and

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[113] Europol, Press Release, *Massive Blow to Criminal Dark Web Activities After Globally Coordinated Operation* (July 20, 2017), available at https://www.europol.europa.eu/newsroom/news/massive-blow-to-criminal-dark-web-activities-after-globally-coordinated-operation.

[114] Department of Justice, *AlphaBay, the Largest Online 'Dark Market,' Shut Down* (July 20, 2017), available at https://www.justice.gov/opa/pr/alphabay-largest-online-dark-market-shut-down.

[115] *U.S. v. BTC-e et al.*, case number 16-00227; http://lawprofessors.typepad.com/intfinlaw/2017/07/treasurys-first-action-against-a-foreign-located-money-services-business.html.

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conducting transactions with the now-defunct virtual currency darkweb markets Silk Road, Hans Market, and Alphabay; for theft, drug trafficking, fraud, tax fraud, bribery, and public corruption;[116]

- Vinnick, the owner and operator of BTC-e and affiliated entities, was charged with 17 counts of money laundering, and two counts of engaging in unlawful monetary transactions including laundering associated with bribery, ransomware payouts, drug trafficking, theft, fraud, tax fraud, and public corruption, all of which carries a prison term of 55 years. Vinnick's numerous withdrawals from BTC-e accounts went directly to his personal bank accounts and Bitcoin wallets, which included proceeds from well-known hacks and thefts from now-defunct Bitcoin exchanges, including Mt. Gox, Bitcoinica, and Bitfloor.[117]

BTC-e, the Bulgarian virtual currency exchange, was one of the world's biggest virtual currency exchanges by volume at the time. Founded in 2011, BTC-e served approximately 700,000 customers worldwide, processing over 9.4 million cyber currency transactions in U.S. dollars, Russian rubles, Euros, Bitcoin, Litecoin, Namecoin, Novacoin, Peercoin, Ethereum, and Dash. Bitcoin exchanges, like BTC-e, which converted Bitcoins in and out of other fiat currencies, functioned similarly to brokerages, and offered a variety of financial services similar to banks or other financial institutions. Customers located within the U.S. used BTC-e to conduct at least 21,000 Bitcoin transactions worth over $296 million. BTC-e was the "Go-To Bitcoin Exchange" for cybercriminals with suspicious usernames like "ISIS," "CocaineCowboys," "blackhathackers," "dzkillerhacker," and "hacker4hire," who desired to conceal proceeds from illicit activities.

BTC-e maintained a "sketchy" multi-jurisdictional legal ownership and control structure spanning at least seven different countries to hide in the shadows of the web by violating disclosure and registration laws. It was located in Bulgaria but organized or otherwise subject to the laws of Cyprus. The exchange allegedly maintained a base of operations in the Seychelles Islands and its web domains were registered to shell companies in, among other places, Singapore, the British Virgin Islands, France, and New Zealand. Its shell company-infused corporate structure, buried underneath complex layers of offshore companies with undisclosed ownership spanning across the world, made it hard to gauge where BTC-e was located or controlled. But one thing was clear to the team of law enforcement officers and government agents, the charges that brought down BTC-e and Vinnick were straightforward because "BTC-e lacked adequate procedures for conducting due diligence, monitoring transactions, and refusing to consummate transactions that facilitated money laundering or other illicit activity."[118]

- BTC-e and Vinnick failed to register with FinCEN as a foreign MSB. MSB registration is mandatory for all foreign-located MSBs dealing with U.S. customers.
- BTC-e and Vinnick failed to maintain an effective AML program. Complying with U.S. AML laws and regulations and implementing an effective AML program is mandatory for all foreign-located MSBs.
- BTC-e and Vinnick failed to detect suspicious transactions and file SARs. Filing suspicious activity reporting, and recordkeeping requirements is mandatory for all foreign-located MSBs.
- BTC-e and Vinnick failed to obtain and retain records relating to transmittals of funds in amounts of US $3,000 or more.

FinCEN has authority under the Bank Secrecy Act (BSA) to regulate MSBs, including money transmitters. In March 2013, FinCEN issued interpretative guidance identifying "exchangers" of virtual currency — defined as persons engaged as a business in the exchange of virtual currency for real currency, funds or other virtual currency — as money transmitters subject to regulation as MSBs under the BSA. The assessment against BTC-e alleged failure to register with FinCEN as an MSB as well as gross failures to maintain appropriate anti-money-laundering (AML) controls and to report suspicious transactions as required by the BSA. As a result, FinCEN for the first time imposed penalties on a foreign-located MSB and its operator as follows:[119]

- $110 million against BTC-e for willfully violating U.S. anti-money-laundering (AML) laws; and
- $12 million against Alexander Vinnick for his role in the AML violations.

"Instead of acting to prevent money laundering and tax evasion, and complying with U.S. AML, BTC-e

[116] In violation of 18 U.S.C. §1956(h), 18 U.S.C. §1960.

[117] In violation of 18 U.S.C. §1956(a)(1), 18 U.S.C. §1957.

[118] *See* https://www.fincen.gov/sites/default/files/enforcement_action/2017-07-26/Assessment%20for%20BTCeVinnik%20FINAL%20SignDate%2007.26.17.pdf.

[119] *See* https://www.fincen.gov/sites/default/files/enforcement_action/2017-07-26/Assessment%20for%20BTCeVinnick%20FINAL%20SignDate%2007.26.17.pdf.

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and its operator Vinnick embraced the pervasive criminal activity conducted at the exchange by failing to obtain required information from customers beyond a username, a password, and an e-mail address and concealed BTC-e's customers by using technology to enhance Bitcoin user anonymity in order to hide proceeds obtained from illicit activity without complying with applicable U.S. AML," explained FinCEN. "To dismantle BTC-e's operations, the DOJ's Criminal Division employed a multi-faceted approach by shutting down BTC-e and related entities and prosecuting Vinnick to hinder their ability to monetize their crimes through entities that facilitate money laundering," said the DOJ. "The arrest of Alexander Vinnick was the result of a multi-jurisdictional effort clearly displaying the benefits of global cooperation among U.S. and international law enforcement," added the FBI. "FBI agents tracked Alexander Vinnick for more than a year around the globe before his arrest in a small beach side village in northern Greece," explained the Greek police.

CONCLUSION

Undoubtedly Bitcoin and blockchain technology is seeping into the existing global legal and financial system and transforming it all at the same time. History shows that the way in which a country embraces and regulates new technology can make an enormous difference in the development of the country. Virtual currencies are now considered the "most crowded trade," as measured by sentiment in the monthly Bank of America Merrill Lynch Fund Managers survey.[120] The recent actions by U.S. law enforcement, government agencies, and regulators, offer Bitcoin companies several lessons:

- FinCEN, SEC, CFTC, and the IRS appear determined to bring foreign virtual currency businesses — whether it be virtual currency exchanges, wallets, hedge funds, asset management companies, or binary Bitcoin markets — under their regulation.
- U.S. law enforcement and agencies, by using the long arm of U.S. law, are willing to claim jurisdiction over foreign virtual currency businesses that lack any physical presence in the United States, so long as they do substantial business in the United States based on a facts-and-circumstances-driven analysis.
- Multi-jurisdictional cybercrime investigations can result in high fines and jail sentences.

"Bitcoin companies and their executives should take into consideration the ever-changing regulatory landscape around the world and implement a good compliance program and compliance policies in relation to the prevention of the manipulation of the new currencies and the misuse of the new currencies for money laundering, corruption and bribery and other illegal purposes," advised John Kearney of MyCompliance Office. Bitcoins and Blockchain technology are becoming very much part of the financial and legal infrastructure. Bitcoin businesses will not be able to avoid scrutiny of world regulators, especially not the U.S. federal and state agencies by trying to hide in the darkweb anymore.

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[120] Jeff Cox, *Bitcoin is the 'most crowded' investment in the world right now*, CNBC (Sept. 12, 2017), available at https://www.cnbc.com/2017/09/12/bitcoin-is-the-most-crowded-investment-in-the-world-right-now.html.

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TABLE -1

	Country	Anti-Bribery Convention	BITCOIN Exchange	BITCOIN Legislation	CbCR	CRS	FATCA
1.	Afghanistan	Yes (UN)	Yes	L			
2.	Algeria	Yes (UN)	Yes	L			Yes
3.	Albania	Yes (UN)	Yes	L			
4.	Andorra	Yes (UN)	Yes	L			
5.	Angola	Yes (UN)	Yes	L			Yes
6.	Anguilla		Yes	L		Yes	Yes
7.	Antigua and Barbuda	Yes (UN)	Yes	L			Yes
8.	Argentina	Yes (OECD & UN)	Yes	L, T, RR	Yes	Yes	
9.	Armenia	Yes (UN)	Yes	L			Yes
10.	Australia	Yes (OECD & UN)	Yes	L, T, AML	Yes		Yes
11.	Austria	Yes (OECD & UN)	Yes	L, T	Yes		Yes
12.	Azerbaijan	Yes (UN)	Yes	L			Yes
13.	Bahamas	Yes (UN)	Yes	L			Yes
14.	Bahrain	Yes (UN)	Yes	L			Yes
15.	Bangladesh	Yes (UN)	Yes	Illegal			
16.	Barbados	Yes (UN)	Yes	L		Yes	Yes
17.	Belarus	Yes (UN)	Yes	L			Yes
18.	Belgium	Yes (OECD & UN)	Yes	L, T, RR	Yes	Yes	Yes
19.	Belize	Yes (UN)	Yes	L			
20.	Benin	Yes (UN)	Yes	L			
21.	Bermuda		Yes	L		Yes	Yes
22.	Bhutan	Yes (UN)	Yes	L			
23.	Bolivia	Yes (UN)	Yes	Illegal			
24.	Bosnia and Herzegovina	Yes (UN)	Yes	L			
25.	Botswana	Yes (UN)	Yes	L			
26.	Brazil	Yes (OECD & UN)	Yes	L, T	Yes		Yes
27.	British Virgin Islands		Yes	L		Yes	Yes
28.	Brunei Darussalam	Yes (UN)	Yes	L			
29.	Bulgaria	Yes (OECD & UN)	Yes	L, T	Yes	Yes	Yes
30.	Burkina Faso	Yes (UN)	Yes	L			
31.	Burundi	Yes (UN)	Yes	L			
32.	Cabot Verde	Yes (UN)	Yes	L			Yes
33.	Cambodia	Yes (UN)	Yes	L			Yes
34.	Cameroon	Yes (UN)	Yes	L			
35.	Canada	Yes (OECD & UN)	Yes	L, T, AML	Yes		Yes
36.	Cayman Island		Yes	L		Yes	Yes
37.	Central African Republic	Yes (UN)	Yes	L			
38.	Chad		Yes	L			
39.	Chile	Yes (OECD & UN)	Yes	L	Yes		Yes
40.	China	Yes (UN)	Yes	L, ICO Illegal	Yes		Yes
41.	Colombia	Yes (OECD & UN)	Yes	L, RR	Yes	Yes	Yes
42.	Comoros	Yes (UN)	Yes	L			
43.	Cook Island	Yes (UN)	Yes	L			
44.	Costa Rica	Yes (UN)	Yes	L			Yes
45.	Côte d'Ivoire	Yes (UN)	Yes	L			
46.	Croatia	Yes (UN)	Yes	Illegal	Yes	Yes	Yes
47.	Cuba	Yes (UN)	Yes	L			
48.	Curacao		Yes	L		Yes	Yes
49.	Cyprus	Yes (UN)	Yes	L, RR	Yes	Yes	Yes
50.	Czech Republic	Yes (OECD & UN)	Yes	L, T, AML	Yes	Yes	Yes
51.	Democratic Republic of Congo	Yes (UN)	Yes	L			
52.	Denmark	Yes (OECD & UN)	Yes	L, T, RR	Yes	Yes	Yes
53.	Djibouti	Yes (UN)	Yes	L			
54.	Dominica	Yes (UN)	Yes	L			Yes
55.	Dominican Republic	Yes (UN)	Yes	L			Yes
56.	Ecuador	Yes (UN)	Yes	Illegal unless own digital currency			
57.	El Salvador	Yes (UN)	Yes	L			
58.	Estonia	Yes (OECD & UN)	Yes	L, T	Yes	Yes	Yes
59.	Ethiopia	Yes (UN)	Yes	L			
60.	Egypt	Yes (UN)	Yes	L			
61.	Faroe Islands		Yes	L		Yes	
62.	Fiji	Yes (UN)	Yes	L			

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TABLE -1

	Country	Anti-Bribery Convention	BITCOIN Exchange	BITCOIN Legislation	CbCR	CRS	FATCA
63.	Finland	Yes (OECD & UN)	Yes	L, T	Yes	Yes	Yes
64.	France	Yes (OECD & UN)	Yes	L, T, AML, RR	Yes	Yes	Yes
65.	Gabon	Yes (UN)	Yes	L	Yes		
66.	Gambia	Yes (UN)	Yes	L			
67.	Georgia	Yes (UN)	Yes	L			Yes
68.	Germany	Yes (OECD & UN)	Yes	L, T, RR	Yes	Yes	Yes
69.	Ghana	Yes (UN)	Yes	L			
70.	Gibraltar		Yes	L		Yes	Yes
71.	Greece	Yes (OECD & UN)	Yes	L, RR		Yes	Yes
72.	Greenland		Yes	L, T, RR		Yes	Yes
73.	Grenada	Yes (UN)	Yes	L			Yes
74.	Guernsey		Yes	L	Yes	Yes	Yes
75.	Guatemala	Yes (UN)	Yes	L			
76.	Guinea	Yes (UN)	Yes	L			
77.	Guinea-Bissau	Yes (UN)	Yes	L			
78.	Guyana	Yes (UN)	Yes	L			
79.	Haiti	Yes (UN)	Yes	L			Yes
80.	Holy See	Yes (UN)	Yes	L			Yes
81.	Honduras	Yes (UN)	Yes	L			Yes
82.	Hong Kong		Yes	L, AML, P ICO	Yes		Yes
83.	Hungary	Yes (OECD & UN)	Yes	L, RR	Yes	Yes	Yes
84.	Iceland	Yes (OECD & UN)	Yes	L, F/X trading prohibited	Yes	Yes	Yes
85.	India	Yes (UN)	Yes	L, T, RR	Yes	Yes	Yes
86.	Indonesia	Yes (UN)	Yes	L, RR, AML	Yes		Yes
87.	Iran	Yes (UN)	Yes	L			
88.	Iraq	Yes (UN)	Yes	L			Yes
89.	Ireland	Yes (OECD & UN)	Yes	L, T	Yes	Yes	Yes
90.	Isle of Man		Yes	L, AML	Yes	Yes	Yes
91.	Israel	Yes (OECD & UN)	Yes	L, T, RR, P ICO	Yes		Yes
92.	Italy	Yes (OECD & UN)	Yes	L, T, RR, AML	Yes	Yes	Yes
93.	Jamaica	Yes (UN)	Yes	L			Yes
94.	Japan	Yes (OECD & UN)	Yes	L, T, AML	Yes		Yes
95.	Jersey		Yes	L, AML	Yes	Yes	Yes
96.	Jordan	Yes (UN)	Yes	RR			
97.	Kazakhstan	Yes (UN)	Yes	L			Yes
98.	Kenya	Yes (UN)	Yes	L			
99.	Kiribati	Yes (UN)	Yes	L			
100.	Kosovo		Yes	L			Yes
101.	Kuwait	Yes (UN)	Yes	L			Yes
102.	Kyrgyz Republic	Yes (UN)	Yes	Illegal			
103.	Laos	Yes (UN)	Yes	L			
104.	Latvia	Yes (OECD & UN)	Yes	L		Yes	Yes
105.	Lebanon	Yes (UN)	Yes	L, RR			
106.	Lesotho	Yes (UN)	Yes	L			
107.	Liberia	Yes (UN)	Yes	L			Yes
108.	Libya	Yes (UN)	Yes	L			
109.	Lichtenstein	Yes (UN)	Yes	L		Yes	Yes
110.	Lithuania	Yes (UN)	Yes	L, RR	Yes	Yes	Yes
111.	Luxembourg	Yes (OECD & UN)	Yes	L, RR	Yes	Yes	
112.	Macao		Yes	L			Yes
113.	Macedonia	Yes (UN)	Yes	Illegal			
114.	Madagascar	Yes (UN)	Yes	L			
115.	Malawi	Yes (UN)	Yes	L			
116.	Malaysia	Yes (UN)	Yes	L, RR	Yes		Yes
117.	Maldives	Yes (UN)	Yes	L			
118.	Mali	Yes (UN)	Yes	L			
119.	Malta	Yes (UN)	Yes	L, RR	Yes	Yes	Yes
120.	Marshall Island	Yes (UN)	Yes	L			
121.	Mauritania	Yes (UN)	Yes	L			
122.	Mauritius	Yes (UN)	Yes	L			Yes
123.	Mexico	Yes (OECD & UN)	Yes	L, RR	Yes	Yes	Yes
124.	Micronesia	Yes (UN)	Yes	L			
125.	Moldova	Yes (UN)	Yes	L			Yes
126.	Mongolia	Yes (UN)	Yes	L			
127.	Montenegro	Yes (UN)	Yes	L			Yes
128.	Montserrat		Yes	L		Yes	Yes
129.	Morocco	Yes (UN)	Yes	L			

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	Country	Anti-Bribery Convention	BITCOIN Exchange	BITCOIN Legislation	CbCR	CRS	FATCA
130.	Mozambique	Yes (UN)	Yes	L			
131.	Myanmar	Yes (UN)	Yes	L			
132.	Namibia	Yes (UN)	Yes	Illegal			
133.	Nauru	Yes (UN)	Yes	L			
134.	Nepal	Yes (UN)	Yes	L			
135.	Netherlands	Yes (OECD & UN)	Yes	L, RR, AML	Yes	Yes	Yes
136.	New Zealand	Yes (OECD & UN)	Yes	L, RR			Yes
137.	Nicaragua	Yes (UN)	Yes	L			
138.	Niger	Yes (UN)	Yes	L			
139.	Nigeria	Yes (UN)	Yes	Illegal			
140.	Niue		Yes	L		Yes	
141.	North Korea		Yes	L			
142.	Norway	Yes (OECD & UN)	Yes	L, T, AML	Yes	Yes	Yes
143.	Oman	Yes (UN)	Yes	L			
144.	Pakistan	Yes (UN)	Yes	L	Yes		
145.	Palau	Yes (UN)	Yes	L			
146.	Panama	Yes (UN)	Yes	L			Yes
147.	Papua New Guinea	Yes (UN)	Yes	L	Yes		
148.	Paraguay	Yes (UN)	Yes	L			Yes
149.	Peru	Yes (UN)	Yes	L	Yes		Yes
150.	Philippines	Yes (UN)	Yes	L, RR, AML			Yes
151.	Poland	Yes (OECD & UN)	Yes	L, T, AML	Yes	Yes	Yes
152.	Portugal	Yes (OECD & UN)	Yes	L, RR	Yes	Yes	Yes
153.	Qatar	Yes (UN)	Yes	L			Yes
154.	Republic of the Congo		Yes	L			
155.	Romania	Yes (UN)	Yes	L		Yes	Yes
156.	Russia	Yes (OECD & UN)	Yes	PL	Yes		
157.	Rwanda	Yes (UN)	Yes	L			
158.	San Marino		Yes	L		Yes	Yes
159.	Sao Tome and Principe	Yes (UN)	Yes	L			
160.	Saudi Arabia	Yes (UN)	Yes	L, RR			Yes
161.	Senegal	Yes (UN)	Yes	L			
162.	Serbia	Yes (UN)	Yes	L, RR			Yes
163.	Seychelles	Yes (UN)	Yes	L		Yes	Yes
164.	Sierra Leone	Yes (UN)	Yes	L			
165.	Singapore	Yes (UN)	Yes	L, T, AML	Yes		Yes
166.	Slovak Republic	Yes (OECD & UN)	Yes	L	Yes	Yes	Yes
167.	Slovenia	Yes (OECD & UN)	Yes	L, T, RR	Yes	Yes	Yes
168.	Solomon Islands	Yes (UN)	Yes	L			
169.	South Africa	Yes (OECD & UN)	Yes	L, RR	Yes	Yes	Yes
170.	South Korea	Yes (OECD & UN)	Yes	L, RR, P ICO	Yes	Yes	Yes
171.	South Sudan	Yes (UN)	Yes	L			
172.	Spain	Yes (OECD & UN)	Yes	L, T, RR	Yes	Yes	Yes
173.	Sri Lanka	Yes (UN)	Yes	L			
174.	St. Kitts and Nevis		Yes	L			Yes
175.	St. Lucia	Yes (UN)	Yes	L			Yes
176.	St. Vincent and the Grenadines		Yes	L			Yes
177.	State of Palestine	Yes (UN)	Yes	L			
178.	Sudan	Yes (UN)	Yes	L			
179.	Suriname		Yes	L			
180.	Swaziland	Yes (UN)	Yes	L			
181.	Sweden	Yes (OECD & UN)	Yes	L, T, RR	Yes	Yes	Yes
182.	Switzerland	Yes (OECD & UN)	Yes	L, T, AML	Yes		Yes
183.	Syria	Yes (UN)	Yes	L			
184.	Taiwan		Yes	L, RR			Yes
185.	Tajikistan	Yes (UN)	Yes	L			
186.	Tanzania	Yes (UN)	Yes	L			
187.	Thailand	Yes (UN)	Yes	ICO Legislation			Yes
188.	Timor-Leste	Yes (UN)	Yes	L			
189.	Togo	Yes (UN)	Yes	L			
190.	Trinidad and Tobago	Yes (UN)	Yes	L		Yes	Yes
191.	Tunisia	Yes (UN)	Yes	L, Tunisia agreed to become the first nation to offer its national currency			Yes

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	Country	Anti-Bribery Convention	BITCOIN Exchange	BITCOIN Legislation	CbCR	CRS	FATCA
				for transmittance through cryptographic technology			
192.	Turkey	Yes (OECD & UN)	Yes	L, RR	Yes		Yes
193.	Turkmenistan	Yes (UN)	Yes	L			Yes
194.	Turks and Caicos Islands		Yes	L		Yes	Yes
195.	Tuvalu	Yes (UN)	Yes	L			
196.	Uganda	Yes (UN)	Yes	L, RR			
197.	Ukraine	Yes (UN)	Yes	L			Yes
198.	United Arab Emirates	Yes (UN)	Yes	L, AML			Yes
199.	United Kingdom	Yes (OECD & UN)	Yes	L, T, AML	Yes	Yes	Yes
200.	United States of America	Yes (OECD & UN)	Yes	RR, AML, FinCEN, Treasury, IRS, CFTC, SEC, PL	Yes		Yes
201.	Uruguay	Yes (UN)	Yes	L	Yes		
202.	Uzbekistan	Yes (UN)	Yes	L			Yes
203.	Vanuatu	Yes (UN)	Yes	L			
204.	Venezuela	Yes (UN)	Yes	L, RR			
205.	Vietnam	Yes (UN)	Yes	L,	Yes		Yes
206.	Yemen	Yes (UN)	Yes	L			
207.	Zambia	Yes (UN)	Yes	L			
208.	Zimbabwe	Yes (UN)	Yes	L			
	Total Countries	181	31/208		57	54	113

Meaning of Colors, Acronyms, Symbols in Table

L – BITCOIN Legal in Country. Each country's laws should be consulted for Bitcoin specific legislation. Where no specific steps have been taken to regulate Bitcoins in the relevant jurisdiction, it would be necessary to refer to the existing legal and regulatory frameworks to understand how they might apply to the new circumstances that the technology enables.	Illegal – BITCOIN illegal in Country ICO Illegal – ICO illegal
T – BITCOIN Tax Legislation in Country	PL – BITCOIN proposed legislation in Country
PT - BITCOIN proposed tax legislation in Country	Law enforcement and government agencies s of Highlighted Countries - Collaborate in Multi jurisdictional anti-corruption cases involving cyber currency transactions mentioned in the paper.
RR - Country issued risk report concerning Bitcoins	AML – Countries anti-money laundering laws apply to Bitcoin transactions
P ICO – Country has proposed ICO legislation	FinCEN, Treasury, IRS, CFTC, SEC – In the U.S Bitcoins are regulated by FinCEN, Treasury, IRS, CFTC, SEC

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From: Meiners, Molly
Sent: Mon, 26 Nov 2018 20:18:26 -0500
To: Secretary
Cc: (b)(6) ;Miller, Eli;Sayegh, Tony;Mandelker, Sigal;Unger, Seth
Subject: FOR APPROVAL: Treasury Designates Iranian Cyber Actors and Identifies Digital Currency Addresses
Attachments: 2018-11-28 Treasury Designates Iranian Cyber Facilitators STM REVIEW.docx, 2018-11-28 Cyber OFAC FAQs NEW.docx

Sir: Please find attached/below a press release for Wednesday's cyber action, along with updated FAQs for posting online. Sigal will do calls with reporters from the Wall Street Journal and CoinDesk who cover illicit finance / digital currencies to help walk through the action and amplify to key industry audiences. Please let us know any edits or if this is approved.

