



TRENDING
Hong Kong Central Bank Warns Against Bitcoin Following Alleged Scam



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Senate Bitcoin Hearing Discusses Legitimacy and Challenges of Virtual Currencies

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View the full video of the Senate Homeland Security and Governmental Affairs Committee hearing on virtual currencies [here](#).



Don't bother running from regulation, said an influential agency director at a [key government hearing](#) on Monday 18th November – because in the long term, there's nowhere to hide.

FinCEN director Jennifer Shasky Calvery warned virtual currency companies against fleeing US shores in the hope of more lenient regulatory frameworks elsewhere.

"If business is going to leave the United States based on perceived or actual regulatory burden, I always believe that they're going to find that gain short-lived," she said.

Calvery was responding to a question from [Senator Tom Carper](#), chair of the [Senate Homeland Security and Government Affairs Committee Hearing on Virtual Currency](#). He asked her about the danger of US companies leaving the US, and taking jobs and revenue with them, because of strict regulatory guidelines in the US.

"If this virtual payment system is going to survive and be a real player in the financial system, regulation is going to catch up, because it has to."

"Every country has an interest in protecting its financial system from illicit actors who launder money or move it on behalf of terrorist organisations, in collecting taxes and protecting investors and protecting consumers from fraud, and ensuring a stable economy," said Calvery.

"If this virtual payment system is going to survive and be a real player in the financial system, regulation, both at home and abroad, is going to catch up, because it has to."

The US participates in a [Financial Action Task Force](#), which is an inter-governmental body designed to harmonise policies on anti-money laundering legislation.

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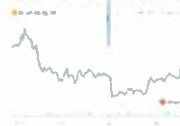
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Calvery's sentiment drew criticism from [Jerry Brito](#), a senior research fellow at the [Mercatus Center at George Mason University](#) and director of its Technology Policy Program, who also testified at the hearing.

"The danger is not that somebody who is trying to facilitate an illicit businesses will leave the US," he said. "The danger is that real hard-working entrepreneurs who are looking to comply just don't find a regulatory environment that is amenable here."

Patrick Murck, general counsel for the [Bitcoin Foundation](#), called for leadership in the banking industry to ensure that bitcoin companies were 'on-boarded', to avoid what he called a chilling effect on bitcoin in the US.

Those comments echo those of CoinDesk's own contributing editor and head of the Bitcoin Foundation [Jon Matonis](#), who [penned an op-ed](#) here over the weekend warning of weakening US influence in bitcoin trading.

At the federal level, government speakers suggested that current regulations were adequate. Across the board, the Department of Justice, FinCEN, and the Secret Service suggested that existing statutes were sufficient to regulate virtual currencies as they stood, and didn't suggest new legislation specifically for bitcoin or other decentralised digital cash.

Individual states were another issue. [Jeremy Allaire](#), founder of [Circle Internet Financial](#), highlighted challenges with how money transmission licences were granted in the US.

"There are a broad number of states, and divergent approaches that each state might take, and I do think that creates cost and complexity, and could be argued to be an unnecessary regulatory burden. But that is the system that we have." Allaire has already courted individual states in an attempt to negotiate operations there.

Allaire suggested that regulation was necessary in the virtual currency space, however, calling for a "higher bar" when dealing with financial services:

"Two guys can build a photo sharing app and put it on the web and get one billion users. I don't think it's appropriate that two guys should be able to build a financial services business and operate that without sufficient investment to protect consumers and society." He realized this when raising his \$9m in capital, he added.

Others warned of the need to "send a message" to users of black-market sites such as [Silk Road](#) that they cannot trust those sites. "There are many criminals migrating to hidden services on the Internet, and that has been a challenge for law enforcement," said [Mythili Raman](#), acting assistant attorney general for the US Department of Justice's Criminal Division.

"It can be frustrating to the public to see [another website pop up](#) after one that seems similar to it just having been taken down, but it is incredibly important for us to be taking those steps," she continued.






FinCEN's Calvery closed her own statements by calling the ownership of a banking license a privilege, providing great power.


"While innovation is a wonderful thing, and innovation in the financial services industry is incredibly important, it does come with obligations to have that entry and be a part of the US financial system," she added. "One of those obligations is to protect that system from illicit actors."

Calvery called on virtual currency operators to do three things. Firstly, register with FinCEN, she said. Secondly, put solid AML practices in place.

"And maintain records and provide certain reports to FinCEN, including suspicious activity reports," she concluded, pointing to existing players in the conventional fiat world. "They have all found a way to offer their services while maintaining those same protections."

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