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Bitcoin Crosses \$700 As Senate Hearing Wraps



ROB WILE
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Bitcoin is back at new all-time highs as the Senate wraps up a hearing on digital currencies.

The price on the Mt. Gox exchange were at \$700 and rising.

The hearing began with three law enforcement officials discussing their agencies' successful crackdowns on the currency.

However, there were no indications they were stepping up crackdowns or opening new regulatory fronts. They said current statutes were adequate for prosecuting criminals.

Presiding Sen. Tom Carper compared the current moment in digital currencies to the early days of the Internet, and Secret Service agent Edward Lowery made an indirect analogy to attitude towards credit cards during their '80s boom.

The Senate Committee On Homeland Security and Governmental Affairs session is entitled, "Beyond Silk Road: Potential Risks, Threats, and Promises of Virtual Currencies."

You can watch it live here »



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We've previously discussed how the Feds basically know nothing about Bitcoin, so the hearing is more of a fact-finding forum.

But the combination of Bitcoin's rise in price and the seizure of massive illicit e-commerce site Silk Road, on which Bitcoin was the primary medium of exchange, has put it in the sights of regulators. (A site billing itself as the new version of Silk Road has already gone live.)

"Whether or not virtual currencies prove to be a boom or a bust, I think it's clear that some folks just want a chance to try and play by the rules," Sen. Tom Carper (D-Del.) said in his published opening remarks. "That's difficult to do if the rules or proper authorities aren't clear or if the future is uncertain. It's also difficult if a large number of bad apples are allowed to spoil the bunch."

We'll be updating this space with news from the hearing.

Of course, we'll also have our eye on prices.

Here's who will testify:

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Sen. Carper's opening remarks were pretty boilerplate.

Jennifer Shasky Calvery, the head of the Treasury Department's financial crimes enforcement division, said \$8 billion-worth of Bitcoin transactions have already been processed.

U.S. Attorney Mythili Raman says Bitcoin's efficiency can be appealing to consumers, but that those same features make it equally appealing to criminals.

Raman is touting Justice's crackdowns on digital currencies.

Justice seized 170,000 Bitcoins when it took down Silk Road. She says she they are now working with Virtual Currencies Emerging Threats Working Group to spot illicit merchants.

Want to ensure virtual currencies do not become a haven for criminal activity.

As you can see from the witness list above, the Feds are testifying first, followed by Bitcoin industry folks, so all the scary stuff is getting fronted.

Now the Secret Service's Edward Lowery is speaking. "Digital currencies challenge" law enforcement authorities' ability to carry out mission.

Sen. Carper compares the current moment to the early days of the Internet, asks Feds whether it's a good corollary. Calvery says it's an apt comparison. "Innovation is a very important part of our economy," she says. Challenge is to have "balance"

and "smart regulation."

Secret Service agent Lowery makes indirect comparison to early days of credit cards.

Current statutes appear to be adequate for charging criminals misusing digital currencies, first panel says.

Calvery compares Bitcoin to prepaid bank cards.

Raman: other agencies, foreign and domestic, have been invited to join Virtual Currencies Emerging Threats Working Group.

Calvery: we don't care whether Bitcoin is a currency or commodity; we are charged with targeting money laundering.

The first hearing wraps. Panel II begins at 4:30 pm.

The first speaker is the head of the International Centre for Missing & Exploited Children, who spoke to the difficulties of tracking Bitcoin transactees.

Next is Bitcoin Foundation general counsel Patrick Murck, who talks about how much of the demand for digital currencies comes from consumers living in countries with weak banking sectors. He also points to California and Georgia as states that have most aggressively sought to make Bitcoin more mainstream.

Jeremy Allaire, the CEO of Circle is up now, talking about how conducting transactions in 2013 is more expensive and cumbersome than it should be.

Finally, former journalist and George Mason professor Jerry Brito compares Bitcoin to 3-D manufacturing and drones' dual capacity for good and evil. Also notes that unlike Liberty Reserve, Bitcoin records all transactions, an obstacle for would-be criminals.

Murck talks about resistance Bitcoin businesses face from banks, basically saying they get a scarlet letter if they have the word Bitcoin anywhere in their documentation.

Murck: digital currencies remain a high-risk environment for most consumers.

The hearing ends. This was a huge step toward the mainstreaming of digital currencies like Bitcoin — and it seems likely Bitcoin will become the only game in town — and Bitcoin markets seem to view this as a bullish development.

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