(b)(5)

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Withheld pursuant to exemption

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the Freedom of Information and Privacy Act

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Withheld pursuant to exemption

(b)(5)

the Freedom of Information and Privacy Act

From: Secretary Mnuchin
Sent: Mon, 30 Sep 2019 20:36:56 +0000
To: Mandelker, Sigal;McIntosh, Brent
Subject: Fwd: Bloomberg: Maduro Says Venezuela to Activate Crypto Payment Method 'Soon'

Let's discuss

From: Crowley, Monica <Monica.Crowley@treasury.gov>
Date: September 30, 2019 at 4:09:10 PM EDT
To: Secretary Mnuchin @treasury.gov>
Cc: Muzinich, Justin <Justin.Muzinich@treasury.gov>, Mandelker, Sigal <Sigal.Mandelker@treasury.gov>, (b)(6) @treasury.gov>, Myers, Baylor <Baylor.Myers@treasury.gov>
Subject: Bloomberg: Maduro Says Venezuela to Activate Crypto Payment Method 'Soon'

Mr Secretary, for your awareness:

Bloomberg: **Maduro Says Venezuela to Activate Crypto Payment Method 'Soon' (Patricia Laya, Alex Vasquez, 9.30.19)**

Venezuela's government is using cryptocurrencies as a "method for free national and international payments," President Nicolas Maduro said in a televised press conference.

"The finance minister and Venezuela's central bank have new instruments which we will activate very soon so that everyone can do banking transactions, as well as national and international payments through the central bank's accounts," Maduro said Monday. "Venezuela is working within the cryptocurrency world."

Venezuela's central bank is running internal tests to determine whether it can hold cryptocurrencies in its reserves, Bloomberg reported last week. The efforts come at the request of state-run Petroleos de Venezuela SA, which is seeking to send Bitcoin and Ethereum to the central bank and have the monetary authority pay the oil company's suppliers with the tokens, four people with knowledge of the matter have said.

"The regime's use of cryptocurrency shows desperation," the opposition's Juan Guaido, who is recognized by more than 50 countries as the rightful leader, said in an earlier press conference. "To resort to that kind of subterfuge emphasizes the economic crisis the regime is going through."

U.S. sanctions have largely isolated Venezuela from the global financial system, contributing to one of world's most severe economic crises and forcing officials to use a patchwork of methods to move money around. While Maduro's plans to start the world's first sovereign crypto largely failed, the continued efforts to use digital currencies shows how desperate the government is to come up with a way to skirt the restrictions.

"Donald Trump and his sanctions are blocking Venezuela from carrying out transaction in any of the world's banks," Maduro said. "There's other formulas to pay, and it's what we're using, because our payment system works perfectly in China and Russia."

From: Phillips, Craig
Sent: Sun, 10 Dec 2017 22:25:51 -0500
To: Secretary Mnuchin
Cc: Miller, Eli
Subject: Fwd: FYI - CBOE Bitcoin Futures Update - Confindential

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From: Gill, Michael <MGill@CFTC.gov>
Date: December 10, 2017 at 8:05:49 PM EST
To: Phillips, Craig <Craig.Phillips@treasury.gov>
Subject: FYI - CBOE Bitcoin Futures Update - Confindential

(b)(4)

(b)(4)

Mike Gill
Chief of Staff
Chairman Chris Giancarlo
Commodity Futures Trading Commission
1155 21st Street NW
Washington, DC 20581
Direct (b)(6)

From: Secretary Mnuchin
Sent: Thu, 27 Jul 2017 12:59:08 +0000
To: Mandelker, Sigal
Cc: Miller, Eli
Subject: Re: FinCEN Fines BTC-e Virtual Currency Exchange $110 Million for Facilitating Ransomware, Dark Net Drug Sales

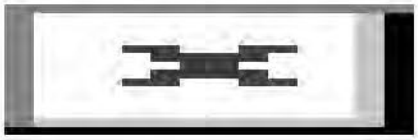
Great

From: Mandelker, Sigal <Sigal.Mandelker@treasury.gov>
Date: July 27, 2017 at 7:23:12 AM EDT
To: Secretary @treasury.gov>
Cc: Miller, Eli <Eli.Miller@treasury.gov>
Subject: Fwd: FinCEN Fines BTC-e Virtual Currency Exchange $110 Million for Facilitating Ransomware, Dark Net Drug Sales

This is the press release in the FinCEN virtual currency case. It was issued last night.

(b)(5)

From: Unger, Seth <Seth.Unger@treasury.gov>
Date: July 27, 2017 at 7:14:11 AM EDT
To: Mandelker, Sigal <Sigal.Mandelker@treasury.gov>
Cc: Scheinert, Lawrence <Lawrence.Scheinert@treasury.gov>
Subject: FinCEN Fines BTC-e Virtual Currency Exchange $110 Million for Facilitating Ransomware, Dark Net Drug Sales



FOR IMMEDIATE RELEASE CONTACT: Steve Hudak
July 26, 2017 703-905-3770

FinCEN Fines BTC-e Virtual Currency Exchange $110 Million for Facilitating Ransomware, Dark Net Drug Sales

Treasury's First Action Against a Foreign-Located Money Services Business

WASHINGTON—The Financial Crimes Enforcement Network (FinCEN), working in coordination with the U.S. Attorney's Office for the Northern District of California,assessed a $110,003,314 million civil money penalty [LINK]today against BTC-e a/k/a Canton Business Corporation (BTC-e) for willfully violating U.S. anti-money laundering (AML) laws. Russian national Alexander Vinnik, one of the operators of BTC-e, was arrested in Greece this week, and FinCEN assessed a $12 million penalty against him for his role in the violations.

BTC-e is an internet-based, foreign-located money transmitter that exchanges fiat currency as well as the convertible virtual currencies Bitcoin, Litecoin, Namecoin, Novacoin, Peercoin, Ethereum, and Dash. It is one of the largest virtual currency exchanges by volume in the world. BTC-e facilitated transactions involving ransomware, computer hacking, identity theft, tax refund fraud schemes, public corruption, and drug trafficking.

"We will hold accountable foreign-located money transmitters,including virtual currency exchangers, that do business in the United States when they willfully violate U.S. AML laws," said Jamal El-Hindi, Acting Director for FinCEN. "Today's action should be a strong deterrent to anyone who thinks that they can facilitate ransomware, dark net drug sales, or conduct other illicit activity using encrypted virtual currency. Treasury's FinCEN team and our law enforcement partners will work withforeign counterparts across the globe to appropriately oversee virtual currency exchangers and administrators who attempt to subvert U.S. law and avoid complying with U.S. AML safeguards."

FinCEN acted in coordination with law enforcement's seizure of BTC-e and Vinnik's arrest. The Internal Revenue Service-Criminal Investigation Division, Federal Bureau of Investigation, United States Secret Service, and Homeland Security Investigations conducted the criminal investigation.

Among other violations, BTC-e failed to obtain required information from customers beyond a username, a password, and an e-mail address. Instead of acting to prevent money laundering, BTC-e and its operators embraced the pervasive criminal activity conducted at the exchange. Users openly and explicitly discussed criminal activity on BTC-e's user chat. BTC-e's customer service representatives offered advice on how to process and access money

obtained from illegal drug sales on dark net markets like Silk Road, Hansa Market, and Alphabay.

BTC-e also processed transactions involving funds stolen between 2011 and 2014 from one of the world's largest bitcoin exchanges, Mt. Gox. BTC-e processed over 300,000 bitcoin in transactions traceable to the theft. FinCEN has also identified at least $3 million of facilitated transactions tied to ransomware attacks such as "Cryptolocker" and "Locky." Further, BTC-e shared customers and conducted transactions with the now-defunct money laundering website Liberty Reserve. FinCENpreviously issued a finding under Section 311 of the USA PATRIOT Act that identified Liberty Reserve as a financial institution of primary money laundering concern.

BTC-e has conducted over $296 million in transactions of bitcoin alone and tens of thousands of transactions in other convertible virtual currencies. The transactions included funds sent from customers located within the United States to recipients who were also located within the United States. BTC-e also concealed its geographic location and its ownership. Regardless of its ownership or location, the company was required to comply with U.S. AML laws and regulations as a foreign-located MSB including AML program, MSB registration, suspicious activity reporting, and recordkeeping requirements. This is the second supervisory enforcement action FinCEN has taken against a business that operates as an exchanger of virtual currency, and the first it has taken against a foreign-located MSB doing business in the United States.

###

FinCEN's mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

From: (b)(6)
Sent: Sat, 12 May 2018 18:44:04 -0400
To: STM77
Cc: (b)(6); Miller, Eli
Subject: Re: Coinbase CEO - Meeting Request - May 22-23

Will do - thank you

From: Secretary @treasury.gov>
Date: May 12, 2018 at 6:42:07 PM EDT
To: (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>, Miller, Eli <Eli.Miller@treasury.gov>
Subject: Re: Coinbase CEO - Meeting Request - May 22-23

Ok to confirm'

From: (b)(6) @treasury.gov>
Date: May 11, 2018 at 8:23:46 PM GMT-2:30
To: Secretary @treasury.gov>
Cc: (b)(6) @treasury.gov>, Miller, Eli <Eli.Miller@treasury.gov>
Subject: Coinbase CEO - Meeting Request - May 22-23

Sir –

Per your request - below is the Coinbase CEO meeting request that you wanted emailed to you for an additional review.

Coinbase is a digital currency exchange headquartered in San Francisco, California. They broker exchanges of Bitcoin, Bitcoin Cash, Ethereum and Litecoin with fiat currencies in around 32 countries, and bitcoin transactions and storage in 190 countries worldwide.

Please let us know how you would like to proceed sir.

Thank you

"On May 22-23, Brian Armstrong, Coinbase's CEO and Founder, will be traveling to DC for the first time to meet with policy makers. Given the high profile nature of crypto issues and Secretary Mnuchin's interest in this space, we would like to respectfully request a meeting with the Secretary to introduce him directly to Coinbase and the company's current business model.

Coinbase is the largest U.S.-based digital currency exchange and wallet and currently controls more than $30B in assets. The company is growing rapidly and working hard to stay aligned with the existing regulatory regime. Brian's bio is below. Thank you for considering this request and for your continued help on fintech issues. I really appreciate it."

Bio:

Brian Armstrong
CEO and Co-founder
Coinbase, Inc.

Brian Armstrong, CEO and co-founder of Coinbase, has always had his eyes set on a career in Tech. Growing up in San Jose, Calif., Armstrong's first job was in high school, building websites in a neighbor's garage. He studied computer science and economics at Rice University in Texas, receiving his Bachelor's degree in Economics and his Master's in Computer Science. After college, he would live abroad in Buenos Aires for one year.

In high school, Armstrong was one of the nerdy kids who was really into Java and CSS. He would get a few weird looks.

His first job out of college was at Deloitte & Touche as a senior software engineer at CarWoo.com. He would spend a little over one year at the company, and during that time he was building his first entrepreneurial venture: UniversityTutor.com.

Armstrong founded University Tutor in August 2003 while he was a junior at Rice University. He remained at University Tutor while working at CarWoo.com, Deloitte & Touche, and at Airbnb.com, where he was a software engineer.

Eventually he found his way back to San Francisco. Even in high school, Armstrong was very involved in startups. He had the bug at an early age, and he used his job in the working world as learning devices — in the back of his mind, Armstrong always knew he would want to start his own grand startup.

Armstrong was captivated by the idea of Bitcoin during Christmas 2010. But there weren't many transaction places for bitcoins yet. Thus, from Bitcoin came the idea for Coinbase, an international digital wallet that allows you to securely buy, use and accept bitcoin currency. Armstrong lives in San Francisco, CA.

From: Kushner, Jared C. EOP/WHO
Sent: Tue, 29 May 2018 11:45:19 +0000
To: Secretary Mnuchin
Cc: Liddell, Christopher P. EOP/WHO;Miller, Eli;Berkowitz, Avrahm J. EOP/WHO

Steven –

Would you be open to me bringing a small group of people to have a brainstorm about this topic?

http://blog.samaltman.com/us-digital-currency

My sense is it could make sense and also be something that could ultimately change the way we pay out entitlements as well saving us a ton in waste fraud and also in transaction costs…

From: McIntosh, Brent
Sent: Mon, 11 Dec 2017 15:15:27 -0500
To: Secretary Mnuchin;Miller, Eli;Phillips, Craig;Mandelker, Sigal
Subject: Virtual currencies and IRS

During our discussion of virtual currencies last week, I mentioned that I thought IRS was in litigation with Coinbase to get identifying information for users with virtual currency transactions above a certain threshold. The story below, from a couple weeks ago, details that dispute:

Coinbase Must Give Info To IRS For Transactions Over $20K

Share us on: By **Amy Lee Rosen**

Law360, Los Angeles (November 30, 2017, 4:57 PM EST) -- A California federal judge on Wednesday handed the Internal Revenue Service a partial win in the agency's bid to seek records from Coinbase Inc., saying the virtual currency exchange must hand over information on accounts with transactions of greater than $20,000.

In an order, U.S. Magistrate Judge Jacqueline Scott Corley said Coinbase must provide the taxpayer ID, name, date of birth and address for the accounts, but not copies of passports, driver's licenses, wallet addresses and public keys for accounts because they were not relevant for investigating tax delinquency among account holders.

"The summons as narrowed by the court serves the IRS' legitimate purpose of investigating Coinbase account holders who may not have paid federal taxes on their virtual currency profits," Judge Corley said.

The opinion said the government met its minimal burden to show the narrowed summons serves a legitimate purpose to investigate "the reporting gap between the number of virtual currency users Coinbase claims to have had during the summons period" and "U.S. bitcoin users reporting gains or losses to the IRS during the summoned years." But other requests were not relevant to achieve the government's purpose, Judge Corley said.

As such, the judge denied the petition to enforce documents seeking know-your-customer diligence; agreements or instructions granting a third-party access, control or transaction approval authority; and certain correspondence between Coinbase and the user or any third party with access to the account.

The court **originally granted the IRS summons request** in November 2016, but Coinbase refused to comply, according to court documents. The IRS then submitted a narrowed summons request for accounts with transactions greater than $20,000. According to Coinbase, the narrowed summons requests information for 8.9 million transactions and 14,355 account holders.

A representative of a Coinbase user said the narrowed summons covers only about 3 percent of Coinbase customers and the judgment will not permit the IRS to obtain information from a John Doe summons in the future.

"While we remain concerned that the bar for the IRS to obtain taxpayer documents from third parties through a John Doe summons has been set too low, we are pleased that our efforts, and those of Coinbase, enabled Coinbase customers to achieve an important partial victory in this matter," said Berns Weiss LLP partner Lee A. Weiss, who represents John Doe 4.

"Instead, the court stated that if the IRS believes that it requires additional information concerning a particular Coinbase customer, it should issue a summons to Coinbase relating only to that customer and provide the required notice to the customer," Weiss told Law360. "We are extremely proud of the result that we helped to achieve by standing up for the rights of Coinbase's customers."

Jim Harper, vice president of the Competitive Enterprise Institute, which supported Coinbase, said Judge Corley was kind to the IRS in finding the summons was not an abuse of process. Harper said Coinbase announced it will give affected individuals notice before their information is shared, which will give users the right to object.

"One thing this case has revealed is that the 'John Doe' summons may have due process problems," Harper said. "At the time it was written, notice to affected parties would have been very burdensome. But with the availability of email notice, using the John Doe summons without alerting the affected parties quite likely violates due process."

Coin Center, a nonprofit focused on the policy issues facing cryptocurrencies that had joined the Competitive Enterprise Institute in supporting Coinbase, said in a statement Thursday it was disappointed by the decision.

Brian Klein, chair of the Digital Currency and Ledger Defense Coalition, said, "Although the DCLDC, which filed an amicus brief in support of Coinbase, takes some satisfaction in the fact that the court dramatically narrowed the scope of the IRS' summons, the entire summons should have been quashed."

The government declined to comment and generally does not opine on pending litigation. Representatives from Coinbase declined to comment.

The government is represented by David A. Hubbert, Jeremy N. Hendon, Amy Matchison, Brian J. Stretch and Colin Sampson of the U.S. Department of Justice.

Coinbase is represented by Steven A. Ellis, Grant P. Fondo and Shauna E. Woods of Goodwin Procter LLP and its own Michael T. Lempres and Juan A. Suarez.

Competitive Enterprise Institute is represented by its own Theodore H. Frank, Jim Harper, Hans Bader and Sam Kazman.

Coin Center is represented by Hartley M. K. West, Benjamin J. A. Sauter and Beau D. Barnes of Kobre & Kim LLP.

John Doe 4 is represented by Jeffrey K. Berns, Albert G. Lum and Lee A. Weiss of Berns Weiss LLP.

The case is United States v. Coinbase Inc. et al., case number 3:17-cv-01431 in the U.S. District Court for the Northern District of California.

--Editing by Tim Ruel.

From: Phillips, Craig
Sent: Monday, December 11, 2017 12:18 PM
To: Secretary @treasury.gov>
Cc: Miller, Eli <Eli.Miller@treasury.gov>; McIntosh, Brent <Brent.McIntosh@treasury.gov>; Patel, Bimal <Bimal.Patel@treasury.gov>
Subject: SEC Update - confidential/predecisional

Jay Clayton called to (b)(5)

(b)(5)

Glad to discuss

Craig

From: (b)(6)
Sent: Thu, 14 Dec 2017 10:04:51 -0500
To: Patel, Bimal;Phillips, Craig;Callanan, Brian;(b)(6)
Cc: (b)(6)
Subject: RE: FSOC Meeting/Principals Cryptocurrency Meeting

Thanks

From: Patel, Bimal
Sent: Thursday, December 14, 2017 10:04 AM
To: Phillips, Craig <Craig.Phillips@treasury.gov>; Callanan, Brian <Brian.Callanan@treasury.gov>; (b)(6) @treasury.gov>; (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>
Subject: RE: FSOC Meeting/Principals Cryptocurrency Meeting

(b)(5)

From: Phillips, Craig
Sent: Thursday, December 14, 2017 9:45 AM
To: Callanan, Brian <Brian.Callanan@treasury.gov>; (b)(6)
<(b)(5) @treasury.gov>; (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>; Patel, Bimal <Bimal.Patel@treasury.gov>
Subject: RE: FSOC Meeting/Principals Cryptocurrency Meeting

Bimal,

There seems to be some confusion on this.

(b)(5)

Thanks,

Craig

Craig S. Phillips
[redacted]
craig.phillips@treasury.gov

From: Callanan, Brian
Sent: Thursday, December 14, 2017 9:35 AM
To: Phillips, Craig <Craig.Phillips@treasury.gov>; (b)(6) @treasury.gov>; (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>; Patel, Bimal <Bimal.Patel@treasury.gov>
Subject: RE: FSOC Meeting/Principals Cryptocurrency Meeting

(b)(5)

From: (b)(6) @treasury.gov>
Date: December 14, 2017 at 8:29:32 AM EST
To: Phillips, Craig <Craig.Phillips@treasury.gov>, (b)(6) <(b)(6) @treasury.gov>, Callanan, Brian <Brian.Callanan@treasury.gov>
Cc: (b)(6) @treasury.gov>, Patel, Bimal <Bimal.Patel@treasury.gov>
Subject: RE: FSOC Meeting/Principals Cryptocurrency Meeting

Adding Brian –

STM wants to confirm with you on this.

From: (b)(6)
Sent: Thursday, December 14, 2017 8:23 AM
To: Phillips, Craig <Craig.Phillips@treasury.gov>
Cc: (b)(6) @treasury.gov>; (b)(6) @treasury.gov>; Patel, Bimal <Bimal.Patel@treasury.gov>
Subject: FSOC Meeting/Principals Cryptocurrency Meeting

(b)(5)

(b)(6)

From: (b)(6)
Sent: Tue, 1 May 2018 12:23:00 -0400
To: (b)(6)
Subject: RE: Is the Secretary's Large Conference Rm available on May 9 @ 3:00-5:00pm?

Thanks (b)(6)

From: (b)(6)
Sent: Tuesday, May 1, 2018 12:22 PM
To: (b)(6) @treasury.gov>
Subject: RE: Is the Secretary's Large Conference Rm available on May 9 @ 3:00-5:00pm?

Stand by, we may need it for a 4:00 meeting that day. Let me see if it will be with the larger group and come back to you. Thanks!

(b)(6)

From: (b)(6)
Sent: Tuesday, May 01, 2018 12:16 PM
To: (b)(6) @treasury.gov>
Subject: Is the Secretary's Large Conference Rm available on May 9 @ 3:00-5:00pm?

Good afternoon (b)(6)
Hopefully all is well. Please let me know if the Secretary's Large Conference Room is available on May 9 @ 3:00-5:00pm. If it is, Craig Phillips would like to reserve it to host a Cryptocurrency Working Group meeting. Thanks.

(b)(6)

From: (b)(6)
Sent: Tue, 22 May 2018 12:03:47 -0400
To: (b)(6)
Subject: RE: Manifest for Coinbase Meeting

Thank you!

