New Jersey Legislators Take First Look At Virtual Currency's Regulatory System

**BNA Snapshot**

**New Jersey Virtual Currency Meeting**

**Key Takeaway:** Meeting featured wide range of speakers providing basic facts, sophisticated knowledge about currencies.

**Next Steps:** Assembly members told speakers to expect additional contact by Legislature.

By Stephen Joyce

Feb. 6—A New Jersey Assembly committee chairman is contemplating whether to introduce legislation to govern virtual currency use in his state.

Assembly member Craig Coughlin (D), chairman of the Financial Institutions and Insurance Committee, told Bloomberg BNA that the purpose of a Feb. 5 committee meeting was to learn more about virtual currencies, such as Bitcoin, and “how it applies to everyday life and whether we could or ought to look to regulate the industry.”

While he described the meeting as a “fact-finding exercise,” he also said the discussion was aimed at helping state legislators decide whether the industry “lends itself to being regulated.”

The Feb. 5 hearing occurred one day after the New York Department of Financial Services issued its eagerly anticipated “BitLicense” proposed rule, if finalized, would regulate “virtual currency business activity,” as defined by the proposal, that affects New York or New York residents (25 BBD, 2/6/15). No similar state regulation exists in the nation.

**Next Step May Be Regulation**

Some of the committee’s questions were highly sophisticated, while others focused on gleaning basic virtual-currency facts. Several virtual, or digital, currency specialists who addressed the committee told Bloomberg BNA that the questions indicated the lawmakers are considering whether New Jersey should deal with virtual currencies by introducing or amending state statutes.

People at the hearing said legislators had lots of questions; the meeting lasted nearly two-and-one-half hours, well past its expected length.

“"The questions that were asked were across the board and touched on most of the public policy issues of concern," Manatt Phelps & Phillips LLP partner and payments specialist Carol Van Cleef, told Bloomberg BNA Feb. 6. "They are looking at this from all different perspectives."

“The questions did not indicate too much about the direction [the legislators] are going to go, though overall, the tone of the panel was that they should do something to accommodate Bitcoin and digital currency businesses,” New York Law School professor Houman Shadab told Bloomberg BNA Feb. 6.

Many lawmakers were particularly interested in discussing consumer protection issues surrounding the use of virtual currencies, said Shadab, a committee meeting speaker who specializes in financial law and regulation.
Possible Legislative Action

Pillsbury Winthrop Shaw Pittman LLP counsel Marco Santori, another meeting speaker, told Bloomberg BNA on Feb. 5 that many legislator questions indicated that at least some New Jersey legislators are interested in pursuing some sort of legislative action.

While Coughlin said the decision to hold the meeting was unrelated to New York’s activity regarding virtual currencies—New York held two days of hearings on the issue in January 2014 and spent the remainder of the year drafting its initial BitLicense regulation issued July 23 and its revision of that initial proposal issued Feb. 4—others said New York’s push to establish a regulatory regime may have influenced committee actions.

“I think they are aware of what’s happening in New York, and I think they see an opportunity to take a leadership position,” Jerry Brito, executive director at Coin Center, a nonprofit research and advocacy organization, told Bloomberg BNA on Feb. 5. Brito, a speaker at the Feb. 5 committee meeting, said committee members told him they would be in contact with him in the future.

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