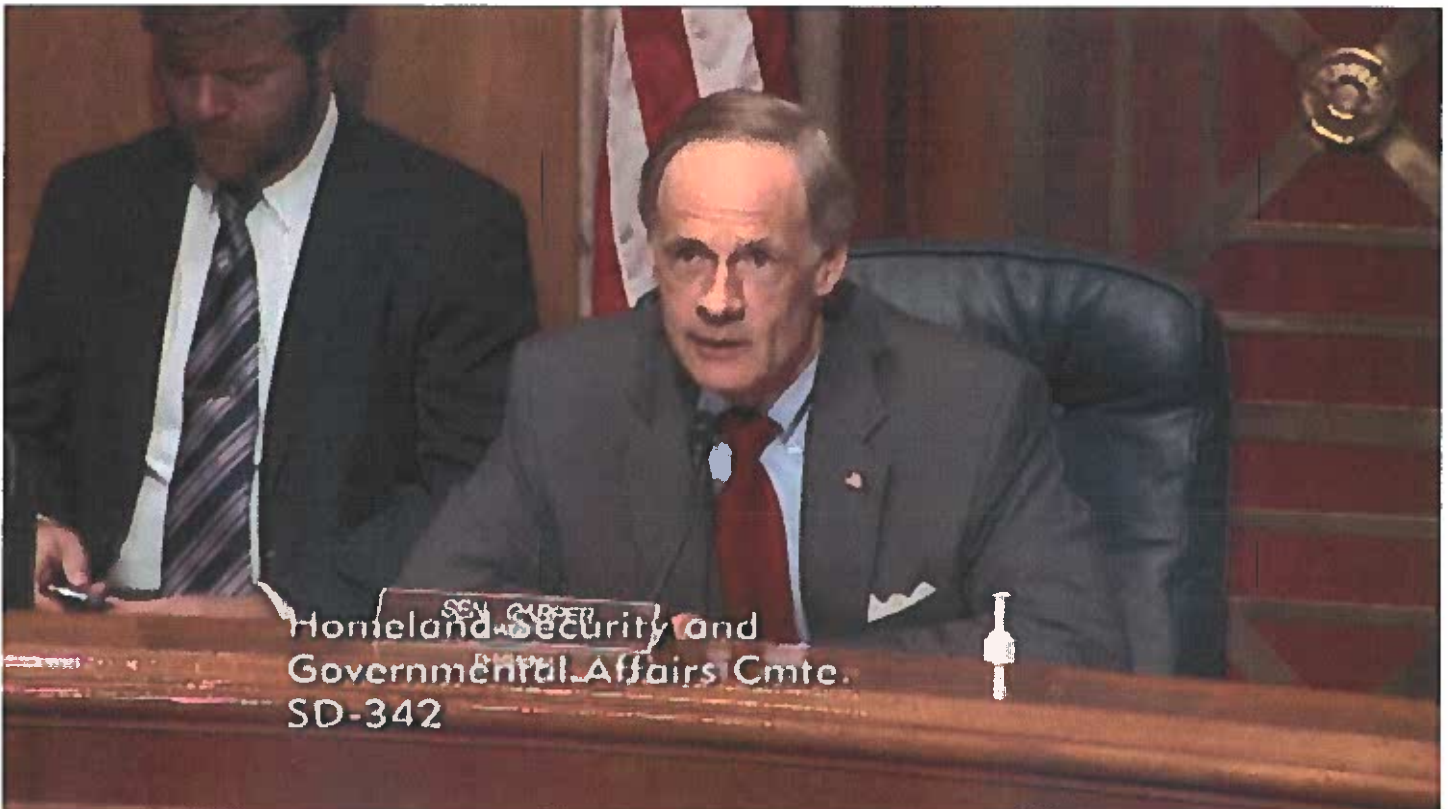


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# The Feds Embraced Bitcoin in the First-Ever Congressional Hearing on Virtual Currency

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Congress held its first-ever hearing on virtual currencies (<http://www.hsgac.senate.gov/hearings/beyond-silk-road-potential-risks-threats-and-promises-of-virtual-currencies>) this afternoon, and it may have been the best PR boost bitcoin's had yet. The tone at the hearing held before the Senate Homeland Security and Government Affairs Committee was overwhelmingly positive as the panel weighed the risks of the technology that grew out of the criminal underbelly of the web, with the potential economic value of the now-booming futurist money

(<http://motherboard.vice.com/blog/the-anatomy-of-a-bubble-charting-the-bitcoin-hype-machine>).

The prevailing sentiment over the two-hour deep dive into the pros and cons of the digital coins boiled down to this: We ought to uphold America's position as center of technical innovation by welcoming the new currency—but that can't be done without government safeguards and regulations. Chair of the Homeland Security committee, Sen. Tom Carper, went as far as to compare the fledgling currency to the invention of the internet: We were afraid the web would be used for illicit activity too, he said, but now it's enabled services like Google and Facebook and YouTube that clearly benefit people's lives.