From: (b)(6) @treasury.gov>
Date: May 22, 2018 at 12:01:45 PM EDT
To: (b)(6) @treasury.gov>
Subject: RE: Manifest for Coinbase Meeting

Treasury:
Secretary Mnuchin
Eli Miller
Craig Phillips

State Street:
Ron O'Hanley, CEO
Joe Barry, Senior Vice President
Stefan Gavell, Executive Vice President and Head of Regulatory, Industry and Government Affairs

From: (b)(6)
Sent: Tuesday, May 22, 2018 12:01 PM
To: (b)(6) @treasury.gov>
Subject: RE: Manifest for Coinbase Meeting

Can you also send for State Street? Thanks!

From: (b)(6)
Sent: Tuesday, May 22, 2018 11:39 AM
To: (b)(6) @treasury.gov>
Subject: Manifest for Coinbase Meeting

Treasury:
Secretary Mnuchin
Eli Miller
Brent McIntosh

Coinbase:
Brian Armstrong, CEO and Founder
Alesia Haas, CFO, Coinbase (to join via phone)
Michael Lempres, Chief Legal & Compliance Officer, Coinbase

Kara Campbell, Partner, Franklin Square Group

From: (b)(6)
Sent: Tue, 27 Feb 2018 17:23:45 -0500
To: (b)(6) ;(b)(6) ;(b)(6)
Cc: (b)(6) ;(b)(6) ;(b)(6) ;Fowler, Jennifer
Subject: RE: Meeting with Craig, Sigal, and David - Crypto

Thanks, (b)(6)

From: (b)(6)
Sent: Tuesday, February 27, 2018 4:56 PM
To: (b)(6) @treasury.gov>; (b)(6)
<(b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>; (b)(6) @treasury.gov>; (b)(6)
(b)(6) @treasury.gov>; (b)(6) @treasury.gov>; Fowler, Jennifer
<Jennifer.Fowler@treasury.gov>
Subject: RE: Meeting with Craig, Sigal, and David - Crypto

Thanks! I have added her to the meeting.

(b)(6)

From: (b)(6)
Sent: Tuesday, February 27, 2018 4:50 PM
To: (b)(6) @treasury.gov>; (b)(6)
<(b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>; (b)(6) @treasury.gov>; (b)(6)
(b)(6) @treasury.gov>; (b)(6) @treasury.gov>; Fowler, Jennifer
<Jennifer.Fowler@treasury.gov>
Subject: RE: Meeting with Craig, Sigal, and David - Crypto

(b)(6)

Sigal's +1 will be Jen Fowler.

Thank you,

(b)(6)

From: (b)(6)
Sent: Tuesday, February 27, 2018 3:11 PM
To: (b)(6) @treasury.gov>; (b)(6)
<(b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>; (b)(6) @treasury.gov>
Subject: RE: Meeting with Craig, Sigal, and David - Crypto

Please let me know who Sigal's +1 will be for this meeting tomorrow currently set for 4:00pm. Thanks much!

(b)(6)

From: Renier, Jessica
Sent: Friday, February 23, 2018 9:42 AM
To: (b)(6) @treasury.gov>; (b)(6) <(b)(6) @treasury.gov>; Miller, Eli <Eli.Miller@treasury.gov>
Cc: (b)(6) @treasury.gov>; (b)(6) @treasury.gov>; (b)(6) (b)(6) @treasury.gov>
Subject: RE: Meeting with Craig, Sigal, and David - Crypto

(b)(6) –

As pre-approved by Eli for the 28th (next week on Wednesday), we need to schedule a 30-minute meeting with the Secretary to brief him on upcoming domestic and international meetings on cryptocurrency. This is the "prep" meeting we discussed just now, (b)(

Manifest:
Craig Phillips
(b)(6)
David Malpass
Rebekah Goshorn
Sigal Mandelker
Sigal's +1 is TBD – Nicolle can confirm

(b)(6)
Domestic Finance
U.S. Department of the Treasury
(o) (b)(6)
(m)

From: (b)(6)
Sent: Friday, February 23, 2018 9:08 AM
To: (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>; (b)(6) @treasury.gov>; (b)(6) @treasury.gov>; (b)(6) @treasury.gov>
Subject: Re: Meeting with Craig, Sigal, and David - Crypto

(b)(6)

Adding (b)(who had the lead on this one and can perhaps provide greater context. It is a meeting with Craig, David and Sigal each with a plus one to discuss a strategic international engagement strategy on virtual currency ahead of the FSB call.

From: (b)(6) @treasury.gov>
Date: February 23, 2018 at 9:01:18 AM EST
To: (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>
Subject: Meeting with Craig, Sigal, and David - Crypto

(b)(6) -

This meeting is currently not scheduled.

I have added (b)(6) – Will you please let her know who else should be in it and what the name of the meeting should be (Cryptocurrency Mtg?).

We will shoot to get this on the calendar for Tuesday – to confirm this meeting is a prep for? (Sorry – I haven't been too in the loop on this one).

Thanks

From: (b)(6)
Sent: Mon, 17 Sep 2018 10:31:40 -0400
To: (b)(6) ;es_specials;(b)(6) ;(b)(6) ;(b)(6)
Cc: (b)(6)
Subject: RE: Meeting with Ripple CEO

"topic of blockchain and crypto currency would be valuable on a number of levels. Not the least of which is sharing with him some of what I have learned meeting with the central monetary authorities across the world (We count the Saudi Arabian Monetary Authority and the Central Bank of England as customers)."

(b)(6)
Office of the Secretary
(b)(6)
@treasury.gov

From: (b)(6)
Sent: Thursday, September 13, 2018 4:50 PM
To: es_specials [redacted] (b)(6) @treasury.gov>; (b)(6) @treasury.gov>; (b)(6) @treasury.gov>; (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>
Subject: Meeting with Ripple CEO

Meeting is Wednesday, Oct. 3rd at 10:30am in the small conference room. Mr. Garlinghouse will be attending this meeting alone. Bio below, photo attached.

Brad's bio:

"Brad is the CEO of Ripple and a member of the Board of Directors. Prior to Ripple, Brad served as the CEO of file collaboration service Hightail. From 2009 to 2012 he was President of Consumer Applications at AOL and prior to that he held various executive positions at Yahoo! from 2003 to 2009, including Senior Vice President.

Earlier in his career, Brad helped to pioneer the VoIP industry as CEO of Dialpad Communications. He currently serves on the Board of Directors of OutMatch and has held board positions at Ancestry.com and Tonic Health."

From: (b)(6)
Sent: Mon, 21 May 2018 16:02:19 -0400
To: (b)(6)
Cc: (b)(6) (b)(6)
Subject: RE: Mtg on May 22 with Coinbase

(b)(6),

Thanks for letting us know.

Best,
(b)(6)

From: (b)(6)
Sent: Monday, May 21, 2018 4:00 PM
To: (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>; (b)(6)
<(b)(6) @treasury.gov>
Subject: RE: Mtg on May 22 with Coinbase

STM just wants this meeting to be with Brent.

Thanks!

From: (b)(6)
Sent: Thursday, May 17, 2018 6:54 PM
To: (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>
Subject: Mtg on May 22 with Coinbase

Hi (b)(6),

I believe the Secretary is meeting with the CEO of Coinbase on Tuesday May 22. (b)(5) (b)(5) Sigal was wondering if she could join the Secretary for the meeting.

Best,
(b)(6)

This message was sent securely using ZixCorp.

From: Sizelove, Khrystal
Sent: Mon, 11 Dec 2017 14:25:52 +0000
To: (b)(6)
Subject: RE: Principals Meeting Re: Cryptocurrency

No problem . . . Grace will be his +1 for both FSOC and the Cryptocurrency meeting. Do you need her info to clear her for FSOC? Thanks.

From: (b)(6) @treasury.gov [mailto:(b)(6) @treasury.gov]
Sent: Monday, December 11, 2017 9:24 AM
To: (b)(6) @occ.treas.gov>
Subject: RE: Principals Meeting Re: Cryptocurrency

Received via OCC Secure Mail

This message was sent securely using ZixCorp.

I'm sorry with the 50 questions this morning ☺. Will Grace be his +1 for FSOC or the Cryptocurrency meeting or both? Could you please provide her vitals so that I can clear her in? If she will be here for the FSOC meeting I won't need to re-clear her. Thanks!

(b)(6)

From: (b)(6) [mailto:(b)(6) @occ.treas.gov]
Sent: Monday, December 11, 2017 9:15 AM
To: (b)(6) @treasury.gov>
Subject: RE: Principals Meeting Re: Cryptocurrency

This message was sent securely using ZixCorp.

Yes, Mr. Otting will attend the FSOC Meeting in person. Grace Dailey will attend as his +1.

Thanks.

From: (b)(6) @treasury.gov [mailto (b)(6) @treasury.gov]
Sent: Monday, December 11, 2017 8:45 AM
To: (b)(6) @occ.treas.gov>
Subject: RE: Principals Meeting Re: Cryptocurrency

Received via OCC Secure Mail

This message was sent securely using ZixCorp.

Hi (b)(6) ! To confirm Mr. Otting will be here for the FSOC Meeting, correct? Thanks!

(b)(6)

From: (b)(6) [mailto:(b)(6) @occ.treas.gov]
Sent: Monday, December 11, 2017 7:52 AM
To: (b)(6) @treasury.gov>
Subject: RE: Principals Meeting Re: Cryptocurrency

This message was sent securely using ZixCorp.

I will find out if we will have a +1 and get back to you as soon as I can. Thank you.

From: (b)(6) @treasury.gov [mailto (b)(6) @treasury.gov]
Sent: Monday, December 11, 2017 7:51 AM
To: (b)(6) @occ.treas.gov>
Subject: RE: Principals Meeting Re: Cryptocurrency

Received via OCC Secure Mail

This message was sent securely using ZixCorp.

I will ask and circle back. Would you all plan to have a +1 attend in person? If so please let me know who that will be and submit their vitals for clearance. Thanks!

(b)(6)

From: (b)(6) [mailto:(b)(6) @occ.treas.gov]
Sent: Monday, December 11, 2017 7:49 AM
To: (b)(6) @treasury.gov>
Subject: RE: Principals Meeting Re: Cryptocurrency

This message was sent securely using ZixCorp.

Good morning (b)(6) !
Mr. Otting is scheduled to head to the airport at 4:30 pm on 12/14. Is it possible to have a conference line set up that he could call into for the Cryptocurrency Meeting?

Thank you,
(b)(6)

From: (b)(6) @treasury.gov [mailto:(b)(6) @treasury.gov]
Sent: Friday, December 08, 2017 12:52 PM
To: [redacted]
(b)(6)
Subject: Principals Meeting Re: Cryptocurrency

Received via OCC Secure Mail

This message was sent securely using ZixCorp.

Hello all! Secretary Mnuchin would like to convene a meeting with your principals to discuss Cryptocurrency. We would like to propose that this meeting take place here at Treasury on Thursday, Dec. 14th following the FSOC Meeting that your principal is scheduled to attend, hopefully. We would schedule this meeting for 4:30-5:00, in the hopes of the FSOC Meeting wrapping up early and they would then roll right into this meeting. This meeting will be P+1. The following are invited:

Treasury – Mnuchin
FRB – Yellen
SEC - Clayton
CFTC - Giancarlo
OCC - Otting
FDIC - Gruenberg

Please let me know at your earliest convenience whether this would work for your principal. Thanks much!

(b)(6)

Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220
Tel: (b)(6)
Cell:
email @treasury.gov

This message was secured by ZixCorp(R).

This message was secured by ZixCorp(R).

This message was secured by ZixCorp(R).

This message was secured by ZixCorp(R).

From: (b)(6)
Sent: Tue, 22 May 2018 12:29:07 -0400
To: (b)(6)
Cc: (b)(6); (b)(6); (b)(6)
Subject: RE: State Street CEO Seating Chart and Name Tents

Will get tents for this and Coinbase.

(b)(6)
Office of Conference, Event and Meeting Services
Department of the Treasury
p: (b)(6)

From: (b)(6)
Sent: Tuesday, May 22, 2018 12:14 PM
To: (b)(6)@treasury.gov>
Cc: (b)(6)@treasury.gov>; (b)(6)
<(b)(6)@treasury.gov>; (b)(6)@treasury.gov>
Subject: State Street CEO Seating Chart and Name Tents

Hi (b)(6),

STM is meeting with the State Street CEO today at 3:30pm in the Small Conference Room. Attached is a seating chart for the meeting. Can we please have name tents prepared?

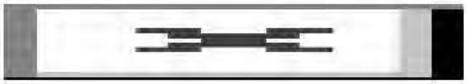
Please let me know if you have any questions.

Thanks,

(b)(6)
Office of the Secretary
O: (b)(6)
C:

From: Carnegie Endowment for International Peace
Sent: Fri, 14 Apr 2017 09:02:41 -0500
To: (b)(6)
Subject: Tuesday: Brave New Cyberworld

THE GLOBAL THINK TANK



Brave New Cyberworld

EVENT DETAILS

DATE Tuesday, April 18, 2017

TIME 9:00 to 11:35 a.m.

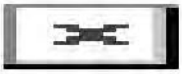
LOCATION 1779 Massachusetts Avenue NW, Washington, DC 20036

CONTACT Steven Nyikos [redacted] | [redacted]

Join Jigsaw and the Carnegie Endowment for International Peace to explore diplomacy in the digital age—the threat environment, the policy imperatives, and the role of the private sector.

State-sponsored cyber attacks have crippled critical infrastructure, manipulated elections, and ushered in a new age of high-stakes espionage. The threats are multiplying and outpacing policy responses. The need for new doctrines and concepts could not be more urgent. That will require coordination from both the private and public sector, especially when it comes to the use of active cyber defense by the private sector. This event will draw on the expertise of distinguished policy, legal, and technical experts to help clarify the contours of the strategic landscape and the specific challenge of active cyber defense by the private sector.

REGISTER | ADD TO CALENDAR

This event is co-sponsored by: 

Agenda

9:00 a.m.
Registration and Breakfast

9:30 to 9:35 a.m.
Opening Remarks
William J. Burns

9:35 to 10:30 a.m.
Mapping the Threats and Policy Options
Michael Chertoff, Jane Holl Lute, Christopher Painter
Moderator: David E. Sanger

10:30 to 11:25 a.m.
The Private Sector and Active Cyber Defense
Stewart A. Baker, Shane Huntley, George Perkovich
Moderator: Massimo Calabresi

11:25 to 11:35 a.m.
Closing Remarks
Jared Cohen

Speakers

Introduction and Closing Remarks

William J. Burns is president of the Carnegie Endowment for International Peace. He previously served as U.S. deputy secretary of state.

Jared Cohen is president of Jigsaw. He previously served as a member of the U.S. secretary of state's policy planning staff.

Mapping the Threats and Policy Options

Michael Chertoff is the cofounder and executive chairman of the

Chertoff Group. He previously served as U.S. secretary of homeland security.

Jane Holl Lute is director of the Center for Internet Security. She previously served as U.S. deputy secretary of homeland security.

Christopher Painter is coordinator for cyber issues at the U.S. Department of State.

David E. Sanger is the national security correspondent for the *New York Times* and a senior fellow at the Belfer Center for Science and International Affairs

The Private Sector and Active Cyber Defense

Stewart A. Baker is a partner in the Washington office of Steptoe & Johnson, LLP. He previously served at the U.S. Department of Homeland Security.

Massimo Calabresi is a senior correspondent for *TIME* magazine.

Shane Huntley is a manager for threat intelligence and senior software engineer at Google.

George Perkovich is vice president for studies at the Carnegie Endowment for International Peace.

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From: Miller, Eli
Sent: Tue, 6 Mar 2018 19:20:33 +0000
To: (b)(6)
Subject: Accepted: Cryptocurrency Meeting with Staff

From: Miller, Eli
Sent: Mon, 14 May 2018 16:33:08 +0000
To: (b)(6)
Subject: Accepted: Meeting with Brian Armstrong, Coinbase CEO and Founder

From: MeriTalk
Sent: Fri, 1 Dec 2017 09:33:46 -0600
To: (b)(6)
Subject: CIA is Using AWS Cloud to Stay Ahead of Threats | DoD's Blockchain plans and more ...

Web Version

MERITALK READ ALL ABOUT IT
December 1, 2017

CLOUD COMPUTING
CIA is Using AWS Cloud to Stay Ahead of Threats

At the re:Invent public sector keynote, Teresa Carlson, VP worldwide public sector AWS, highlighted the new AWS Secret Region. The Secret Region was designed for the U.S. intelligence community and can operate workloads up to the Secret U.S. security classification level. Prior to the launch of the Secret Region, CIA was already using AWS' GovCloud offerings to monitor social media and stay ahead of terrorist threats. Teresa Smetzer, director of digital futures at CIA, was on hand to share how the CIA is fostering a culture of continuous innovation.
READ MORE

BLOCKCHAIN
Could Blockchain's Scalability Limits Derail DoD's Plans?

The Department of Defense (DoD) is cooking up big plans for blockchain technology, the digital ledger best known for its support of cryptocurrencies such as Bitcoin and Ethereum. The technology's decentralized, encrypted approach holds promise for a variety of secure functions in addition to financial transactions, from cyber defense and distributed communications to protecting the digital supply chains used by deployed forces for 3D printing. A Navy officer on the Naval Innovation Advisory Council has written that blockchain could "revolutionize" the way military operations over the next decade.
READ MORE

EMERGING TECHNOLOGY
NIST Scientists Explore the Outer Limits of Computing Power

How far can we push the limits of computing power? That is a question that scientists at the National Institute of Technology and Standards (NIST) are pondering. NIST physicist Stephen Jordan told MeriTalk that the research is part of a program that is "pretty broad ranging and runs the gamut from fundamental science with no immediate application to relatively practical research with potential to be applied in the relatively near term."
READ MORE

EVENT
IRS on Accelerating Modernization with DevOps

How is DevOps helping the Federal government move forward with its cloud journey and broader modernization initiatives? Join MeriTalk and Stan Hawkins, Executive Lead, DevOps, IRS, for a government-only roundtable conversation to discuss this and more on December 12 at the City Club of Washington.
REGISTER

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From: (b)(6)
Sent: Mon, 21 May 2018 17:39:49 +0000
To: es_specials
Cc: (b)(6)
Subject: Coinbase CEO - Secretary Mnuchin Meeting - May 22

FYI

Brian Armstrong, CEO and Co-Founder, Coinbase

Brian Armstrong is the Chief Executive Officer and Co-founder of Coinbase, the world's leading digital currency exchange. As CEO, Mr. Armstrong is responsible for Coinbase's retail and institutional arms and all products and services that are developed by both trading platforms. Mr. Armstrong co-founded Coinbase in June 2012, and since then, has been responsible for introducing much of America and beyond to cryptocurrency. Mr. Armstrong has led the team, now at over 200 employees, through over $200M in funding from leading investors such as Andreessen Horowitz, IVP, USV, DFJ and NYSE. Since co-founding the company, Mr. Armstrong has led Coinbase to serve over 10M customers across 32 countries, providing custody for more than $10B in digital assets. Mr. Armstrong was listed as Fortune 40 under 40 and Recode 100 in 2017.

Before founding Coinbase, Mr. Armstrong worked as a Software Engineer at Airbnb from 2011-2012 as part of the hospitality marketplace, focusing on fraud prevention. At the time, Airbnb was moving money between 190 countries, and Mr. Armstrong had a front row seat into global payment systems.

Previously, he worked as a Developer for IBM and Consultant at Deloitte.

Mr. Armstrong holds three degrees from Rice University: Bachelor's of Computer Science, Bachelor's of Economics, and a Master's of Computer Science.

Mike Lempres, Chief Legal & Compliance Officer, Coinbase

Mike is Chief Legal & Compliance Officer at Coinbase, the nation's leading digital currency company. Coinbase provides exchange and wallet services to enable consumers and investors to access digital currencies such as bitcoin, litecoin and Ethereum. Mike leads the legal, compliance, risk, corporate secretary and government affairs teams. In that capacity, he works to ensure that Coinbase is able to grow while meeting all its legal and regulatory obligations in the U.S. and around the world.

Mike serves on the City Council of Atherton, California. He was elected in 2014 and served as Mayor in 2016-2017. Atherton is a residential community in the heart of Silicon Valley. The Mayor and Council oversee the town's government, including the Police Department and other city functions.

Mike has worked extensively in both the public and private sectors. He has been appointed by three Presidential administrations to senior government positions and has worked closely on a daily basis with two Attorneys General. He was selected as a White House Fellow, and has served as a Deputy Associate Attorney General and Executive Commissioner of the Immigration and Naturalization Service. He also served as Vice President of the U.S. Overseas Private Investment Corporation, an independent agency intended to encourage U.S. investment and economic growth in developing nations.

Mike graduated from Dartmouth College and the Boalt Hall School of Law at the University of California, Berkeley.

Kara Calvert, Partner, Franklin Square Group

Kara Calvert is a partner at the Franklin Square Group, working on behalf of a wide range of technology companies to advocate on innovation issues in both Congress and the Administration. In her role at Franklin Square Group, Kara focuses on financial services, emerging technologies, healthcare and government contracting issues.

Prior to joining the Franklin Square Group, Kara worked at the Information Technology Industry Council and in the United States Senate.

From: MeriTalk
Sent: Tue, 21 Nov 2017 09:34:52 -0600
To: (b)(6)
Subject: Congress Wants DoD to Spill on Plans for Blockchain Security | MGT Act Clears Congress and more ...

Web Version

MERITALK READ ALL ABOUT IT
November 21, 2017

BLOCKCHAIN
Congress Wants DoD to Spill on Plans for Blockchain Security

Congress wants the Defense Department (DoD) to elaborate on its growing interest is blockchain technology, the secure digital ledger system that can be applied not only to protect financial transactions, but also many other operations such as defending against cyberattacks, protecting logistics supply chains, and securing communications with aircraft and satellites.
READ MORE

IT MODERNIZATION
MGT Act Clears Congress, Waiting for President's Signature

Last week, the Modernizing Government Technology (MGT) Act, championed by Rep. Will Hurd, R-Texas, was approved in both the House and Senate. Meaning, significant overhaul and modernization of government technology is just one presidential signature away from being reality.
READ MORE

CLOUD PROCUREMENT
GSA Asks Industry to Help Create Cloud Contract Language

Current Federal cloud procurement methods are a bit messy, with standardization across agencies lacking. With its new Request for Information (RFI), the General Services Administration (GSA) is looking to tackle this problem and streamline cloud procurement. The GSA is concerned that current procurement methods are leading to confusion and a lack compliance with FedRAMP requirements. The GSA released a new RFI seeking industry input to "identify examples of preferred contract language agencies should incorporate to convey FedRAMP requirements in their solicitations."
READ MORE

EVENT
Symantec Government Symposium

Join us on Tuesday, December 5 at the Renaissance Hotel in Washington D.C. to hear from keynote speakers – Virginia Governor Terry McAuliffe and ODNI's Sue Gordon – as they address cyber coordination and innovation. The Symposium program will also feature sessions covering everything from shadow IT and insider threats to cyber sabotage and administration cyber priorities.
REGISTER

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From: Blockchain in Gov Workshop II
Sent: Wed, 21 Feb 2018 13:10:48 -0600
To: (b)(6)
Subject: Congressional Keynote at Blockchain in Gov Workshop

Please Forward to Others In Your Organization Who May be Using Blockchain in

Potomac Forum: Blockchain In Government Workshop Series:

Blockchain and its Use in Government Training Workshop II: An Advanced Tutorial for Government Executives, Managers, and Staff

Demystifying Blockchain: Blockchain- What You Need to Know - Current and Potential Use Cases to Securily Meet the Business Needs of Governmer

What Executives, Managers and Staff Need to Know

March 1, 2018

Willard InterContinental Hotel
Washington, D.C.

