

New York Approves Nationwide Licensing Tool for Virtual Currency Business Activity Companies

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New York State has taken measures this year to modernize its approach to regulation for blockchain-based companies. Even before [Assembly Bill A8783B](#) established a government task force to study the effects of blockchain and digital assets on financial markets in the state, in October, the New York State Department of Financial Services (“NYDFS”) [announced](#) that it would allow companies engaged in “virtual currency business activity” (as defined in the New York State “[BitLicense](#)” requirements) to utilize the Nationwide Multistate Licensing System and Registry (“NMLS”) to apply for, update, and renew their operating licenses, including BitLicenses. The NMLS was created in 2008 by the Conference of State Bank Supervisors to act as a central licensing repository and has expanded over the past decade from servicing non-bank mortgage companies to including a variety of non-bank firms. The system is intended to allow for enhanced supervision, as license applications and registrations can be managed by a number of governmental agencies through NMLS. In addition to businesses engaged in virtual currency business activity, other nonbank financial institutions currently under the oversight of the NMLS platform include licensed check cashing companies, budget planners, sales finance agencies, money transmitter licensees, and mortgage providers.

This is a welcome development for the future of the BitLicense, which has been covered [here](#), [here](#), and [here](#). Back in 2015, the NYSDFS released its BitLicense rules and licensing requirements on companies conducting “virtual currency business activity” in New York State. The rules aimed to provide anti-money laundering protections, cybersecurity compliance, and other consumer protections without stifling innovation. As we discussed [here](#), the BitLicense has been criticized as involving an onerous, 31-page application and for apparent bottlenecks in the application process. Reportedly as a result of the issues surrounding the BitLicense regulations, BitFinex, Kraken, and other cryptoassets players left the state in what some have called the “[Great Bitcoin Exodus](#).” Currently, only fourteen operators have been granted a BitLicense, including nine so far in 2018. Among the recent licensees are [NYDIG Execution LLC](#) and [Coinsource, Inc.](#), which is the first NYSDFS virtual currency licensee to operate Bitcoin Teller Machines (currently operating 40 Bitcoin kiosks in New York).

While the NMLS does not eliminate the NYSDFS’ comprehensive and rigorous examination of BitLicense applications, the online registry should reduce the bottlenecks and improve the application process. Given that multiple states are attempting to act as trailblazers in blockchain and cryptoasset regulation in order to attract firms, the NYSDFS’ efforts to improve their licensing process is an important step to keep virtual currency business activity companies within the state.

If you are involved in a cryptocurrency business that involves New York or a New York resident, you should evaluate whether you need to apply for a BitLicense. Fortunately, if you do need to apply, the process may be less burdensome as a result of the NYSDFS’ acceptance of the NMLS.

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