***IF BITCOIN'S INTEGRATION INTO THE FINANCIAL MARKET IS BUNGLED, THE US COULD WIND UP HANDING OVER THE NEXT BIG MONEY-MAKING INNOVATION TO FOREIGN COUNTRIES.***

In other words, the Feds aren't blind to the fact that if bitcoin's integration into the financial market is bungled, the US could wind up handing over the next big money-making innovation to foreign countries. (The holidays are coming up!, Carper pointed out. People are buying presents with bitcoin!) And losing that global foothold is a legitimate worry; China has already surpassed Mt. Gox as the biggest bitcoin exchange, and the Bitcoin Foundation said it's considering moving its headquarters overseas.

The most likely way for the government to rain on bitcoin's parade is by implementing overly strict regulations that scare off potential entrepreneurs in the virtual currency industry—by perpetuating a futile game of whack-a-mole (<http://motherboard.vice.com/blog/all-is-pointless-in-the-online-front-of-the-war-on-drugs>) in the attempt to bust the Silk Road 2.0, 3.0, and on and on (<http://motherboard.vice.com/blog/if-silk-road-gets-shut-down-it-will-be-back-online-in-15-minutes>).

On that point, officials from the Department of Justice and US Secret Service acknowledged that they're cracking down on the virtual currency's use to enable contraband deals in credit card fraud, identity theft, child pornography, illegal drugs, assassins for hire, and so on. But at the same time, officials almost shrugged off the criminal risk, suggesting they had it under control.

The Justice Department seemed confident that digital currencies could integrate with current

laws like anti-money laundering regulations. Mythili Raman, the acting assistant Attorney General for the DoJ, said that law enforcement has proven itself to be nimble, and can keep up with the changing technology—alluding to Tor and other anonymous networks that mask the illicit activity of the deep web. The key, Raman said, is "to ensure we are innovating as criminals are innovating, and that we stay one step ahead of them."

On the other side of the coin, the government could poop on the bitcoin party by not embracing the crypto-currency at all—further cementing its reputation as a volatile flash in the pan. If there was any doubt that the establishment's view of bitcoin affects its value, today's hearing should wipe that out: As the pro-bitcoin rhetoric flowed out of Washington, the money's value shot way up—to \$750 during the hearing, up 42 percent from the day's start.

1 Bitcoin is now worth 737.4517 USD. Bitcoin has increased by 80.35069 USD in the last 10 minutes #bitcoin (<https://twitter.com/search?q=%23bitcoin&src=hash>) #btc (<https://twitter.com/search?q=%23btc&src=hash>)

— Bitcoin Market (@BitcoinMarket1) November 18, 2013 (<https://twitter.com/BitcoinMarket1/statuses/402551817055514624>)

Still, while Washington jumping on the bitcoin bandwagon is all well and nice, it won't mean much if that support doesn't trickle down to the banks. Today's hearing was simply meant to gather information to better understand the futurist money. Until any legislative action is taken, the real-world impact of bitcoin's rise will take place in the banks—and the banks are still terrified of the crypto-currency.

Up until now it's been extremely difficult for virtual currency startups to open or maintain bank accounts as soon as the word "bitcoin" is mentioned in the business description. "Saying bitcoin in a bank is like yelling fire in a theater," *Forbes* recently reported ([http://www.forbes.com/sites/kashmirhill/2013/11/15/bitcoin-companies-and-entrepreneurs-cant-get-bank-accounts/?utm\\_source=customfollowed&utm\\_medium=rss&utm\\_campaign=20131115](http://www.forbes.com/sites/kashmirhill/2013/11/15/bitcoin-companies-and-entrepreneurs-cant-get-bank-accounts/?utm_source=customfollowed&utm_medium=rss&utm_campaign=20131115)). That's because the unregulated digital coins still present a high risk for financial institutions, who can't be sure if they're facilitating funds for illegal transactions. In fact, the FDIC's latest guidance put bitcoin businesses in the same category as guns and fireworks.

"There's currently a chill in the banking industry," The Bitcoin Foundation's Patrick Murck said at

the hearing. He admitted the fledgling currency is still very new and should be considered high-risk at the moment, but that it's a hurdle that needs to be cleared (<https://bitcoinfoundation.org/blog/wp-content/uploads/2013/11/Bitcoin-Foundation-Written-Testimony-for-Senate-HSGAC-2013-11-18.pdf>) for the US to stay a global leader in the booming market.

In the meantime, the Treasury Department called on virtual currency providers to take it upon themselves to put controls in place to stop bitcoin's nefarious "bad actors"—for one, by registering with FinCEN (<http://www.fincen.gov/>), the agency's anti-money laundering agency and reporting any suspicious activity. According to the Feds, bitcoin is going to be a major player in the financial system, and regulation is bound to catch up—because it has to.

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