Potomac Forum Website for Information or Registration:
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Government & Industry Invited to Attend
No Press Permitted to Encourage Candid Discussion

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Congressional Keynote Speaker

Congressman David Schweikert
Arizona, 6th Congressional District

Co-Chair, Congressional Blockchain Caucus

Government Speakers

Anil John
Cyber Security R&D Program Manager
Science and Technology Directorate
US Department of Homeland Security
(invited)

Combiz Richard Abdolrahimi, J.D., LL.M., Esq.
Global FinTech & National Security Attorney
(Former Senior Policy Advisor & Project Manager,
Department of the Treasury)

Chris Robey
Blockchain and Procurement Consultant
(Former Procurement Analyst
DHS/U.S. Customs and Border Protection)

Bo Shevchik, MBA, CGFM, PMP
Co-Chair
Association of Government Accountants (AGA)
Blockchain Working Group

Craig Fischer
Innovation Program Manager
Department of the Treasury
(invited)

Paul Grassi
World Recognized Security and Identity Management Expert
Senior Vice President of Cybersecurity, EasyDynamics Corp
(Previously, Senior Standards and Technology Advisor
Trusted Identity Initiative Group, NIST

Additional Government Speakers Awaiting Confirmation

This Workshop is for Government Executives, Managers and Staff and Partners to Understand Blockchain Technology and its use and pote for Government.

Who Should Attend:

- **Federal Government Executives, Managers and staff who are interested in l about Blockchain and how it can be used in government**
- **Government Executives, Managers and staff responsible for implementing restructuring plans**
- **Federal employees or members of employee affinity groups**
- **Technology leaders and technology implementers**
- **CIOs, CFOs and other CXOs**
- **Procurement Personnel**
- **Records Managers**
- **IGs and Staff**
- **State and local Government Executives, Managers and staff**
- **Industry Partners who support the government**

Student Comments from Previous Blockchain Workshop I.

Excellent one-day Workshop. Uncovered some mysteries and provided a roadmap for how govern plan & benefit. Please consider follow on sessions.
Government CIO

Great Workshop! Excellent opportunity and materials to get started in Blockchain.
Assistant Director
Acquisitions Services Branch
Government Agency

Excellent workshop - it generated a lot of knowledge and excitement for future Blockchain applica
Analyst, Industry Partner

Workshop for Government and Industry Partners
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Team "Learn Together" Reduced Registration Fee

Workshop for Government and Industry Partners

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Early Bird Reduced Registration Until Feb 16th

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From: (b)(6)
Sent: Fri, 2 Mar 2018 12:52:55 -0500
To: Malpass, David;Mandelker, Sigal
Cc: Miller, Eli;(b)(6);(b)(6);(b)(6)
Subject: Crypto Meeting with staff

We are holding time at 3:30 on Tuesday March 6 for the cryptocurrency meeting. Please let me know who from your staff you'd like as your + 1.

Thank you.

From: Secretary Mnuchin
Sent: Tue, 6 Mar 2018 19:16:55 +0000
To: Miller, Eli;McIntosh, Brent;Phillips, Craig;Mandelker, Sigal;Malpass, David;(b)(6);Patel, Bimal;Goshorn, Rebekah;Fowler, Jennifer;Callanan, Brian
Cc: (b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);es_specials;(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6)
Subject: Cryptocurrency Meeting with Staff

Manifest:
Eli Miller
Brian Callanan
Craig Phillips
Sigal Mandelker
David Malpass
(b)(6)
Rebekah Goshorn
Jen Fowler
Bimal Patel

From: Blockchain for Gov - Executive & Manager's Primer
Sent: Fri, 27 Oct 2017 08:30:36 -0600
To: (b)(6)
Subject: Early Bird Registration Until Nov 6:-Blockchain for Execs & Managers Training with Gov Use Cases

Important Blockchain Workshop for Government Executives, Managers a
Blockchain Technology is Often Called the "New Internet"
Important to Learn About Blockchain and Its Potential Uses
- No Sales - No Marketing - Useful Information for Government -

Blockchain and its Potential in Government Training Wor

A Primer for Government Executives, Managers, and Staf
Demystifying Blockchain: What You Need to Know About Block
the Use Cases Being Explored, and How it May be Used in Gove
to Securely Meet Business Needs
What Executives, Managers and Staff Need to Know

New Date: November 29, 2017

Willard InterContinental Hotel
Washington, D.C.

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Government Speakers

Craig Fischer

Innovation Program Manager
Department of the Treasury

Chris Robey
Blockchain and Procurement Consultant
(Former Procurement Analyst of
DHS/U.S. Customs and Border Protection)

Bo Shevchik, MBA, CGFM, PMP
Co-Chair
Association of Government Accountants (AGA)
Blockchain Working Group
(awaiting agency approval)

Justin Herman
Emerging Citizen Technology Inter-Agency Program Lead
General Services Administration (GSA)
(awaiting agency approval)

Combiz Abdolrahimi
Treasury Representative to the
FedID Planning Committee & Senior Policy Advisor
Department of the Treasury
(invitation extended)

Additional Government Speakers Awaiting Confirmation

Overview:
Commonly described as the "next great disrupter," Blockchain technology is the Internet". While there are challenges associated with widespread use, its potenti heavy interest and investment from both commercial and government leaders ar world. Primarily known as the technology underlying Bitcoin, the strengths of Bl "distributed ledger" include increased transparency, speed, increased security.

Federal agencies are currently funding and building use cases to explore the pot blockchain technologies. Potential applications continue to expand as governm toward adoption of the technology to increase efficiencies, trim costs, and incre transparency, and improve security in their operations.

Driven by the advantages of Blockchain and efforts for government transparenc DATA Act, there are numerous Blockchain use cases that agencies are consider touch many parts and processes of an organization, including:

- **Financial management and services**

- Procurement
- IT asset and supply chain management
- Smart contracts
- Patents, Trademarks Copyrights, Royalties
- Identity management and government-issued credentials like visas, passports, SSN and birth certificates
- Federal personnel workforce data
- Appropriated funds
- Federal assistance and foreign aid delivery

Government & Industry Partners Invited to Register
This Workshop is for Government Executives, Managers and Staff ar Partners to Understand Blockchain Technology and its use and pote for Government.

What You Will Learn:

- **Fundamentals of Blockchain and Distributed Ledger Technolog**
- **How blockchain works, and how it applies to government proc**
- **Key opportunities to use Blockchain**
- **Examples of blockchain use "outside the beltway" (including o Governments) and why**

Why You Should Attend:

- Understand Blockchain and how it can be used in government
- Improve your knowledge of an exploding technology
- Be better equipped to support acquisition decisions
- Build communities of interest in your agency and across agencies
- Craft new strategies for improving business processes and government o

Who Should Attend:

- Federal Government Executives, Managers and staff who are interested in about Blockchain and how it can be used in government
- Government Executives, Managers and staff responsible for implementing restructuring plans
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- Technology leaders and technology implementers
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- **Procurement Personnel**
- **Records Managers**
- **IGs and Staff**
- **State and local Government Executives, Managers and staff**
- **Industry Partners who support the government**

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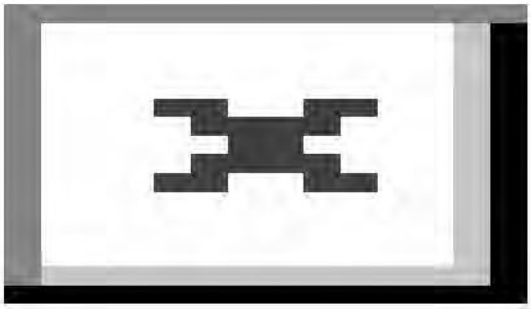
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From: Institute of International Finance
Sent: Tue, 15 May 2018 10:00:49 -0400
To: (b)(6)
Subject: Final 24 Hours to Register, 2018 SMM

Last chance to join us in Brussels for the IIF's flagship European event in 2018...

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REGISTER HERE

Registration for the 2018 IIF Spring Membership Meeting in Brussels will close tomorrow, May 16. Any registration requests after this date will need to be processed on-site and will be subject to the on-site registration rate. Register now to secure your spot before time runs out!

The two-day program will feature some of the most influential voices in finance who will discuss key issues affecting the world economy and financial markets. In addition to the high caliber lineup of senior regulators, CEOs, and market experts, the meeting will feature insights from leading innovative thinkers on critical topics such as **Cyber Risk**, **Cryptocurrency**, the **Future of Work**, **Data-Driven Finance**, and **Artificial Intelligence**.

The full agenda as well as the full speaker lineup is available on our website.

Standard Registration	$1,125	May 16, 2018
Onsite Registration	$1,350	May 24, 2018

Groups of three or more paid attendees from the same firm save 20% on event registrations. To register your group, please email meetings@iif.com.

For additional inquiries regarding registration, please refer to our FAQ or contact us by email at meetings@iif.com [redacted]

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1333 H Street NW, Suite 800 E, Washington, DC 20005-4770

From: Blockchain In Government Training Workshop
Sent: Wed, 4 Oct 2017 12:10:09 -0600
To: (b)(6)
Subject: Just Announced - Oct 19th - Blockchain Workshop for Gov Execs, Managers and Staff

Important Blockchain Workshop for Government Executives, Managers a
Blockchain Technology is Often Called the "New Internet"
Important to Learn About Blockchain and Its Potential Uses
- No Sales - No Marketing - Useful Information for Government -

Blockchain and its Potential in Government Training Wor

A Primer for Government Executives, Managers, and Staf
Demystifying Blockchain: What You Need to Know About Block
the Use Cases Being Explored, and How it May be Used in Gove
to Securely Meet Business Needs

What Executives, Managers and Staff Need to Know

Thursday, October 19, 2017

Willard InterContinental Hotel
Washington, D.C.

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Government Speakers from
Treasury, DHS, Federal Reserve Board

and more....

Overview:
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- **IT asset and supply chain management**
- **Smart contracts**
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- **Federal personnel workforce data**
- **Appropriated funds**
- **Federal assistance and foreign aid delivery**

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- **Be better equipped to support acquisition decisions**
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- **State and local Government Executives, Managers and staff**
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Workshop for Government and Industry Partners
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Workshop for Government and Industry Partners

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From: Secretary Mnuchin
Sent: Mon, 21 May 2018 19:53:00 +0000
To: McIntosh, Brent
Cc: (b)(6)
Subject: Meeting with Brian Armstrong, Coinbase CEO and Founder

Treasury:
Secretary Mnuchin
Eli Miller
Brent McIntosh

Coinbase:
Brian Armstrong, CEO and Founder
Michael Lempres
Kara Campbell

POC: Kara Calvert
Email: (b)(6) @franklinsquaregroup.com

From: Jones, Shonneice
Sent: Fri, 27 Jul 2018 13:21:03 +0000
To: (b)(6)
Subject: RE: 15 Minutes

Perfect, thanks!

From: (b)(6) @treasury.gov [mailto:(b)(6) @treasury.gov]
Sent: Friday, July 27, 2018 9:14 AM
To: Jones, Shonneice
Subject: RE: 15 Minutes

Thanks! Mr. Gorfine should still be ok since I put him in WAVES for 9:30. Appreciate it!

(b)(6)

From: Jones, Shonneice [mailto:SJones@CFTC.gov]
Sent: Friday, July 27, 2018 9:12 AM
To: (b)(6) @treasury.gov>
Subject: RE: 15 Minutes

We will take it!

From: (b)(6) @treasury.gov [mailto:(b)(6) @treasury.gov]
Sent: Friday, July 27, 2018 9:02 AM
To: Jones, Shonneice
Subject: RE: 15 Minutes

Good morning Shonneice! The White House just confirmed a 9:30 meeting. Can the Chairman come over at 10:30 instead? Thanks!

(b)(6)

From: Jones, Shonneice [mailto:SJones@CFTC.gov]
Sent: Friday, July 27, 2018 8:53 AM
To: (b)(6) @treasury.gov>
Subject: RE: 15 Minutes

Hi (b)(6)

Thanks again for all of your help yesterday. I will have the Chairman there at 9:45!

Best,
Shonneice

From: (b)(6) @treasury.gov [mailto: (b)(6) @treasury.gov]
Sent: Thursday, July 26, 2018 3:42 PM
To: Jones, Shonneice
Subject: RE: 15 Minutes

Ok, all set. Thanks!

(b)(6)

From: Jones, Shonneice [mailto:SJones@CFTC.gov]
Sent: Thursday, July 26, 2018 3:40 PM
To: (b)(6) @treasury.gov>
Subject: RE: 15 Minutes

He has a PIV now!

-------- Original Message --------
From: (b)(6) s@treasury.gov
Date: Thu, July 26, 2018 3:39 PM -0400
To: "Jones, Shonneice" <SJones@CFTC.gov>
Subject: RE: 15 Minutes

Perfect! Does he need to be waved in? Thanks!

(b)(6)

From: Jones, Shonneice [mailto:SJones@CFTC.gov]
Sent: Thursday, July 26, 2018 3:39 PM
To: (b)(6) @treasury.gov>
Subject: RE: 15 Minutes

That works, thank you so much!!!!!

-------- Original Message --------
From: (b)(6) @treasury.gov
Date: Thu, July 26, 2018 3:36 PM -0400
To: "Jones, Shonneice" <SJones@CFTC.gov>
Subject: RE: 15 Minutes

Today does not work due to WH meetings. Let's aim for tomorrow at 9:45-10:00 here in the Secretary's office (room 3330). I will have to touch base with you in the morning as we are waiting for a WH meeting to land tentatively at 9:30, but we will not know until 8:30am. Does that work? Thanks!

(b)(6)

From: Jones, Shonneice [mailto:[redacted]
Sent: Thursday, July 26, 2018 3:32 PM
To: (b)(6) @treasury.gov>
Subject: RE: 15 Minutes

Sounds good...standing by

From: (b)(6) @treasury.gov [mailto:(b)(6) @treasury.gov]
Sent: Thursday, July 26, 2018 3:31 PM
To: Jones, Shonneice
Subject: RE: 15 Minutes

Checking with the Secretary now. Back to you in just a moment.

(b)(6)

From: Jones, Shonneice [mailto[redacted]
Sent: Thursday, July 26, 2018 3:24 PM
To: (b)(6) @treasury.gov>
Subject: RE: 15 Minutes

(b)(6)

The Chairman would prefer the meeting be face to face...he will be at the White House tomorrow for a lunch at 1pm...I can have him come early or stay later. If that doesn't work, would any other time work today?

Thanks,
Shonneice

From: (b)(6) @treasury.gov [mailto:(b)(6) @treasury.gov]
Sent: Thursday, July 26, 2018 3:21 PM
To: (b)(6)
Subject: RE: 15 Minutes

Hi Shonneice! The Secretary is currently not available for a meeting but could speak with the Chairman before his next meeting starts at 3:45. Would that work? Thanks!

(b)(6)
Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220
Tel: (b)(6)
Cell:
emai @treasury.gov

From: Jones, Shonneice [redacted]
Sent: Thursday, July 26, 2018 3:18 PM
To: (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>; (b)(6)
<(b)(6) @treasury.gov>
Subject: RE: 15 Minutes

Thanks Patricia –

Hi (b)(6) and (b)(6)

Any way we can fit this in today or tomorrow?

Thanks,
Shonneice

From: (b)(6) @treasury.gov [mailto:(b)(6) @treasury.gov]
Sent: Thursday, July 26, 2018 3:15 PM
To: Jones, Shonneice
Cc: (b)(6) @treasury.gov; (b)(6) @treasury.gov
Subject: RE: 15 Minutes

+(b)(6)

From: Jones, Shonneice [redacted]
Sent: Thursday, July 26, 2018 3:10 PM
To: (b)(6) @treasury.gov>
Subject: 15 Minutes
Importance: High

Hi (b)(6)

I hope all is well. I am hopeful you can help me to get Chairman Giancarlo 15 minutes with the Secretary Mnuchin. If he has availability today, I can have the Chairman over to you now. If not, can we set something up for tomorrow? The topic is cryptocurrency and (b)(6)

Please let me know if there is any way you can fit this in.

Best,

Shonneice Jones
Executive Assistant to Chairman, J. Christopher Giancarlo
Office of the Chairman
1155 21st Street NW
Washington, DC 20581
[redacted]@cftc.gov

From: Kara Calvert
Sent: Mon, 21 May 2018 18:43:12 -0400
To: (b)(6)
Subject: Re: Coinbase CEO - Secretary Mnuchin Meeting Request - May 22-23

Great. 2pm it is. Alesia's number is (b)(6). Thanks!!

Kara Calvert
Franklin Square Group
(b)(6)
(b)(6)@franklinsquaregroup.com

On May 21, 2018, at 4:02 PM, <(b)(6)@treasury.gov>
<(b)(6)@treasury.gov> wrote:

Hi Kara! We are keeping the meeting at 2:00 as planned. It is fine for Ms. Haas to join via phone. Please provide me with the best number to reach her and I will connect her once the meeting is starting. Thanks much!

(b)(6)

From: Kara Calvert [mailto:(b)(6)@franklinsquaregroup.com]
Sent: Monday, May 21, 2018 1:38 PM
To: (b)(6)@treasury.gov>
Subject: Re: Coinbase CEO - Secretary Mnuchin Meeting Request - May 22-23

Here you go (b)(6). Also, are we on for 1:30 or 2? Many, many thanks!!

Brian Armstrong, CEO and Co-Founder, Coinbase

Brian Armstrong is the Chief Executive Officer and Co-founder of Coinbase, the world's leading digital currency exchange. As CEO, Mr. Armstrong is responsible for Coinbase's retail and institutional arms and all products and services that are developed by both trading platforms. Mr. Armstrong co-founded Coinbase in June 2012, and since then, has been responsible for introducing much of America and beyond to cryptocurrency. Mr. Armstrong has led the team, now at over 200 employees, through over $200M in funding from leading investors such as Andreessen Horowitz, IVP, USV, DFJ and NYSE. Since co-founding the company, Mr. Armstrong has led Coinbase to serve over 10M customers across 32 countries, providing custody for more than $10B in digital assets. Mr. Armstrong was listed as Fortune 40 under 40 and Recode 100 in 2017.

Before founding Coinbase, Mr. Armstrong worked as a Software Engineer at Airbnb from 2011-2012 as part of the hospitality marketplace, focusing on fraud prevention. At the time, Airbnb was moving money between 190 countries, and Mr. Armstrong had a front row seat into global payment systems.

Previously, he worked as a Developer for IBM and Consultant at Deloitte.

Mr. Armstrong holds three degrees from Rice University: Bachelor's of Computer Science, Bachelor's of Economics, and a Master's of Computer Science.

Mike Lempres, Chief Legal & Compliance Officer, Coinbase

Mike is Chief Legal & Compliance Officer at Coinbase, the nation's leading digital currency company. Coinbase provides exchange and wallet services to enable consumers and investors to access digital currencies such as bitcoin, litecoin and Ethereum. Mike leads the legal, compliance, risk, corporate secretary and government affairs teams. In that capacity, he works to ensure that Coinbase is able to grow while meeting all its legal and regulatory obligations in the U.S. and around the world.

Mike serves on the City Council of Atherton, California. He was elected in 2014 and served as Mayor in 2016-2017. Atherton is a residential community in the heart of Silicon Valley. The Mayor and Council oversee the town's government, including the Police Department and other city functions.
Mike has worked extensively in both the public and private sectors. He has been appointed by three Presidential administrations to senior government positions and has worked closely on a daily basis with two Attorneys General. He was selected as a White House Fellow, and has served as a Deputy Associate Attorney General and Executive Commissioner of the Immigration and Naturalization Service. He also served as Vice President of the U.S. Overseas Private Investment Corporation, an independent agency intended to encourage U.S. investment and economic growth in developing nations.

Mike graduated from Dartmouth College and the Boalt Hall School of Law at the University of California, Berkeley.

Kara Calvert, Partner, Franklin Square Group

Kara Calvert is a partner at the Franklin Square Group, working on behalf of a wide range of technology companies to advocate on innovation issues in both Congress and the Administration. In her role at Franklin Square Group, Kara focuses on financial services, emerging technologies, healthcare and government contracting issues.

Prior to joining the Franklin Square Group, Kara worked at the Information Technology Industry Council and in the United States Senate.

Kara Calvert
Franklin Square Group
(b)(6)
(b)(6) @franklinsquaregroup.com

On May 21, 2018, at 11:53 AM, <(b)(6) @treasury.gov>
<(b)(6) @treasury.gov> wrote:

Hi Kara! Might you provide me the titles for the others that will join the meeting? Also if possible to send their bios to me. Thank you!

(b)(6)

From: Kara Calvert [mailto:(b)(6) @franklinsquaregroup.com]
Sent: Friday, May 18, 2018 10:52 AM
To: (b)(6) @treasury.gov>
Subject: Re: Coinbase CEO - Secretary Mnuchin Meeting Request - May 22-23

HI (b)(6),

Attached is the WAVES form for the Coinbase meeting on Tuesday, May 22 at 2pm with Secretary Mnuchin. Also, one of the attendees, Alesia Haas (Coinbase CFO), will now be stuck in CA, but she would like to join the meeting. Apparently Ms. Haas has a personal friendship with Secretary Mnuchin, as she was the CFO for OneWest. Would it be possible to have a conference phone available during the meeting? Thank you for considering. Please let me know if you need anything else in preparation for the meeting.

Most sincere thanks,

Kara Calvert
Franklin Square Group
(b)(6) @franklinsquaregroup.com
(b)(6)

From: (b)(6)
Sent: Sat, 19 May 2018 14:45:30 -0400
To: (b)(6)
Subject: Re: Coinbase Mtg

Leave for now bc we have to talk to (b)(6) Secretary Mnuchin
It's not until tue right?

From: (b)(6) @treasury.gov>
Date: May 19, 2018 at 2:35:02 PM EDT
To: (b)(6) @treasury.gov>
Subject: Coinbase Mtg

Are we shifting the time of this meeting so that Craig can attend?

From: Miller, Eli
Sent: Mon, 11 Dec 2017 09:15:24 -0500
To: (b)(6)
Cc:
Subject: Re: Cryptocurrency Meeting Manifest

Ok

From: (b)(6) @treasury.gov>
Date: December 11, 2017 at 9:12:56 AM EST
To: Miller, Eli <Eli.Miller@treasury.gov>
Cc: (b)(6) @treasury.gov>
Subject: Cryptocurrency Meeting Manifest

Eli, is this good to go or are there others to be included? We will do one session tomorrow and another on Wednesday.

Eli Miller
Chris Campbell
Craig Phillips
Jess Renier
Brian Peretti
Sigal Mandelker

From: Campbell, Christopher
Sent: Tue, 21 Nov 2017 08:25:19 -0500
To: Wood, Alden;Miller, Eli;Phillips, Craig
Cc: (b)(6)
Subject: Re: Cryptocurrency

(b)(6) told me yesterday the 12th at 2 pm.

Chris Campbell
Assistant Secretary for Financial Institutions
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220
[redacted]
E: chris.campbell@treasury.gov

From: Miller, Eli <Eli.Miller@treasury.gov>
Date: November 21, 2017 at 7:51:40 AM EST
To: Phillips, Craig <Craig.Phillips@treasury.gov>, Wood, Alden <Alden.Wood@treasury.gov>
Cc: Campbell, Christopher <Christopher.Campbell@treasury.gov>, (b)(6)
<(b)(6) @treasury.gov>
Subject: Re: Cryptocurrency

(b)(6) will advise -

Eli H. Miller | [redacted] | Eli.Miller@treasury.gov
U.S. Department of the Treasury | Chief of Staff
1500 Pennsylvania Ave., NW, Washington, D.C. 20220

From: Phillips, Craig <Craig.Phillips@treasury.gov>
Date: November 21, 2017 at 7:50:53 AM EST
To: Miller, Eli <Eli.Miller@treasury.gov>, Wood, Alden <Alden.Wood@treasury.gov>
Cc: Campbell, Christopher <Christopher.Campbell@treasury.gov>
Subject: Cryptocurrency

We are preparing for this meeting. We had an initial meeting with Sigal
Can you confirm the time/date so we can tell everyone. It is a lot of work
Thanks

Craig

From: (b)(6)
Sent: Thu, 17 May 2018 15:17:10 -0400
To: (b)(6)
Subject: RE: DIP Room

Yep. That works great. Thanks.

From: (b)(6) @treasury.gov>
Date: May 17, 2018 at 3:16:36 PM EDT
To: (b)(6) @treasury.gov>
Subject: RE: DIP Room

So, I can have (b)(6) reach out to you to try and schedule another room and then you can have the large for Craig from 9:00-1:00. That sound right?

(b)(6)

From: (b)(6)
Sent: Thursday, May 17, 2018 3:09 PM
To: (b)(6) @treasury.gov>
Subject: RE: DIP Room

They are different meetings. (b)(6) had asked me as well and I had put her in the West Gable. I was able to accommodate both of (b)(6) meetings in the west gable, so it would be helpful to find another location for this, if possible.

From: (b)(6) @treasury.gov>
Date: May 17, 2018 at 3:02:44 PM EDT
To: (b)(6) @treasury.gov>
Subject: RE: DIP Room

I have also had (b)(6) and (b)(6) as for the room from 10:00-11:30 that day for Chris Campbell/Ken Phelan. Would this happen to be the same meeting hosted by DF?

(b)(6)

From: (b)(6)
Sent: Thursday, May 17, 2018 2:57 PM

To: (b)(6) @treasury.gov>
Subject: FW: DIP Room

(b)(6) –

Would the LCR be available on 4/23 from 9am-1pm for a Crypto Currency Meeting?

(b)(6)

Office of Conference, Event and Meeting Services
Department of the Treasury
p: (b)(6)

From: Renier, Jessica
Sent: Thursday, May 17, 2018 2:56 PM
To: (b)(6) @treasury.gov>; (b)(6)
(b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>
Subject: RE: DIP Room

I'm uncertain if Craig will make it to all of the meetings we're setting up back-to-back, but the meetings are for the WG that he chairs for DF, yes.

Can you let me know the availability of any large rooms for that time period? The LCR would be great.

Jessica J. Renier
Senior Advisor | Domestic Finance
U.S. Department of the Treasury
(o) [redacted]
(m) (b)(6)

From: (b)(6)
Sent: Thursday, May 17, 2018 2:52 PM
To: Renier, Jessica <Jessica.Renier@treasury.gov>; (b)(6)
(b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>
Subject: RE: DIP Room

Jessica-

The Dip Room is blocked most of the day on the 23rd. Will Craig be hosting? If so, I can check the availability of the LCR.

(b)(6)

Office of Conference, Event and Meeting Services
Department of the Treasury
p: (b)(6)

From: Renier, Jessica
Sent: Thursday, May 17, 2018 2:51 PM
To: (b)(6) @treasury.gov>; (b)(6)
(b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>
Subject: DIP Room

Hi (b)(6) –
Can we please reserve the DIP Room on Wednesday, May 23rd from 9am-1pm for FSOC Cryptocurrency Workstream Meetings?
Thanks,
Jess

Jessica J. Renier
Senior Advisor | Domestic Finance
U.S. Department of the Treasury
(o) [redacted]
(m) (b)(6)

From: Janczewski Christopher M
Sent: Thu, 13 Aug 2020 01:09:28 +0000
To: (b)(6)
Subject: Accepted: Cryptocurrency Terrorism Initiative Briefing with IRS Commissioner Chuck Rettig, et al

This message was sent securely using Zix®

This message was secured by Zix®.

From: Secretary
Sent: Mon, 6 Jul 2020 13:09:38 +0000
To: Blanco, Kenneth A.;Muzinich, Justin;Callanan, Brian
Cc: (b)(6) ;(b)(6) ;(b)(6) ;(b)(6)
(b) (b)(6) ;(b)(6) ;(b)(6)
Subject: Conference Call with FinCEN Director Ken Blanco, et al

TOPIC: Cryptocurrency

Dial-In: [redacted]
Toll Free: (b)(6)
Participant's Code: (b)(6)

Manifest:
Justin Muzinich
Brian Callanan

FinCEN:
Ken Blanco

From: (b)(6)
Sent: Thu, 27 Feb 2020 21:37:32 +0000
To: (b)(6) @treasury.gov)
Subject: Crypto Currency Meeting Manifest

Treasury:
Secretary Steven Mnuchin
D/S Justin Muzinich
U/S Brent McIntosh
GC Brian Callanan
Joe Clark
(b)(6)
Baylor Myers

Kenneth Blanco (FINCEN)
Michael Mosier (FINCEN)
(b)(6) FINCEN)
David Bowdich (FBI)
(b)(6); (b)(7)(C) (FBI)

External Attendees:
Meyer Malka, Ribbit Capital
Joey Garcia, Isolas
Jack Dorsey, Twitter
Jerry Brito, Coin Center
Brian Armstrong, Coinbase
Jeff Horowitz, Coinbase
Anthony Noto, SoFi
Alan Cohn, Blockchain Alliance
Steve Ryan, CipherTrace
Peter Briger, Fortress Investment Group
Michael Gronager, Chainalysis
Wences Casares, Xapo
Martin Kopacz, Xapo
Abigail Johnson, Fidelity Investments
Tom Robinson, Elliptic
Jeffrey Yass, Susquehanna International Group

From: Secretary
Sent: Wed, 26 Feb 2020 22:36:13 +0000
To: Muzinich, Justin;McIntosh, Brent;Callanan, Brian;Clark, Joseph;(b)(6);(b)(6);Myers, Baylor;Blanco, Kenneth A.;O'Connor, Kevin J.;Mosier, Michael G.
Cc: es_specials;(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6);(b)(6)
Subject: Crypto Currency Meeting

Treasury:

Secretary Steven Mnuchin
D/S Justin Muzinich
U/S Brent McIntosh
GC Brian Callanan
Joe Clark
(b)(6)
Baylor Myers
Kenneth Blanco (FINCEN)
Michael Mosier (FINCEN)
(b)(6) (FINCEN)

External Attendees:

Meyer Malka, Ribbit Capital
Joey Garcia, Isolas
Jack Dorsey, Twitter
Jerry Brito, Coin Center
Brian Armstrong, Coinbase
Jeff Horowitz, Coinbase
Anthony Noto, SoFi
Alan Cohn, Blockchain Alliance
Steve Ryan, CipherTrace
Peter Briger, Fortress Investment Group
Michael Gronager, Chainalysis
Wences Casares, Xapo
Martin Kopacz, Xapo
Abigail Johnson, Fidelity Investments
Tom Robinson, Elliptic
Jeffrey Yass, Susquehanna International Group

From: Secretary Mnuchin
Sent: Fri, 17 Jul 2020 13:44:44 +0000
To: Muzinich, Justin;McIntosh, Brent;Callanan, Brian;Blanco, Kenneth A.
Cc: (b)(6) ;(b)(6) ;(b)(6) ;(b)(6) ;(b)(6) ;(b)(6) ;(b)(6) ;(b)(6) ;(b)(6)
Subject: Follow-Up Phone Call with FinCEN Director Ken Blanco

TOPIC: Cryptocurrency

Dial-In: [redacted]
Toll Free: (b)(6)
Participant's Code: (b)(6)

Manifest:
Justin Muzinich
Brian Callanan
Brent McIntosh

FinCEN:
Ken Blanco

From: (b)(6)
Sent: Tue, 3 Mar 2020 17:09:02 +0000
To: Steven Mnuchin
Cc: (b)(6) ;Myers, Baylor
Subject: FW: CipherTrace | Cryptocurrency Meeting at Treasury Department | March 2, 2020
Attachments: CipherTrace Info - DOT - March 2020 .pdf

From: Steve Ryan [redacted]@ciphertrace.com>
Sent: Tuesday, March 3, 2020 11:53 AM
To: (b)(6) @treasury.gov>
Cc: Steve Ryan <steve@ciphertrace.com>
Subject: CipherTrace | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

(b)(6)

Thank you for coordinating the meeting yesterday.

I wanted to provide some additional information to the Secretary and his staff. The attached short presentation describes how cryptocurrency attribution is achieved and the key blockchain analytic companies - their core product features and their attribution coverage.

Please feel free to share broadly. Also, please have anyone contact me directly if they need clarification or more information.

Thanks.

Stephen Ryan
COO & co-founder
CipherTrace, Inc

(b)(6)

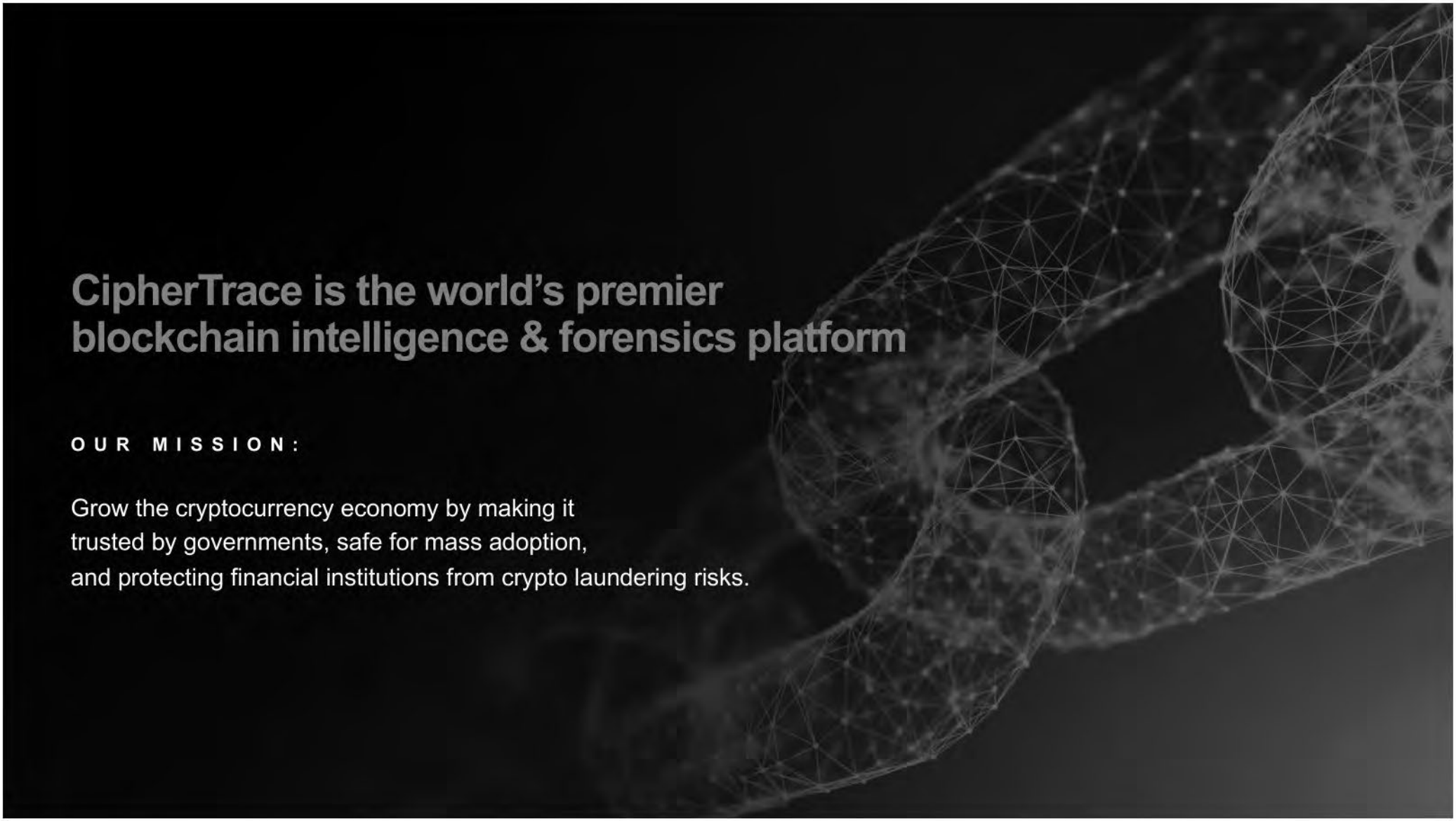
CIPHERTRACE

Analytics, Intelligence and Fraud Protection for Cryptocurrencies

March 2020 | Stephen Ryan

A United States company, with 100% of all software development performed in the United States

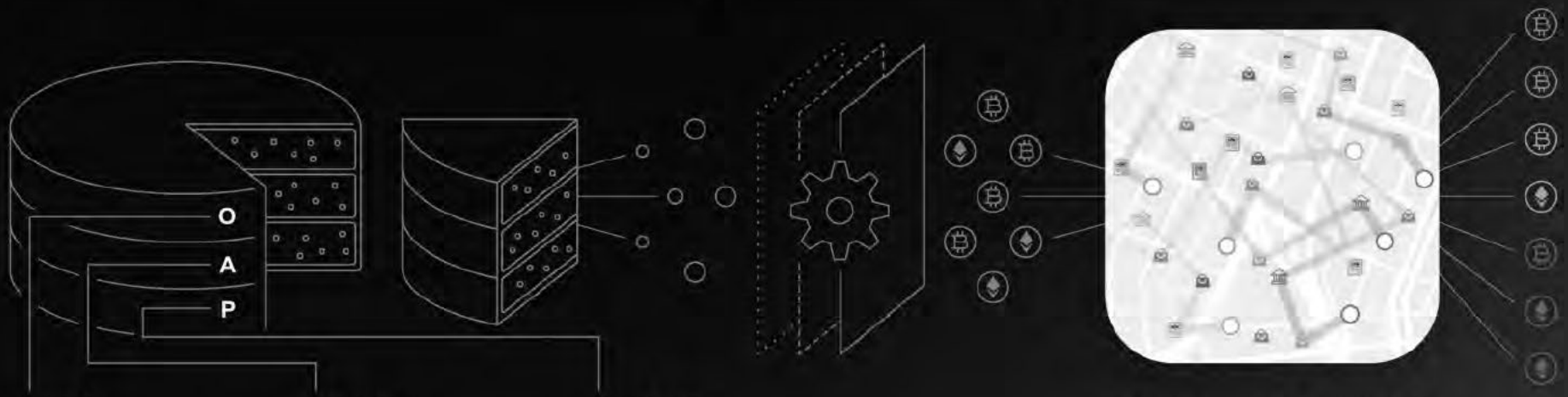
Menlo Park, CA


CipherTrace is the world's premier
blockchain intelligence & forensics platform
OUR MISSION:
Grow the cryptocurrency economy by making it
trusted by governments, safe for mass adoption,
and protecting financial institutions from crypto laundering risks.

OUR PRODUCT

The World's Best Cryptocurrency Intelligence

ATTRIBUTION → **PROPRIETARY CLUSTERING ALGORITHMS** → **CRYPTOCURRENCY INTELLIGENCE**



OPEN

Active Live Accounts
Dark Market / Deep Web
Full Blockchain Nodes

ACTIVE

Hunting and Targeting
Malware Analysis
[redacted]

PRIVATE

Verified User Feedback
Private Threat Intelligence
APWG eCrime Exchange
Stolen Cryptocurrencies
Fraudulent ICOs

1.5 – 2 million new attributions per week

- Criminal
- Dark Market
- Terrorist
- Ransomware
- Stolen Token
- Fraudulent ICO
- Gambling
- Mixer
- ATM
- Exchange

Risk-Scored Tokes and Transactions

800 CRYPTOCURRENCIES AND GROWING

CipherTrace Architecture Enables the Most Chains & Currencies



- Bitcoin and Alt Coins
- Stable Coins
- Central Bank Coins

COMPETITIVE LANDSCAPE

How CipherTrace Leads the Competition

	CIPHERTRACE	CHAINALYSIS	ELLIPTIC	All Others
INVESTIGATION & AML	✓	✓	✓	✓
ATTRIBUTION ACCURACY & COVERAGE	93%	87%	80%	52%
FINCEN & FATF COMPLIANCE	✓	✗	✗	✗
CRIMINAL NETWORK INFILTRATION	✓	✗	✗	✗
BANK RISK INTELLIGENCE	✓	✗	✓	✗
REGULATORY AGENCY CUSTOMERS	✓	✓	✗	✗
REALTIME MULTI-CHAIN ARCHITECTURE	✓	✓	✓	✗
SOFTWARE DEVELOPMENT LOCATION	USA	EUROPE	UK	VARIOUS COUNTRIES

CIPHERTRACE



Questions?

[redacted]

A United States company, with 100% of all software development performed in the United States

Menlo Park, CA

From: (b)(6)
Sent: Wed, 15 Jul 2020 18:54:44 -0400
To: (b)(6)
Subject: FW: FinCEN cryptocurrency call with STM next week

Fine mon am

From: (b)(6) @fincen.gov>
Sent: Wednesday, July 15, 2020 4:59 PM
To: (b)(6) @treasury.gov>; (b)(6)
<(b)(6) @treasury.gov>
Cc: (b)(6) @fincen.gov>; (b)(6)
(b)(6) @fincen.gov>
Subject: FinCEN cryptocurrency call with STM next week

Hi (b)(and (b)(6),

Ken, FinCEN Director, would like to follow up with the Secretary on the cryptocurrency call they had last week. Does the Secretary have availability for a 15 minute call next Monday or Tuesday?

I hope you are both doing well and that you have a good evening.

Thank you!

(b)(6)
Financial Crimes Enforcement Network (FinCEN)
U.S. Department of the Treasury
Office: 202.354.(b)(6) | Mobile: (b)(6)
(b)(6) @fincen.gov

From: Myers, Baylor
Sent: Mon, 20 Jul 2020 17:01:26 -0400
To: (b)(6) ;(b)(6)
Subject: FW: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

This item is handled.

From: Steve Ryan <[redacted]@ciphertrace.com>
Sent: Friday, July 17, 2020 9:40 AM
To: Mnuchin, Steven <Steven.Mnuchin@treasury.gov>
Cc: (b)(6) @treasury.gov>;(b)(6)
<(b)(6) @treasury.gov>; Myers, Baylor <Baylor.Myers@treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Secretary Mnuchin;

I am one of the founders of CipherTrace, a US based cryptocurrency analytics firm headquartered in Menlo Park, CA. I attended the March 2, 2020 meeting where we discussed Cryptocurrency at the Treasury Department.

I wanted to see if we can schedule a short briefing to discuss CipherTrace's observations regarding the linkage between Cryptocurrency and the US Financial Systems (e.g. FIAT connections).

We are actively working with some of the largest banks in the world to help them identify cryptocurrency exposure to their credit cards, debit cards, ACH, WIRE's, and SWIFT transactions. We are seeing some very interesting trends thru our crypto/FIAT analytics.

I think this information can provide some great insights to the US Treasury related to cryptocurrency connections to FIAT. Thanks and I look for to our discussion.

Stephen Ryan
[redacted]
mobile (b)(6)
time zone: EDT (GMT-4)

From: "Steven.Mnuchin@treasury.gov" <Steven.Mnuchin@treasury.gov>
Date: Wednesday, February 19, 2020 at 11:54 AM
To: Steve Ryan [redacted]@ciphertrace.com>
Cc: "(b)(6) @treasury.gov" <(b)(6) @treasury.gov>,
"(b)(6) @treasury.gov" <(b)(6) @treasury.gov>,
[redacted]
Subject: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020
Resent-From: Proofpoint Essentials <do-not-reply@proofpointessentials.com>
Resent-To: Steve Ryan [redacted]@ciphertrace.com>
Resent-Date: Wednesday, February 19, 2020 at 11:47 AM

Dear Mr. Ryan,

Please see attached for your personal invitation to attend a meeting at the U.S. Department of the Treasury regarding cryptocurrency on Monday, March 2, 2020.

I hope you are able to attend,

Steven T. Mnuchin
Secretary of the Treasury

From: (b)(6)
Sent: Mon, 21 Dec 2020 17:15:07 -0500
To: (b)(6)
Subject: Fwd: meeting request

From: (b)(6) Secretary @treasury.gov>
Date: December 21, 2020 at 5:12:46 PM EST
To: (b)(6) @treasury.gov>
Subject: Re: meeting request

Yes for Justin

From: (b)(6) @treasury.gov>
Date: December 21, 2020 at 1:05:34 PM PST
To: Secretary Mnuchin @treasury.gov>
Subject: Fwd: meeting request

Sir - please see below. Would you like to have Justin do this call?

From: (b)(6) @treasury.gov>
Date: December 21, 2020 at 3:58:34 PM EST
To: (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>, Muzinich, Justin <Justin.Muzinich@treasury.gov>
Subject: RE: meeting request

(b)(5)

DELIBERATIVE

From: (b)(6) @treasury.gov>
Sent: Monday, December 21, 2020 2:55 PM
To: (b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>; Muzinich, Justin <Justin.Muzinich@treasury.gov>
Subject: Fwd: meeting request

Didn't Justin speak to them?
Do you know why this might be coming back up to stm

From: Kristin Smith <[redacted]@theblockchainassociation.org>
Date: December 21, 2020 at 2:42:19 PM EST
To: (b)(6) @treasury.gov>, (b)(6)
<(b)(6) @treasury.gov>
Cc: AnnMarie Brockhouse <[redacted]@theblockchainassociation.org>
Subject: Re: meeting request

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi (b)(6) and (b)(

I'm re-upping this request in light of the NRPM that was released on Friday. Would it be possible to get a phone meeting scheduled with the Secretary and some of our association member companies? Thanks for the consideration of this request.

Kristin

On Tue, Nov 17, 2020 at 2:00 PM Kristin Smith [redacted]@theblockchainassociation.org> wrote:
Hi (b)(6) and (b)(6)

I'd like to request a meeting with Sec. Mnuchin to discuss an issue related to cryptocurrency policy: self-hosted wallets. Today, the Blockchain Association published a report on the importance of self-hosted wallets (see summary). We'd like to convene a small group of crypto industry executives to brief him on this new report. Please let me know what information you need from me in order to make a formal request.

Thanks in advance for your help!

Kristin

--
Kristin Smith
Executive Director

Blockchain Association
(b)(6)

--
Kristin Smith
Executive Director
Blockchain Association
(b)(6)

From: Taylor Tanya
Sent: Wed, 12 Aug 2020 16:47:46 +0000
To: (b)(6)
Cc: Taylor, Tanya;Haines Michelle C;Moffitt, Janet
Subject: Manifest Update: Cryptocurrency Terrorism Initiative -- Friday, Aug 14

Good Afternoon (b)(6)

Would you please also add Mike Desmond (b)(6) @irscounsel.treas.gov and Jeff Tribiano (b)(6) @irs.gov to the manifest.

Thank you.

From: Taylor Tanya <Tanya.Taylor@irs.gov>
Sent: Wednesday, August 12, 2020 12:09 PM
To: (b)(6) @treasury.gov
Cc: Haines Michelle C <(b)(6) @irs.gov>; Taylor Tanya <(b)(6) @irs.gov>; Colbert Amalia C <(b)(6) @irs.gov>; Moffitt Janet S <(b)(6) @irs.gov>
Subject: Cryptocurrency Terrorism Initiative -- Friday, Aug 14

Good Afternoon (b)(6)

We would like to go with 1pm on Friday, August 14.

Manifest:
Commissioner Rettig (b)(6) @irs.gov
Sunita Lough (b)(6) @irs.gov
Michell Haines (b)(6) @irs.gov
Cullinan Thomas A (b)(6) @irscounsel.treas.gov
Don Fort (b)(6) @ci.irs.gov
James Lee (b)(6) @ci.irs.gov

Thank you.

From: (b)(6) @treasury.gov <(b)(6) @treasury.gov>
Sent: Tuesday, August 11, 2020 4:25 PM
To: Taylor Tanya <(b)(6) @irs.gov>
Cc: Haines Michelle C <(b)(6) @irs.gov>; Taylor Tanya <(b)(6) @irs.gov>; Colbert Amalia C <(b)(6) @irs.gov>
Subject: RE: Cryptocurrency Terrorism Initiative

Hi Tanya! We can proceed in scheduling this as a conference call. Currently the Secretary can make between 3:30-5:30 on Thursday work or Friday between 1:00-3:00. Let me know what works on your end. Thanks much!

(b)(6)

From: Taylor Tanya <(b)(6)@irs.gov>
Sent: Tuesday, August 11, 2020 1:02 PM
To: (b)(6)@treasury.gov>
Cc: Haines Michelle C <(b)(6)@irs.gov>; Taylor, Tanya <(b)(6)@irs.gov>; Colbert, Amalia <(b)(6)@irs.gov>
Subject: Cryptocurrency Terrorism Initiative

Good Afternoon (b)(6),

STM has requested a briefing on IRS Criminal Investigation's action regarding a recent cryptocurrency terrorism initiative. We understand that he would like to meet this week.

Does STM has any availability on Thursday or Friday? If so, is it possible to have this as a conference call in lieu of a face to face meeting?

Thank you.

Tanya Taylor
Staff Assistant to the Commissioner (IRS)
1111 Constitution Ave, NW
Washington, DC
[redacted]
(b)(6) (BlackBerry)

From: (b)(6)
Sent: Wed, 19 Feb 2020 14:15:12 -0300
To: (b)(6)
Subject: Mr Casares: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

Caution: The sender of this message is external to the Treasury network. Please use care when clicking on links, downloading attachments, and responding with sensitive information. Send suspicious email to suspect@gsoc.treas.gov, or report using "Report Suspicious Email" button in Outlook.

Dear (b)(6)

Nice meeting you over email. I am (b)(6).
I would like to confirm his participation in the Cryptocurrency Meeting that will take place at the Treasury Department on March 2nd.

Please let me know if there is any other information that you need from us.
Looking forward to hearing from you

Regards

(b)(6)
[redacted]@xapo.com
xapo.com

From: (b)(6)
Sent: Wed, 21 Oct 2020 18:15:06 +0000
To: (b)(6)
Subject: RE:

Yes, that is the Crypto Update on the schedule tomorrow at 9:30.

(b)(6)

From: (b)(6) @treasury.gov>
Sent: Wednesday, October 21, 2020 2:11 PM
To: (b)(6) @treasury.gov>
Subject: Fwd:

Is this already arranged? Can we add if not?

From: Muzinich, Justin <Justin.Muzinich@treasury.gov>
Date: October 21, 2020 at 3:52:10 PM GMT+1
To: (b)(6) @treasury.gov>
Subject: Fwd:

FYI

From: Muzinich, Justin <Justin.Muzinich@treasury.gov>
Date: October 21, 2020 at 10:51:55 AM EDT
To: Secretary Mnuchin @treasury.gov>
Subject: Re:

Arranged

From: Secretary Mnuchin @treasury.gov>
Date: October 21, 2020 at 9:25:11 AM EDT
To: Muzinich, Justin <Justin.Muzinich@treasury.gov>
Subject: Re:

Lets review tomorrow

From: Muzinich, Justin <Justin.Muzinich@treasury.gov>
Date: October 21, 2020 at 8:43:27 AM EDT
To: Secretary Mnuchin @treasury.gov>
Subject: (No subject)

Fysa

From: Muzinich, Justin <Justin.Muzinich@treasury.gov>
Date: October 21, 2020 at 8:42:27 AM EDT
To: Callanan, Brian <Brian.Callanan@treasury.gov>, Blanco, Kenneth A. <Kenneth.Blanco2@fincen.gov>
Cc: McIntosh, Brent <Brent.McIntosh@treasury.gov>
Subject: Fwd: PayPal to allow cryptocurrency buying, selling and shopping on its network

Fysa. (b)(5)

PayPal to allow cryptocurrency buying, selling and shopping on its network
By Anna Irrera

3 MIN READ

LONDON (Reuters) - PayPal Holdings Inc PYPL.O joined the cryptocurrency market on Wednesday, allowing customers to buy, sell and hold bitcoin and other virtual coins using the U.S. digital payments company's online wallets.

PayPal customers will also be able to use cryptocurrencies to shop at the 26 million merchants on its network starting in early 2021, the company said in a statement.

PayPal hopes the service will encourage global use of virtual coins and prepare its network for new digital currencies that may be developed by central banks and corporations, President and Chief Executive Dan Schulman said in an interview.

"We are working with central banks and thinking of all forms of digital currencies and how PayPal can play a role," he said.

U.S. account holders will be able to buy, sell and hold cryptocurrencies in their PayPal wallets over the coming weeks, the company said. It plans to expand to Venmo and some countries in the first half of 2021.

Other mainstream fintech companies, such as mobile payments provider Square Inc SQ.N and stock trading app firm Robinhood Markets Inc, allow users to buy and sell cryptocurrencies, but PayPal's launch is noteworthy given its vast reach.

The company, based in San Jose, California, has 346 million active accounts around the world and processed $222 billion in payments in the second quarter.

Cryptocurrencies tend to be volatile, making them attractive to speculators, but a lot less appealing to merchants and shoppers. Transactions have been slower and more costly than other mainstream payment systems.

Cryptocurrency payments on PayPal will be settled using fiat currencies, such as the U.S. dollar, meaning merchants will not receive payments in virtual coins, the company said.

Many central banks around the world have expressed their intention to develop digital versions of their currencies in the coming years, while Facebook Inc FB.O-led the creation of a cryptocurrency project called Libra in 2019. PayPal was a founding member but dropped out after a few months.

PayPal, which has secured the first conditional cryptocurrency license from the New York State Department of Financial Services, will initially allow purchases of bitcoin and other cryptocurrencies called ethereum, bitcoin cash and litecoin, it said. It partners with Paxos Trust Company to offer the service.

Reporting by Anna Irrera; Editing by Richard Chang

Our Standards: The Thomson Reuters Trust Principles.

From: (b)(6)
Sent: Tue, 3 Mar 2020 17:08:41 +0000
To: 'Steve Ryan'
Subject: RE: CipherTrace | Cryptocurrency Meeting at Treasury Department | March 2, 2020

Received and will do. Thanks very much!

(b)(6)
Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220
Tel: (b)(6)
Cell:
email @treasury.gov

From: Steve Ryan [redacted]@ciphertrace.com>
Sent: Tuesday, March 3, 2020 11:53 AM
To: (b)(6) @treasury.gov>
Cc: Steve Ryan [redacted]@ciphertrace.com>
Subject: CipherTrace | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

(b)(6),

Thank you for coordinating the meeting yesterday.

I wanted to provide some additional information to the Secretary and his staff. The attached short presentation describes how cryptocurrency attribution is achieved and the key blockchain analytic companies - their core product features and their attribution coverage.

Please feel free to share broadly. Also, please have anyone contact me directly if they need clarification or more information.

Thanks.

Stephen Ryan
COO & co-founder
CipherTrace, Inc
(b)(6)

From: Dwyer, David
Sent: Wed, 26 Feb 2020 18:11:39 -0500
To: Myers, Baylor; (b)(6) ; (b)(6)
Cc: (b)(6) ; Eilts, Andrew
Subject: RE: Crypto Currency Meeting

Got it.

From: Myers, Baylor <Baylor.Myers@treasury.gov>
Date: February 26, 2020 at 6:08:08 PM EST
To: (b)(6) @treasury.gov>, (b)(6)
<(b)(6) @treasury.gov>
Cc: (b)(6) @treasury.gov>, Dwyer, David
<David.Dwyer@treasury.gov>, Eilts, Andrew <Andrew.Eilts@treasury.gov>
Subject: RE: Crypto Currency Meeting

Please research bios. Nothing else at this time. Thanks.

J. Baylor Myers | o: [redacted] | c: (b)(6)
Deputy Chief of Staff | U.S. Department of the Treasury
1500 Pennsylvania Ave., NW, Washington, D.C. 20220

From: (b)(6) @treasury.gov>
Sent: Wednesday, February 26, 2020 6:05 PM
To: (b)(6) @treasury.gov>; Myers, Baylor <Baylor.Myers@treasury.gov>
Subject: RE: Crypto Currency Meeting

+ Baylor

From: (b)(6) @treasury.gov>
Sent: Wednesday, February 26, 2020 5:59 PM
To: (b)(6) @treasury.gov>
Subject: RE: Crypto Currency Meeting

Hi (b)(6) !

Do you have more info about this/bios for external attendees?

Thank you,
(b)(6)
-----Original Appointment-----
From: Secretary Mnuchin @treasury.gov>
Sent: Wednesday, February 26, 2020 5:36 PM

To: Muzinich, Justin; McIntosh, Brent; Callanan, Brian; Clark, Joseph; (b)(6); Myers, Baylor; Blanco, Kenneth A.; (b)(6); Mosier, Michael G.
Cc: es_specials; (b)(6); (b)(6); (b)(6); (b)(6); (b)(6); (b)(6); (b)(6); (b)(6); (b)(6); (b)(6); (b)(6); (b)(6); (b)(6); (b)(6)
Subject: Crypto Currency Meeting
When: Monday, March 2, 2020 11:00 AM-12:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Secretary's Large Conference Room (3327)

Treasury:

Secretary Steven Mnuchin
D/S Justin Muzinich
U/S Brent McIntosh
GC Brian Callanan
Joe Clark
(b)(6)
Baylor Myers
Kenneth Blanco (FINCEN)
Michael Mosier (FINCEN)
(b)(6) (FINCEN)

External Attendees:

Meyer Malka, Ribbit Capital
Joey Garcia, Isolas
Jack Dorsey, Twitter
Jerry Brito, Coin Center
Brian Armstrong, Coinbase
Jeff Horowitz, Coinbase
Anthony Noto, SoFi
Alan Cohn, Blockchain Alliance
Steve Ryan, CipherTrace
Peter Briger, Fortress Investment Group
Michael Gronager, Chainalysis
Wences Casares, Xapo
Martin Kopacz, Xapo
Abigail Johnson, Fidelity Investments
Tom Robinson, Elliptic
Jeffrey Yass, Susquehanna International Group

From: (b)(6)
Sent: Tue, 25 Feb 2020 13:24:13 +0000
To: Myers, Baylor; (b)(6)
Subject: RE: Crypto Meeting

Thanks!

From: Myers, Baylor <Baylor.Myers@treasury.gov>
Sent: Tuesday, February 25, 2020 8:12 AM
To: (b)(6) @treasury.gov>; (b)(6)
<(b)(6) @treasury.gov>
Subject: Re: Crypto Meeting

Just sent. I have one additional invitation to send out, you will be copied.

From: (b)(6) @treasury.gov>
Date: February 25, 2020 at 7:16:32 AM EST
To: Myers, Baylor <Baylor.Myers@treasury.gov>, (b)(6)
<(b)(6) @treasury.gov>
Subject: Crypto Meeting

What is the Treasury manifest for the meeting on Monday? Would like to submit to have tent cards made up. I have the below confirmed to attend. WAVES have been submitted by all except for those highlighted and I will ping them again. Thanks!

Attending:
Meyer Malka, Ribbit Capital
Joey Garcia, Isolas
Jack Dorsey, Twitter
Jerry Brito, Coin Center
Brian Armstrong, Coinbase
Jeff Horowitz, Coinbase
Anthony Noto, SoFi
Alan Cohn, Blockchain Alliance (Jason Weinstein)
Steve Ryan, CipherTrace
Peter Briger, Fortress Investment Group
Michael Gronager, Chainalysis (Jonathan Levin)
Wences Casares, Xapo
Martin Kopacz, Xapo
Abigail Johnson, Fidelity Investments
Tom Robinson, Elliptic

Not Attending:
Peter Thiel, Founders Fund

From: (b)(6)
Sent: Mon, 6 Jul 2020 13:12:02 +0000
To: (b)(6); (b)(6)
Cc: (b)(6)
Subject: RE: Cryptocurrency Call w/STM this Week

Fantastic. Thanks again!

(b)(6)
Financial Crimes Enforcement Network (FinCEN)
U.S. Department of the Treasury
(b)(6) @fincen.gov
W: 703-839-(b)(| C: (b)(6)

-----Original Message-----
From: (b)(6) @treasury.gov <(b)(6) @treasury.gov>
Sent: Monday, July 06, 2020 9:10 AM
To: (b)(6) @fincen.gov>; (b)(6)
(b)(6) @fincen.gov>
Cc: (b)(6) @fincen.gov>
Subject: [TREASURY] RE: Cryptocurrency Call w/STM this Week

All set! Just sent a calendar invite with the dial-in. Thanks much!

(b)(6)

-----Original Message-----
From: (b)(6) @fincen.gov>
Sent: Monday, July 6, 2020 9:05 AM
To: (b)(6) @treasury.gov>; (b)(6)
(b)(6) @fincen.gov>
Cc: (b)(6) @fincen.gov>
Subject: RE: Cryptocurrency Call w/STM this Week

Perfect! Thank you so much!

(b)(6)
Financial Crimes Enforcement Network (FinCEN) U.S. Department of the Treasury (b)(6) @fincen.gov
W: 703-839-(b)(| C: (b)(6)

-----Original Message-----
From: (b)(6) @treasury.gov <(b)(6) @treasury.gov>
Sent: Monday, July 06, 2020 9:01 AM
To: (b)(6) @fincen.gov>; (b)(6)
(b)(6) @fincen.gov>
Cc: (b)(6) @fincen.gov>
Subject: [TREASURY] RE: Cryptocurrency Call w/STM this Week

Ok, how about Wednesday at 11:00?

(b)(6)

-----Original Message-----
From: (b)(6) @fincen.gov>
Sent: Monday, July 6, 2020 8:59 AM
To: (b)(6) @treasury.gov>; (b)(6)
(b)(6) @fincen.gov>
Cc: (b)(6) @fincen.gov>
Subject: RE: Cryptocurrency Call w/STM this Week

Good morning, (b)(6) .

Thank you for the quick reply. I spoke with Ken a moment ago. If there's anything available Wednesday or Friday, that would be optimal. Ken has a conflict at 11 a.m. tomorrow, but we could make it work if STM's calendar is otherwise full.

Apologies of the inconvenience. Thanks again for your help.

(b)(6)
Financial Crimes Enforcement Network (FinCEN) U.S. Department of the Treasury (b)(6) @fincen.gov
W: 703-839-4142 | C: (b)(6)

-----Original Message-----
From: (b)(6) @treasury.gov <(b)(6) @treasury.gov>
Sent: Monday, July 06, 2020 8:43 AM
To: (b)(6) @fincen.gov>; (b)(6)
(b)(6) @fincen.gov>
Cc: (b)(6) @fincen.gov>
Subject: [TREASURY] RE: Cryptocurrency Call w/STM this Week

Good morning! Please let me know if a call would work tomorrow, Tuesday, July 7th at 11:00am. Thanks much!

(b)(6)
Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220
Tel: (b)(6)
Cell:
email: @treasury.gov

-----Original Message-----
From: (b)(6) @fincen.gov>
Sent: Sunday, July 5, 2020 8:30 PM
To: (b)(6) @treasury.gov>; (b)(6) @treasury.gov>
Cc: (b)(6) @fincen.gov>
Subject: Cryptocurrency Call w/STM this Week

Good evening, (b)(6) and (b)(6) I hope you both enjoyed the holiday weekend.

I understand from Ken, FinCEN Director, that STM would like to discuss this week a few cryptocurrency issues — including certain payments made in bitcoin by U.S. persons — with JGM, Brian C., and Ken.

Ken would be more than happy to discuss, but he has a few long-planned engagements this week and I just want to ensure we can de-conflict schedules to the extent possible.

Would you mind letting me know what time blocks are under consideration so we can try to avoid Ken having to cancel an event (or two)?

Thanks in advance; apologies for the inconvenience.

Happy (belated) 4th of July, and have a great evening!

(b)(6)

Financial Crimes Enforcement Network (FinCEN) U.S. Department of the Treasury
(b)(6) @fincen.gov<mailto:(b)(6) @fincen.gov>
W: 703-839-(b)(<tel:703-839-(b)(> (b)(6) >

From: Myers, Baylor
Sent: Wed, 19 Feb 2020 13:14:07 -0600
To: (b)(6); (b)(6)
Subject: RE: Cryptocurrency Meeting RSVPs

Thanks!

J. Baylor Myers | o: [redacted] c: (b)(6)
Deputy Chief of Staff | U.S. Department of the Treasury
1500 Pennsylvania Ave., NW, Washington, D.C. 20220

From: (b)(6) @treasury.gov>
Sent: Wednesday, February 19, 2020 2:10 PM
To: Myers, Baylor <Baylor.Myers@treasury.gov>; (b)(6) @treasury.gov>
Subject: Cryptocurrency Meeting RSVPs

Jerry Brito - Coin Center
Peter Briger, Jr. – Fortress Investment Group
Jeff Horowitz – Coinbase
Wences Casares – Xapo
Steve Ryan – CipherTrace
Abigail Johnson – Fidelity Investments

From: (b)(6)
Sent: Tue, 11 Aug 2020 17:10:31 +0000
To: Taylor, Tanya
Cc: Haines Michelle C;Taylor, Tanya;Colbert, Amalia
Subject: RE: Cryptocurrency Terrorism Initiative

Hi Tanya! Checking and will be back to you shortly. Thanks!

(b)(6)

From: Taylor Tanya <(b)(6)@irs.gov>
Sent: Tuesday, August 11, 2020 1:02 PM
To: (b)(6)@treasury.gov>
Cc: Haines Michelle C <(b)(6)@irs.gov>; Taylor, Tanya <(b)(6)@irs.gov>; Colbert, Amalia <(b)(6)@irs.gov>
Subject: Cryptocurrency Terrorism Initiative

Good Afternoon (b)(6),

STM has requested a briefing on IRS Criminal Investigation's action regarding a recent cryptocurrency terrorism initiative. We understand that he would like to meet this week.

Does STM has any availability on Thursday or Friday? If so, is it possible to have this as a conference call in lieu of a face to face meeting?

Thank you.

Tanya Taylor
Staff Assistant to the Commissioner (IRS)
1111 Constitution Ave, NW
Washington, DC
[redacted]

From: Donovan, Kim
Sent: Thu, 16 Jul 2020 15:07:15 +0000
To: (b)(6)
Cc: (b)(6)
Subject: RE: FinCEN cryptocurrency call with STM next week

Hi (b)(6),

Yes, 10am on Monday, July 20 works. Thank you! Have a great day!

Thanks,
(b)(

From: (b)(6) @treasury.gov <(b)(6) @treasury.gov>
Sent: Thursday, July 16, 2020 10:34 AM
To: (b)(6) @fincen.gov>
Cc: (b)(6) @fincen.gov>; Salley-Collins, (b)(6)
(b)(6) @fincen.gov>
Subject: [TREASURY] RE: FinCEN cryptocurrency call with STM next week

Good morning (b)(6)! Secretary Mnuchin is available for a call on Monday, July 20th at 10:00am. Would that work for the Director? Thanks much!

(b)(6)
Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220
Tel: (b)(6)
Cell:
email @treasury.gov

From: (b)(6) @fincen.gov>
Sent: Wednesday, July 15, 2020 4:59 PM
To: (b)(6) @treasury.gov>; (b)(6)
<(b)(6) @treasury.gov>
Cc: (b)(6) @fincen.gov>; (b)(6)
(b)(6) @fincen.gov>
Subject: FinCEN cryptocurrency call with STM next week

Hi (b)(6) and (b)(6)

Ken, FinCEN Director, would like to follow up with the Secretary on the cryptocurrency call they had last week. Does the Secretary have availability for a 15 minute call next Monday or Tuesday?

I hope you are both doing well and that you have a good evening.

Thank you!

(b)(6)

Financial Crimes Enforcement Network (FinCEN)
U.S. Department of the Treasury
Office: 202.354(b)(6) | Mobile: (b)(6)
(b)(6) @fincen.gov

From: (b)(6)
Sent: Wed, 12 Aug 2020 11:57:44 -0500
To: (b)(6)
Subject: RE: FOR APPROVAL: DOJ Cryptocurrency Terrorism Initiative Press Release: STM quote

Me Justin callanna monica baylor

From: (b)(6) @treasury.gov>
Sent: Wednesday, August 12, 2020 12:56 PM
To: (b)(6) @treasury.gov>
Subject: RE: FOR APPROVAL: DOJ Cryptocurrency Terrorism Initiative Press Release: STM quote

This briefing will be on Friday at 1:00pm. Here is the IRS manifest, who do we need on our side?

IRS:

Commissioner Rettig

Sunita Lough

Michelle Haines

Tom Cullinan

Don Fort

James Lee

Mike Desmond

Jeff Tribiano

From: (b)(6) @treasury.gov>
Sent: Tuesday, August 11, 2020 3:41 PM
To: (b)(6) @treasury.gov>
Subject: FW: FOR APPROVAL: DOJ Cryptocurrency Terrorism Initiative Press Release: STM quote

Let's get this set up this week pls

From: Crowley, Monica <Monica.Crowley@treasury.gov>
Date: August 11, 2020 at 1:37:55 PM EDT
To: Myers, Baylor <Baylor.Myers@treasury.gov>, (b)(6)
<(b)(6) @treasury.gov>
Subject: FW: FOR APPROVAL: DOJ Cryptocurrency Terrorism Initiative Press Release: STM quote

Per the Secretary's request below for a briefing on this action: Lia at IRS will be reaching out to you, Baylor, and the FO to set up a briefing for STM with Rettig and the CI IRS unit involved.

From: (b)(6) @treasury.gov>
Sent: Tuesday, August 11, 2020 9:27 AM
To: Crowley, Monica <Monica.Crowley@treasury.gov>
Cc: Muzinich, Justin <Justin.Muzinich@treasury.gov>; Callanan, Brian <Brian.Callanan@treasury.gov>; (b)(6) @treasury.gov>
Subject: RE: FOR APPROVAL: DOJ Cryptocurrency Terrorism Initiative Press Release: STM quote

Monica, This is approved.

Also, STM would like a briefing set up this week to go over/be briefed in more detail.

Thanks

From: Crowley, Monica <Monica.Crowley@treasury.gov>
Sent: Monday, August 10, 2020 6:25 PM
To: Secretary Mnuchin @treasury.gov>
Cc: (b)(6) @treasury.gov>
Subject: FOR APPROVAL: DOJ Cryptocurrency Terrorism Initiative Press Release: STM quote

Mr Secretary, below please see a draft press release the DOJ is aiming to issue late tomorrow morning.

(b)(5)

Page 206 of 246

Withheld pursuant to exemption

(b)(5)

the Freedom of Information and Privacy Act

Page 207 of 246

Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act

Page 206 of 246

Withheld pursuant to exemption

(b)(5)

the Freedom of Information and Privacy Act

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Withheld pursuant to exemption

(b)(5)

the Freedom of Information and Privacy Act

Page 210 of 246

Withheld pursuant to exemption

(b)(5)

the Freedom of Information and Privacy Act

Page 211 of 246

Withheld pursuant to exemption

(b)(5)

the Freedom of Information and Privacy Act

From: Myers, Baylor
Sent: Mon, 9 Mar 2020 13:10:13 -0400
To: 'Wences Casares';Mnuchin, Steven
Cc: (b)(6) ;(b)(6) ;Pete Briger
Subject: RE: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

Wences,

I'm available to serve as a point of contact going forward. Please feel free to call my cell anytime: (b)(6) (b)(6)

Thanks!

J. Baylor Myers | o: [redacted] c: (b)(6)
Deputy Chief of Staff | U.S. Department of the Treasury
1500 Pennsylvania Ave., NW, Washington, D.C. 20220

From: Wences Casares <[redacted]@xapo.com>
Sent: Thursday, March 5, 2020 4:01 PM
To: Mnuchin, Steven <Steven.Mnuchin@treasury.gov>
Cc: (b)(6) @treasury.gov>;(b)(6) <(b)(6) @treasury.gov>; Myers, Baylor <Baylor.Myers@treasury.gov>; Pete Briger [redacted]@fortress.com>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

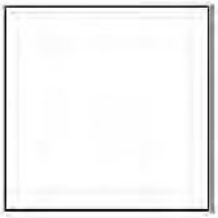
** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dear Mr. Secretary,

Thank you for the kind invitation to meet with you and the members of your leadership team. We really appreciate the time you have dedicated to ensuring the right balance of promoting innovation with the protection of national security.

With whom in your team may I work to study de possibility of ways of collaborating going forward?

Kind regards,



Wences Casares
CEO
(b)(6)
[redacted]@xapo.com
xapo.com

On Wed, Feb 19, 2020 at 8:50 AM <Steven.Mnuchin@treasury.gov> wrote:
Dear Mr. Casares,

Please see attached for your personal invitation to attend a meeting at the U.S. Department of the Treasury regarding cryptocurrency on Monday, March 2, 2020.

I hope you are able to attend,

Steven T. Mnuchin
Secretary of the Treasury

From: Caitlin Friel Rabil
Sent: Mon, 2 Mar 2020 08:06:33 -0800
To: (b)(6)
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

My team did and I can't thank you enough for your assistance with that. Thank you! Hope the rest of the day is uneventful!!

On Mar 2, 2020, at 8:05 AM, (b)(6) @treasury.gov wrote:

It has been one crazy morning around here! I hope everyone else got in, fingers crossed!

(b)(6)

From: Caitlin Friel Rabil <[redacted]@squareup.com>
Sent: Monday, March 2, 2020 11:02 AM
To: (b)(6) @treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

I very much appreciate your help!!!

On Mar 2, 2020, at 7:57 AM, (b)(6) @treasury.gov wrote:

One of our advance team should be at the entrance to escort him in. Let me know if there are any other issues. I flagged that Mr. Dorsey should arrive right at 11:00. Thanks!

(b)(6)

From: Caitlin Friel Rabil <[redacted]@squareup.com>
Sent: Monday, March 2, 2020 10:54 AM
To: (b)(6) @treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Thank you (b)(6) , you are my hero!!

On Mar 2, 2020, at 7:46 AM, (b)(6) @treasury.gov wrote:

Tell him to try again. Looks like he just cleared. Thanks!

(b)(6)

From: Caitlin Friel Rabil <[redacted]@squareup.com>
Sent: Monday, March 2, 2020 10:44 AM
To: (b)(6) @treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

(b)(6) -

Mike tried to check in and was denied. I told him to hold tight. He's outside the building waiting by the Secret Service booth. Is there any way you can let me know when he should try again?

Thank you,
Caitlin

On Mar 2, 2020, at 7:39 AM, Caitlin Friel Rabil <[redacted]@squareup.com> wrote:

Thank you **very much** for your help, (b)(6)

On Mar 2, 2020, at 7:15 AM, Caitlin Friel Rabil <[redacted]@squareup.com> wrote:

Will do, thank you.

On Mar 2, 2020, at 7:14 AM, (b)(6) @treasury.gov wrote:

Yes, please make sure he has that with him. I'm still checking on his status because he has not cleared yet. Thanks!

(b)(6)

From: Caitlin Friel Rabil <[redacted]@squareup.com>
Sent: Monday, March 2, 2020 10:12 AM
To: (b)(6) @treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Yes he does. Will that be sufficient?

On Mar 2, 2020, at 7:08 AM, (b)(6) @treasury.gov wrote:

Does he by chance have a US driver's license?

(b)(6)

From: Caitlin Friel Rabil <[redacted]@squareup.com>
Sent: Monday, March 2, 2020 10:04 AM
To: (b)(6) @treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Thank you, really hope this doesn't affect his ability to get in quickly and join the meeting. (b)(6)

(b)(6)

Please keep me posted,
Caitlin

On Mar 2, 2020, at 3:44 AM, (b)(6) @treasury.gov wrote:

Good morning Caitlin! (b)(6) Will let you know shortly.

(b)(6)

From: Caitlin Friel Rabil <[redacted]@squareup.com>
Sent: Monday, March 2, 2020 1:17 AM
To: (b)(6) @treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

(b)(6) -

I wanted to see if the ID entered in the link for PII is the ID needed for entrance tomorrow. (b)(6) If there is additional information he'll need to provide, or should show up a little early, please let me know.

Thank you so much,
Caitlin

On Mar 1, 2020, at 10:51 AM, Caitlin Friel Rabil <[redacted]@squareup.com> wrote:

Thank you (b)(6) - working on it as we speak. I appreciate your help!!

Caitlin

On Mar 1, 2020, at 10:39 AM, (b)(6) @treasury.gov wrote:

Hi Caitlin! I had to create a new link for Mr. Brock. Sending your way now if you could please submit as soon as possible. Thanks!

From: Caitlin Friel Rabil <[redacted]@squareup.com>
Date: February 29, 2020 at 3:53:37 PM EST
To: (b)(6) @treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

- Baylor to bcc

(b)(6) -
The registration link you originally sent to me now says it's closed. Is there another link you're able to pass along for Mike's addition?

Thanks,
Caitlin

On Sat, Feb 29, 2020 at 12:16 PM Caitlin Friel Rabil <[redacted]@squareup.com> wrote:
Thank you Baylor!

Caitlin

On Sat, Feb 29, 2020 at 11:47 AM <Baylor.Myers@treasury.gov> wrote:
Yes, confirmed. (b)(6) will follow up with details about building clearance for Mike Brock. Thanks!

From: Caitlin Friel Rabil <[redacted]@squareup.com>
Date: February 29, 2020 at 2:16:02 PM EST
To: Myers, Baylor <Baylor.Myers@treasury.gov>
Cc: (b)(6) @treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi Baylor -

Wonderful, thank you so much! We'd like to invite Mike Brock, Head of Strategic Development at Square, which encompasses cryptocurrency strategy, and Amanda Anderson, Square's Head of Policy for the Americas. If we're only able to bring one additional guest with Jack, we'll prioritize for Mike. Once you confirm, I'll add approved guests to this sign-in sheet.

Please let me know if there is anything else we should be aware of, or if either of you have any questions.

Thank you both!
Caitlin

On Sat, Feb 29, 2020 at 10:41 AM <Baylor.Myers@treasury.gov> wrote:
Caitlin,

Yes, who would you like to send?

Thanks!

Baylor

From: Caitlin Friel Rabil <[redacted]@squareup.com>
Date: February 29, 2020 at 1:18:13 PM EST
To: (b)(6) @treasury.gov>
Cc: Myers, Baylor <Baylor.Myers@treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Thank you (b)(6) , I look forward to hearing from Deputy Chief of Staff Baylor Myers.

Thanks,
Caitlin

On Fri, Feb 28, 2020 at 6:11 PM <(b)(6) @treasury.gov> wrote:
Hi Caitlin! I have copied Deputy Chief of Staff Baylor Myers above. Baylor please see below re: having a +1 for this meeting. Thanks!

Shirley

From: Caitlin Friel Rabil <[redacted]@squareup.com>
Sent: Friday, February 28, 2020 8:59 PM
To: (b)(6) @treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi (b)(6) -

I hope you had a nice week!

I wanted to follow up on my previous ask to include additional attendees in Monday's meeting. We have learned that Coinbase, Xapo, and Chainalysis all have been allowed to bring +1s and

we would like to ask the same for Jack. Can you please let me know if Jack can bring a member of his staff with him on Monday?

Thanks,
Caitlin

On Feb 21, 2020, at 12:17 PM, Caitlin Friel Rabil <[redacted]@squareup.com> wrote:

Thank you for the quick response -

Understood on both points. Thank you for letting me know!

Caitlin

On Fri, Feb 21, 2020 at 12:08 PM <(b)(6)@treasury.gov> wrote:
Hi Caitlin! As of right now no +1s will be allowed to join the meeting, it will be the invited principals only. I'm afraid he will have to be dropped off at the corner of 15th & New York Ave. and proceed on foot to the north entrance. There is no parking at the building.

(b)(6)

From: Caitlin Friel Rabil <[redacted]@squareup.com>
Sent: Friday, February 21, 2020 2:32 PM
To: (b)(6)@treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

Caution: The sender of this message is external to the Treasury network. Please use care when clicking on links, downloading attachments, and responding with sensitive information. Send suspicious email to suspect@gsoc.treas.gov, or report using "Report Suspicious Email" button in Outlook.

Thank you (b)(6) -

I have a couple follow up questions for you.

1 - Will Jack be allowed to bring in anyone with him to this meeting? Or is the invite list exclusive to your choosing?
2 - I noted on the invite that you suggest Jack go in through the North gate. Is there anyway he can get closer via car just so he's less visible, given the sensitivity of the meeting?

Thank you!
Caitlin

On Wed, Feb 19, 2020 at 2:04 PM <(b)(6)@treasury.gov> wrote:
Hi Caitlin, nice to e-meet you! We currently have it blocked for 1 hour, 11:00-12:00. Thanks!

(b)(6)

Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220
Tel: (b)(6)
Cell:
email @treasury.gov

From: Caitlin Friel Rabil [redacted]@squareup.com>
Sent: Wednesday, February 19, 2020 5:00 PM
To: (b)(6) @treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

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Hi (b)(6) -

Thank you very much for this information, Jack will be there. Can you please let me know how long you expect this meeting to be?

Thank you,
Caitlin

On Wed, Feb 19, 2020 at 1:18 PM jack [redacted]@squareup.com> wrote:

Begin forwarded message:

From: (b)(6) @treasury.gov
Date: February 19, 2020 at 13:07:37 PST
To: [redacted]
Subject: RE: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

Thanks for your response Mr. Dorsey. This meeting is confirmed to take place on Monday, Mar. 2nd at 11:00am here at the Treasury Department in room 3327. We are located at 1500 Pennsylvania Ave., NW. You will need to enter the building at our north entrance preferably 10 minutes before your scheduled appointment in order to get through security. We will have a member of our staff meet/greet you at the entrance and escort you to the Secretary's conference room. For purposes of clearance into the building, please submit your vitals via the link included below.

https://appointment.treasury.gov/coordrsvptwvs?apptid=a05t0000001cJ3N

Please make sure to bring the proper ID with you, preferably a driver's license or a state issued ID.

Thanks very much and please let me know if you have any further questions.

(b)(6)

Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220
Tel: (b)(6)
Cell:
email @treasury.gov

From: [redacted]
Sent: Wednesday, February 19, 2020 4:03 PM
To: Mnuchin, Steven <Steven.Mnuchin@treasury.gov>
Cc: (b)(6) @treasury.gov>; (b)(6)
<(b)(6) @treasury.gov>; Myers, Baylor <Baylor.Myers@treasury.gov>
Subject: Re: Invitation | Cryptocurrency Meeting at Treasury Department | March 2, 2020

Caution: The sender of this message is external to the Treasury network. Please use care when clicking on links, downloading attachments, and responding with sensitive information. Send suspicious email to suspect@gsoc.treas.gov, or report using "Report Suspicious Email" button in Outlook.

Great. Will attend.

On Feb 19, 2020, at 08:49, Steven.Mnuchin@treasury.gov wrote:

Dear Mr. Dorsey,

Please see attached for your personal invitation to attend a meeting at the U.S. Department of the Treasury regarding cryptocurrency on Monday, March 2, 2020.

I hope you are able to attend,

Steven T. Mnuchin
Secretary of the Treasury

<Treasury Invitation to Twitter Re Cryptocurrency.pdf>

--

From: (b)(6)
Sent: Wed, 22 Jul 2020 16:32:35 -0400
To: (b)(6); (b)(6)
Subject: RE: Meeting request for Thursday

ok

From: (b)(6) @treasury.gov>
Sent: Wednesday, July 22, 2020 4:32 PM
To: (b)(6) @treasury.gov>; (b)(6)
<(b)(6) @treasury.gov>
Subject: RE: Meeting request for Thursday

Hi both – Brent would like to postpone this to next week. I will circle back with you both then and send manifest at the appropriate time.

From: (b)(6) @treasury.gov>
Sent: Tuesday, July 21, 2020 5:23 PM
To: (b)(6) @treasury.gov>; (b)(6) @treasury.gov>
Subject: RE: Meeting request for Thursday

Hi (b)(6)! Please provide a manifest for this meeting. Thanks!

(b)(6)

From: (b)(6) @treasury.gov>
Sent: Tuesday, July 21, 2020 5:05 PM
To: (b)(6) @treasury.gov>; (b)(6) @treasury.gov>
Subject: Re: Meeting request for Thursday

Yes
(b)(6) pls add for Thursday

From: (b)(6) @treasury.gov>
Date: July 21, 2020 at 3:34:58 PM EDT
To: (b)(6) @treasury.gov>, (b)(6)
<(b)(6) @treasury.gov>
Subject: Meeting request for Thursday

(b)(6) – Brent would like to request a 30-minute briefing on Thursday so he and members of our team can update the Secretary on Cryptocurrency/Libra 2.0. We certainly understand the demands on the Secretary's time this week; Brent feels it is important to update him on this issue soon.

Note, we are requesting to do this on Thursday as the team is pulling together a slide-deck so Wednesday is probably too soon and Brent is taking personal leave on Friday.

Thank you.

From: Kristin Smith
Sent: Mon, 21 Dec 2020 16:53:00 -0700
To: Gathers, Shirley
Cc: (b)(6) ;[redacted]@theblockchainassociation.org
Subject: Re: meeting request

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi (b)(6) ,

Thanks for the response. If that is our best option, we'll take the opportunity to meet with the Deputy Secretary.

Thanks.

Kristin

On Dec 21, 2020, at 3:28 PM, (b)(6) @treasury.gov wrote:

Hi Kristin! If amenable, the Secretary would like to have Deputy Secretary Muzinich take this call on his behalf. Please let me know if this works and I can connect you with the Deputy's office. Thanks!

(b)(6)
@treasury.gov

From: Kristin Smith [[redacted]@theblockchainassociation.org]
Sent: Monday, December 21, 2020 2:42 PM
To: (b)(6) @treasury.gov>; (b)(6)
<(b)(6) @treasury.gov>
Cc: AnnMarie Brockhouse <[redacted]@theblockchainassociation.org>
Subject: Re: meeting request

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi (b)(6) and (b)(,

I'm re-upping this request in light of the NRPM that was released on Friday. Would it be possible to get a phone meeting scheduled with the Secretary and some of our association member companies? Thanks for the consideration of this request.

Kristin

On Tue, Nov 17, 2020 at 2:00 PM Kristin Smith <[redacted]@theblockchainassociation.org> wrote:
Hi (b)(6) and (b)(6) ,

I'd like to request a meeting with Sec. Mnuchin to discuss an issue related to cryptocurrency policy: self-hosted wallets. Today, the Blockchain Association published a report on the importance of self-hosted wallets (see summary). We'd like to convene a small group of crypto industry executives to brief him on this new report. Please let me know what information you need from me in order to make a formal request.

Thanks in advance for your help!

Kristin

--
Kristin Smith
Executive Director
Blockchain Association
(b)(6)

--
Kristin Smith
Executive Director
Blockchain Association
(b)(6)

Sent: Tue, 19 May 2020 16:14:45 +0000
To: (b)(6)
Subject: RE: On behalf of Hank Paulson

yes

S

From: (b)(6) @treasury.gov>
Sent: Tuesday, May 19, 2020 12:11 PM
To: (b)(6) @treasury.gov>
Subject: FW: On behalf of Hank Paulson

Can we pls print?

Is his lunch coming at 1215?

From: (b)(6) @treasury.gov>
Date: May 19, 2020 at 12:05:36 PM EDT
To: Secretary Mnuchin @treasury.gov>
Cc: (b)(6) @treasury.gov>
Subject: FW: On behalf of Hank Paulson

Steven,

Earlier this year I had written the attached piece for Foreign Affairs to respond to their question "Does a digital Chinese currency pose a threat to the primacy of the dollar?" When they wanted to publish it in March, I put a hold on it for obvious reasons. The introduction and conclusion have now been altered to reference COVID 19. I hope you find this helpful although it's timing is a bit odd.

Best,
Hank

From: Taylor Tanya
Sent: Thu, 13 Aug 2020 19:43:22 +0000
To: (b)(6)
Subject: RE: Revised Manifest Update: Cryptocurrency Terrorism Initiative -- Friday, Aug 14

Understood. ☺

Thank you.

From: (b)(6) @treasury.gov <(b)(6) @treasury.gov>
Sent: Thursday, August 13, 2020 3:30 PM
To: Taylor Tanya <(b)(6) @irs.gov>
Subject: RE: Revised Manifest Update: Cryptocurrency Terrorism Initiative -- Friday, Aug 14

Yes, he has been added and accepted the invite. Usually when I add someone I don't send it out to the entire group again unless something changes so that is why you didn't see with him added to the manifest. Thanks much!

(b)(6)

From: Taylor Tanya <(b)(6) @irs.gov>
Sent: Thursday, August 13, 2020 3:26 PM
To: (b)(6) @treasury.gov>
Subject: RE: Revised Manifest Update: Cryptocurrency Terrorism Initiative -- Friday, Aug 14

Good Afternoon (b)(6)

I am not sure if you remembered to add: Christopher Janczewski Christopher.Janczewski@ci.irs.gov.

Please disregard if he's already been added.

Thank you.

From: (b)(6) @treasury.gov <(b)(6) @treasury.gov>
Sent: Wednesday, August 12, 2020 5:45 PM
To: Taylor Tanya <(b)(6) @irs.gov>
Cc: Haines Michelle C <(b)(6) @irs.gov>; Moffitt Janet S <(b)(6) @irs.gov>; Taylor Tanya <(b)(6) @irs.gov>
Subject: RE: Revised Manifest Update: Cryptocurrency Terrorism Initiative -- Friday, Aug 14

Done, thanks!

(b)(6)

From: Taylor Tanya <(b)(6) @irs.gov>
Sent: Wednesday, August 12, 2020 5:34 PM
To: (b)(6) @treasury.gov>
Cc: Haines Michelle C <(b)(6) @irs.gov>; Moffitt, Janet <(b)(6) @irs.gov>; Taylor, Tanya <(b)(6) @irs.gov>
Subject: Revised Manifest Update: Cryptocurrency Terrorism Initiative -- Friday, Aug 14

Good Evening (b)(6)

Please see the revised manifest below for Friday's 1:00pm meeting with STM. Please add Christopher Janczewski.

Manifest:
Commissioner Rettig (b)(6) @irs.gov
Sunita Lough (b)(6) @irs.gov
Michell Haines (b)(6) @irs.gov
Cullinan Thomas A (b)(6) @irscounsel.treas.gov
Don Fort (b)(6) @ci.irs.gov
James Lee (b)(6) @ci.irs.gov
Mike Desmond (b)(6) @irscounsel.treas.gov
Jeff Tribiano (b)(6) @irs.gov
Christopher Janczewski (b)(6) @ci.irs.gov

Thank you.

From: (b)(6) @treasury.gov <(b)(6) @treasury.gov>
Sent: Tuesday, August 11, 2020 4:25 PM
To: Taylor Tanya <(b)(6) @irs.gov>
Cc: Haines Michelle C <(b)(6) @irs.gov>; Taylor Tanya <(b)(6) @irs.gov>; Colbert Amalia C <(b)(6) @irs.gov>
Subject: RE: Cryptocurrency Terrorism Initiative

Hi Tanya! We can proceed in scheduling this as a conference call. Currently the Secretary can make between 3:30-5:30 on Thursday work or Friday between 1:00-3:00. Let me know what works on your end. Thanks much!

(b)(6)

From: Taylor Tanya <(b)(6) @irs.gov>
Sent: Tuesday, August 11, 2020 1:02 PM
To: (b)(6) @treasury.gov>
Cc: Haines Michelle C <(b)(6) @irs.gov>; Taylor, Tanya <(b)(6) @irs.gov>; Colbert,

Amalia <(b)(6) @irs.gov>
Subject: Cryptocurrency Terrorism Initiative

Good Afternoon (b)(6),

STM has requested a briefing on IRS Criminal Investigation's action regarding a recent cryptocurrency terrorism initiative. We understand that he would like to meet this week.

Does STM has any availability on Thursday or Friday? If so, is it possible to have this as a conference call in lieu of a face to face meeting?

Thank you.

Tanya Taylor

Staff Assistant to the Commissioner (IRS)
1111 Constitution Ave, NW
Washington, DC
(b)(6) (Office)
(BlackBerry)

From: (b)(6)
Sent: Tue, 18 Feb 2020 10:29:36 -0600
To: (b)(6)
Subject: RE: Secretary Cryptocurrency Event - March 2

Got it! Thanks!

(b)(6)
o: (b)(6) | c: (b)(6) | m: (b)(6) @treasury.gov
(b)(6) | Events & Culinary Operations Branch | U.S. Department of the Treasury

From: (b)(6) @treasury.gov>
Sent: Tuesday, February 18, 2020 11:28 AM
To: (b)(6) @treasury.gov>
Subject: RE: Secretary Cryptocurrency Event - March 2

Hi (b)(6) ! I'm not exactly sure as I'm just being looped in as well. When I do have more info I will let you know. Thanks!

(b)(6)

From: (b)(6) @treasury.gov>
Sent: Tuesday, February 18, 2020 10:17 AM
To: (b)(6) @treasury.gov>
Subject: Secretary Cryptocurrency Event - March 2

Hi (b)(6) – It was just brought to my attention that the Secretary may have a Cryptocurrency event on March 2nd? Is there any event support needed for that? Any room reservations, etc.?

(b)(6)
o: (b)(6) | c: (b)(6) | m: (b)(6) @treasury.gov
(b)(6) | Events & Culinary Operations Branch | U.S. Department of the Treasury

From: Valenti, Beatrice A. EOP/WHO
Sent: Wed, 16 Dec 2020 17:14:59 +0000
To: (b)(6)
Subject: RE: Tuesday Principals Meeting - Crypto IFR

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

https://events.whitehouse.gov/AppointmentRsvpForm?rid=WHW7GF848H

From: (b)(6) @treasury.gov <(b)(6) @treasury.gov>
Sent: Wednesday, December 16, 2020 12:14 PM
To: Valenti, Beatrice A. EOP/WHO (b)(6)
Subject: RE: Tuesday Principals Meeting - Crypto IFR

Thank you! Yes, if you could please send me a link. Appreciate you!

(b)(6)

From: Valenti, Beatrice A. EOP/WHO <(b)(6)
Sent: Wednesday, December 16, 2020 12:10 PM
To: (b)(6) @treasury.gov>
Subject: RE: Tuesday Principals Meeting - Crypto IFR

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Yes, does he need WAVES

From: (b)(6) @treasury.gov <(b)(6) @treasury.gov>
Sent: Wednesday, December 16, 2020 10:53 AM
To: Valenti, Beatrice A. EOP/WHO <(b)(6)
Subject: RE: Tuesday Principals Meeting - Crypto IFR

Good morning Beatrice! Is it ok for our GC Brian Callanan to attend today's meeting with Dep Sec Muzinich? The Secretary will still plan to join via VTC. Let me know. Thank you!

(b)(6)

From: Valenti, Beatrice A. EOP/WHO <(b)(6)
Sent: Tuesday, December 15, 2020 9:13 AM
To: (b)(6) @treasury.gov>
Subject: Re: Tuesday Principals Meeting - Crypto IFR

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi (b)(6)

Yes, Depsec can attend. I'll have WHSR connect the Secretary with a secure line. What number should that be?

Sent from my iPhone

On Dec 15, 2020, at 8:29 AM, (b)(6) @treasury.gov wrote:

Good morning Beatrice! The Secretary will definitely dial in for tomorrow's 2:00pm meeting. Does he need to use a secure line? Also he would like for Deputy Secretary Justin Muzinich to attend the meeting in person. Please confirm both when you have a moment. Thanks very much!

(b)(6)

From: Valenti, Beatrice A. EOP/WHO (b)(6)
Sent: Monday, December 14, 2020 8:23 AM
To: (b)(6) @treasury.gov>
Subject: Re: Tuesday Principals Meeting - Crypto IFR

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi (b)(6),

Yes absolutely. He can dial in!

Sent from my iPhone

On Dec 11, 2020, at 2:41 PM, (b)(6) @treasury.gov wrote:

Hi Beatrice! I'm checking with STM, but he is scheduled to be out of the office next week. Might there be an option to dial in for this meeting, if he would like to do so? Thanks!

(b)(6)

From: Valenti, Beatrice A. EOP/WHO <(b)(6)>
Sent: Friday, December 11, 2020 2:16 PM
To: Conant, Ann M. EOP/OMB <(b)(6)>; (b)(6) <(b)(6) @treasury.gov>; Goudarzi, Talat (Federal) <TGoudarzi@doc.gov>; Theresa.Watson3@usdoj.gov; Hemme, Jake W. EOP/NSC <(b)(6)>
Cc: Thurston, Eliza C. EOP/WHO <(b)(6)>; Riggs, Charlotte R. EOP/WHO <(b)(6)>
Subject: Tuesday Principals Meeting -(b)(5)

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi all,

Happy Friday! I hope this email finds you well.

Director Kudlow would like to convene a Principals meeting for next Tuesday to discuss (b)(5)
(b)(5)

This meeting will take place in WHSR. Please let me know what 30 minute slot between 2PM and 5:30PM works best for your Principal. I have attached relevant documents.

Required:
NEC –Kudlow
NSC -- O'Brien
OMB – Vought
DOJ – Barr
Treasury – Mnuchin
Commerce – Ross

Invited:
Mark Meadows
Chris Liddell

Thank you,

Beatrice Valenti
Special Projects Manager
National Economic Council
O: (b)(5)
C: (b)(6)

From: Kristin Smith
Sent: Wed, 30 Dec 2020 11:46:56 -0500
To: Muzinich, Justin;brian.callahan@treasury.gov;(b)(6);(b)(6);(b)(6);(b)(6)
Cc: Clement, Paul D.
Subject: [UNABLE TO SCAN]letter to Mnuchin from Paul Clement
Attachments: Blockchain Association Letter re Comment Period (1).pdf

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi All,

Attached is a letter from the Blockchain Association's counsel, Paul Clement, outlining our concerns around the process of FinCEN's rulemaking on digital assets. We'd be happy to hop on a call to walk you through these concerns.

Kristin

--
Kristin Smith
Executive Director
Blockchain Association
(b)(6)

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Paul D. Clement
To Call Writer Directly:
[redacted]

[redacted]

December 30, 2020

BY ELECTRONIC MAIL AND COURIER

Steven T. Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Re: FinCEN Docket Number FINCEN-2020-0020; RIN 1506-AB47; Requirements for Certain Transactions Involving Convertible Virtual Currency or Digital Assets Convertible Virtual Currency NPRM

Dear Secretary Mnuchin:

I am writing on behalf of the Blockchain Association to respectfully request that you extend the extremely truncated notice and comment period for an extremely consequential proposed rule. Specifically, I am writing about the Financial Crimes Enforcement Network ("FinCEN") Notice of Proposed Rulemaking regarding "Requirements for Certain Transactions Involving Convertible Virtual Currency or Digital Assets" (the "NPRM"). *See* 85 Fed. Reg. 83,840 (Dec. 23, 2020). The NPRM addresses one of the most complex and important issues in the blockchain and cryptocurrency realms, namely, the proper regulation of self-hosted wallets. Yet in tackling this difficult and momentous issue, the NPRM gives affected stakeholders, which the NPRM acknowledges are dispersed around the globe, just days to draft their comments and to try to assemble the supporting data. The NPRM underscores the complexity of the issues by identifying at least two dozen questions that need answering. Yet the NPRM would give stakeholders far more questions than days in which to answer them. To make matters worse, the brief comment period spans multiple federal holidays. With all due respect, this is no way to proceed on a subject this complicated and consequential. The highly truncated comment period sets up the government for failure on procedural grounds in the courts. But far more important in the long run, the breakneck speed at which the proposed rule is proceeding all but guarantees a substantively flawed final product. I therefore respectfully urge you to consider substantially extending the comment period to ensure that all interested parties—including the agency itself—will be able to engage in the kind of meaningful and productive dialogue that the Administrative Procedure Act is designed to foster and that this issue deserves.

The Blockchain Association is a not-for-profit organization dedicated to improving public policy in ways that will help blockchain networks and their users develop and prosper in the United States. Its diverse membership reflects the complexity of this dynamic market and includes projects building blockchain networks, trading platforms that allow users to exchange cryptocurrencies, and early stage investors that support the entire ecosystem. The Blockchain Association comprises industry leaders who are committed to responsibly building, funding, and supporting blockchain networks fueled by cryptocurrencies. It endeavors to educate policymakers, courts, and the public about how blockchain technology works and how regulatory clarity can bring about a more secure, competitive, and innovative digital marketplace. Given its diverse membership, the Blockchain Association is well positioned to provide FinCEN and the Department of the Treasury with the valuable perspectives of those who facilitate and engage in transactions involving convertible virtual currency or digital assets with legal tender status held in self-hosted wallets. And the Association and other members of the cryptocurrency community are eager to work with FinCEN and Treasury to help craft policies that accomplish the government's important regulatory objectives without unnecessarily curbing innovation or treading on individuals' property and privacy rights. But assembling diverse perspectives and achieving regulatory balance takes time. The rushed timeframe reflected in the current NPRM severely frustrates the Association's ability to provide vital input.

The timeframe reflected in the NPRM is entirely unrealistic given the nature of the issues and the reality of the calendar. Late in the day on Friday, December 18, 2020, FinCEN released a 72-page notice of proposed rulemaking that proposes the imposition of novel reporting and recordkeeping obligations on banks and money services businesses (or MSBs) with respect to transactions between the wallets they host and self-hosted wallets, or wallets with certain foreign financial institutions. The NPRM spans 72 pages, but its length still understates the difficulty and novelty of the issues. The NPRM seeks comments on 24 separately enumerated subjects and questions, some with multiple subparts. Yet the NPRM provides just 15 days to answer those 24 questions and to respond to the balance of the 72-page NPRM. And the NPRM does not even speak clearly or consistently about when that highly truncated comment period begins to run. Ordinarily, the comment period does not commence until publication in the Federal Register—here, December 23–which would result in a due date for comments of January 7, 2021. The published NPRM reflects that January 7 deadline in one place, 85 Fed. Reg. at 83,856, but sets an even more unforgiving January 4 deadline a few pages earlier, *id.* at 83,841. The Federal Register website says that all comments must be submitted by January 4, so the benefit of the doubt does not appear to go to the public. Instead, as best one can tell, the public has been given a 12-day window to submit comments over a major holiday period that includes Christmas Eve, Christmas (a federal holiday), New Year's Eve, New Year's Day (another federal holiday), and four weekend days. Some foreign countries in which stakeholders operate observe additional national holidays, and even the business days during this particular fortnight are a notoriously difficult time to locate anyone actually focused on business. That leaves interested members of

the public with, at best, a grand total of seven "working days" to comment on an NPRM that seeks feedback on more than three times as many topics. And on top of all that, efforts to submit comments have been frustrated by technical complications with the site (including error messages) on some of the few weekdays available for submitting comments.

The notion that stakeholders could meaningfully engage with a rule that touches on more than 24 separate subjects in such a highly truncated period would be doubtful even in the ordinary course. But it is wholly untenable in the context of an effort to impose sweeping new rules on a rapidly emerging and complex industry with which the government has very little regulatory experience. The novel nature of the government's regulatory exercise only heightens the need for robust participation by the many stakeholders in the still-nascent and evolving cryptocurrency industry. Yet the NPRM does not even give stakeholders all the information they need to provide the agency with meaningful comments, let alone give them the necessary time to compile that information. For example, roughly half of the topics on which FinCEN has expressly sought comment involve the potential costs of complying with the proposed reporting and recordkeeping requirements or with various alternative proposals. *Id.* at 83,851. But setting aside the problem that stakeholders did not learn of these proposals until shortly before close of business on the Friday before Christmas, the NPRM does not even purport to identify all the information it is proposing to require banks and MSBs to retain and report. *See, e.g.*, *id.* at 83,861 (proposing that requirements will *include* "[t]he name and physical address of each counterparty to the transaction of the financial institution's customer, *as well as other counterparty information the Secretary may prescribe as mandatory*") (emphasis added). Commenting on the costs and burdens of reporting counterparty information is not feasible when the extent of the mandated information is a detail to be supplied later. Anyone who understands the cryptocurrency industry appreciates how critical such details are, as MSBs do not presently have (or even necessarily have the means to acquire) some or all of the counterparty information the Secretary may demand. FinCEN cannot seriously expect stakeholders to meaningfully assess, especially in seven business days, what it will cost to comply with regulatory obligations that have not yet been fleshed out.

Perhaps anticipating that this extraordinarily truncated comment period could not pass APA muster, the NPRM suggests that even this minimal nod to notice and comment is a matter of administrative grace, because FinCEN need not engage in any notice and comment at all. But the stated excuses for evading bedrock APA requirements will not withstand judicial scrutiny. The NPRM first posits that the rule implicates a "foreign affairs function," and so is exempt from notice and comment rulemaking entirely. *See id.* at 83,852; 5 U.S.C. §553(a)(1). But as the Administration was recently reminded, that a rule "implicates foreign affairs … is not enough to satisfy the foreign affairs function exception." *Capital Area Immigrants' Rights Coalition v. Trump*, 471 F. Supp. 3d 25, 56 (D.D.C. 2020). Instead, that narrow exception is satisfied only when a rule "clearly and directly involve[s] activities or actions characteristic to the conduct of

international relations." *Id.* at 53; *see also, e.g.*, *City of New York v. Permanent Mission of India to United Nations*, 618 F.3d 172, 202 (2d Cir. 2010). A rule that regulates wholly private financial transactions that may (or may not) involve foreign actors undoubtedly does not satisfy that demanding standard. Indeed, if the mere fact that financial transactions may involve foreign actors were enough to take a rule outside the APA, then Congress would not have needed to amend the Bank Secrecy Act to craft special procedures (not applicable here) that allow certain types of regulations of transactions with foreign entities to take temporary effect while notice and comment is ongoing. *See* 31 U.S.C. §5318A. As that limited and inapplicable exception reflects, it has long been settled law that the foreign affairs "exception cannot apply to functions merely because they have impact beyond the borders of the United States." *Mast Industries, Inc. v. Regan*, 596 F. Supp. 1567, 1581 (Ct. Int'l Trade 1984).

Nor would the APA's "good cause" exception apply here. *See* 5 U.S.C. §553(b)(3)(B). The good cause exception is "meticulous and demanding." *Sorenson Commc'ns Inc. v. FCC*, 755 F.3d 702, 706 (D.C. Cir. 2014). It is "narrowly construed and only reluctantly countenanced," with the agency bearing the burden of persuasion, and doing so without the benefit of any deference. *NRDC v. NHTSA*, 894 F.3d 95, 113-14 (2d Cir. 2018). The NPRM posits that "[u]ndue delay in implementing this rule would encourage movement of unreported or unrecorded assets implicated in illicit finance from hosted wallets at financial institutions to unhosted or otherwise covered wallets." 85 Fed. Reg. at 83,852. But the key phrase in that sentence is "*undue* delay." In circumstances where some notice and comment period is feasible, the APA determines that a delay for a period to allow for meaningful notice and comment is not just due, but legally required. By allowing even an extremely truncated comment period before the proposed rule takes effect, FinCEN has acknowledged this is not the rare situation where the rule must be imposed immediately to prevent circumvention. Where some comment period is viable, the APA demands a meaningful comment period, not 15 days over the holidays. And while the NPRM notes that "the prevention of substantial financial fraud" may constitute good cause, 85 Fed. Reg. at 83,853 (citing *Disabled in Action of Metro. New York, Inc. v. Brezenoff*, 506 F. Supp. 244, 248 (S.D.N.Y. 1980)), FinCEN has identified nothing even remotely comparable to the ongoing, multimillion-dollar fraud on a federal program that justified immediate agency action in *Brezenoff*.

The procedural problems with the NPRM will almost certainly result in the final rule being tied up in the courts and invalidated on procedural grounds. But the real problem with tackling such a novel and complex issue in such haste is that the rule that emerges from this rushed process will almost certainly be substantively flawed. The NPRM claims to target money laundering, terrorism financing, and other illicit uses of convertible virtual currency or digital assets. The Blockchain Association fully supports those laudable goals. But the proposed rule would do little if anything to advance them. Virtual asset service providers already maintain "know your customer" information and records of transactions for the customers whose wallets

they host. All the rule adds as a potential law-enforcement tool is a requirement that MSBs keep records of and report information regarding the holders of the self-hosted wallets or wallets hosted by certain foreign financial institutions with which their hosted wallet customers transact. It is not even clear that MSBs will be able to comply with those requirements, as MSBs do not typically have access to personal information about the holders of the self-hosted wallets with which their customers transact. Thus, what purports to be just a reporting requirement may well operate as a *de facto* ban. But even assuming MSBs can devise some means of compliance, the rule would have extremely limited utility, for all someone would need to do to ensure that their transactions would *not* be recorded or reported is keep their digital assets in a self-hosted wallet, which can be replenished from sources outside FinCen's regulatory reach, as the requirements do not apply to transactions *between* self-hosted wallets. At most, then, the rule would just lead those who wish to keep their transactions private (whether for licit or illicit reasons) to keep their digital currency in a self-hosted wallet, thereby reducing the very transparency that FinCEN purports to be trying to foster. That kind of mismatch between an agency's objectives and the means it has chosen for trying to accomplish them is exactly what a meaningful notice and comment process can identify and remedy.

There is a better way. Rather than rush to finalize a rule that suffers deep procedural and substantive flaws, there is still time to extend the comment period and invite meaningful public comment that will both eliminate the obvious procedural flaws and create the possibility for regulation that avoids the substantive difficulties of the approach reflected in the NPRM. The alternative of pressing ahead with an NPRM that raises dozens of questions, while providing stakeholders roughly half a dozen business days over the holidays to comment has nothing to recommend it. A rule produced by that flawed process will not survive court challenge and will not redress the problems the NPRM attempts to solve. In sum, FinCEN, Treasury, and the public would all be better served by extending the comment period to ensure that both stakeholders and regulators can give these weighty matters the full and fair attention they deserve.

Sincerely,



Paul D. Clement

cc: Jeffrey A. Rosen, Acting Attorney General of the United States
Kenneth A. Blanco, Director, Financial Crimes Enforcement Network
Russell Vought, Director, Office of Management and Budget

From: (b)(6)
Sent: Fri, 26 Jul 2019 12:36:21 -0500
To: youthenvoy@un.org
Cc: OIGWebmaster@state.gov; [redacted]; Mnuchin, Steven
Subject: How should governments respond to Facebook's Libra initiative?

His Excellency Ant??nio Guterres
Secretary-General
Office of the Secretary-General
United Nations Room NL-3019
United Nations Plaza
New York, New York, 10017
E-mail: youthenvoy@un.org

Re: How should governments respond to Facebook???s Libra initiative?

Your Excellency:

In July, the U.S. Senate Banking Committee and U.S. House Committee on Financial Services held two consecutive hearings on Facebook???s plan to launch a new cryptocurrency called Libra. On the heels of the $5 billion fine imposed on Facebook by the U.S. Federal Trade Commission for violating user privacy and mishandling of personal data, lawmakers signalled their distrust of the company, especially over privacy and regulatory compliance issues. Specific concerns range from the group of organizations that will manage the currency to the strength of consumer protection against fraudulent transactions.

How governments should respond to Libra depends on how the company integrates the cryptocurrency into their larger business. Brookings envision Libra being integrated into the company???s broader business model as a basis for offering financial services, or possibly an even broader set of services. Given the increasing social and economic power of large tech firms, governments should proactively start thinking of how to respond to these firms??? entrance into new industries.

New business models
The most straight forwarded use of Libra is as a way to strengthen Facebook???s role as a provider of financial services. In this way, Facebook would be making money through transaction fees in addition to its traditional revenue stream from advertising. Through its new subsidiary Calibra, Facebook plans to integrate a digital wallet for Libra into Messenger and WhatsApp. This should make paying through these apps as simple as texting, whether you are buying from a shop, paying your rent, or transferring money to a family member.

Facebook could also utilize financial services to extend its dominant position in the digital economy by becoming a multipurpose app like WeChat, an application that serves as Chinese citizens??? primary interface to online services. Achieving this level of ubiquity would grant Facebook access to more and different types of user data. While Facebook states that Calibra will not share account information or

financial data with Facebook or any third party without customer consent, this is likely a shaky promise. As a multipurpose provider, Facebook will also be able to tap into new revenue streams and grow their existing advertising revenues.

Policy concerns
Given the importance of financial policies in controlling unemployment and inflation, a proactive stance towards these novel payment systems is necessary. Libra has drawn scrutiny from a number of financial regulators, with France forming a G7 cryptocurrency task force, and Federal Reserve Chairman Jerome Powell expressing concern that Libra could destabilize the entire financial system due to the sheer number of Facebook users. Mark Carney, the Bank of England Governor, stressed that while regulation for social media is struggling to catch up after its mass adoption, financial regulation needs to be in place well in advance to protect against risks such as money laundering.

Should Libra form the basis of a wider array of services, governments should be mindful about their customer protection, competition, and privacy policies. With the tendency for the digital economy to leverage network effects and develop into ???winner-take-all??? markets, Facebook becoming a dominant customer interface will require governments to ask questions about customer protection. For example, will people now be forced to join Facebook if they want to live a normal life as is the case with WeChat for the average Chinese citizen? If so, what happens if someone is banned from Facebook??? Would businesses trying to reach customers be effectively forced to use Facebook???s infrastructure? Moreover, Facebook as multipurpose provider will have unprecedented access to customer data and with the growing advances in analytics and AI this information will only become more valuable. This, combined with Facebook???s questionable data sharing policies, will require governments to act.

Learning from past experiences
When confronted with disruptive innovation, governments should try to make sense of the emerging business models in addition to the new technology. This will be essential to assess the impact of these technology-driven changes and to be proactive. As we learned from past experiences with Facebook and other companies (Google, Uber, AirBnB), it is much harder to try to influence these companies and their operations once they have established their own rules and obtained a dominant position. In particular, it will be important for governments to decide if they can react by modifying their existing policies and regulations, or if they need to create new policies and regulations. If this is the case, it will be important to determine where these complement or conflict with traditional policies and regulations.

Thank you for the opportunity to bring this Brookings post to your attention.

Yours sincerely,
(b)(6)

cc:
Jerome Powell, Chair
BOARD OF GOVERNORS of the FEDERAL RESERVE SYSTEM

20th Street and Constitution Avenue N.W.
Washington, DC 20551
Chair Powell's Email Address

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