

Virtual Currencies

Gibson Dunn Webcast

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March 10, 2015

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- Most participants should anticipate receiving their certificate of attendance in three to four weeks following the webcast
- Virginia Bar members should anticipate receiving their certificate of attendance in six weeks following the webcast
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Agenda

- The Basics of Virtual Currencies and Their Evolution
- Federal Legislative Landscape
- Federal Regulatory Landscape
- State Landscape
- Virtual Currencies Abroad
- Federal Enforcement Actions
- What to expect in 2015





The Basics

What are Virtual Currencies?

- Virtual currencies are digital representations of value that function as a medium of exchange and that can be transferred, stored and traded electronically.
- They are decentralized peer-to-peer payment systems.
- The issuance of virtual currency is carried out collectively by a distributed network.
- Virtual currencies do not have legal tender status:
 - They are not a “fiat” currency;
 - They are not backed by any government; and,
 - They are not necessarily pegged to any fiat currency.
- Bitcoin and many other virtual currencies are “pseudonymous” as a transaction record of every Bitcoin and every Bitcoin user’s encrypted identity is recorded on a public ledger.



Are Virtual Currencies a Commodity, a Currency or a Medium of Exchange?

Bitcoin

- Bitcoin is the most prominent virtual currency
 - Created in 2009, it became the first successful virtual currency, although in the early years, illicit sites like Silk Road were the quickest to adopt it.
 - Current Market Capitalization: \$4.0 billion (was just over \$3 billion in early February)
 - Approximately 13.9 million of a possible 21 million coins have been “mined” or created.
- Tremendous Growth in 2014
 - Bitcoins are accepted by over 80,000 retailers, including significant companies such as Overstock.com, Amazon, Dish Network, Target, CVS, Home Depot, Dell and Expedia
 - Gift cards available through eGifter or Gyft
 - There are currently over 350 Bitcoin ATMs
 - Xapo—the world’s first debit card backed by Bitcoins—introduced summer of 2014



Evolution of Bitcoin – Price Volatility

- Early 2010: First traded for 0.3 cents each
- November 2013: Peaked over \$1200 per coin
- March 2015: Priced around \$290



“Alternative” Coins

- There are currently more than 600 “alt-coins”
 - Some exhibit technological innovations meant to advance the virtual currency ecosystem, including faster transaction times, increased security, and increased anonymity.
 - Some alt-coins have significant market capitalizations:
 - Top 10: Ripple, Litecoin, BitShares, Darkcoin, MaidSafeCoin, Dogecoin, NXT, Stellar, Peercoin, Paycoin



Ripple

- Second largest market capitalization behind Bitcoin: \$325 million.
- Ripple is a decentralized payment system and distributed currency exchange.
 - The Ripple protocol is “currency agnostic” (it seeks to support any currency).
- Ripple functions:
 - Path finding algorithm seeks the lowest bid/ask spread for a currency exchange over the Ripple network (market makers can join the network to offer liquidity).
 - XRP (its native alt-coin) can act as a “vehicle currency” to transfer value.
 - Users link to trusted gateways, which allow transfer between supported currencies.
- Ripple advantages:
 - Low cost transfer between currencies.
 - Much faster transaction/confirmation time than Bitcoin.

Ripple (Cont'd)

- Ripple challenges:
 - Requires adoption to generate exchange opportunities.
 - Potential security risks and trust risks due to irreversible transactions (users must select only “gateway” companies/exchangers they can trust).
- Ripple announced partnerships with the first 2 U.S. banks to adopt the protocol in September 2014:
 - CBW Bank in Kansas, and
 - Cross River Bank in New Jersey.

Virtual Currency Ecosystem Volatility

- As discussed, even the most established virtual currencies like Bitcoin experience significant price volatility.
- Virtual currencies also attract a large number of financial confidence schemes, fake businesses, illicit activities, and market manipulation.
- Virtual currency exchanges have been subject to significant cyberattacks:
 - February 2014: MtGox, the most popular Bitcoin exchange at the time, announced the loss of more than 850,000 Bitcoins (worth about \$470 million at the time). MtGox filed for bankruptcy and is facing lawsuits.
 - January 2015: BitStamp, one of the most popular Bitcoin exchanges, announces one of its storage wallets was compromised, resulting in the loss of about 19,000 Bitcoins (worth about \$5 million at the time).





The Federal Legislative Landscape

Federal Legislative Hearings

- There has been limited Congressional attention concerning virtual currencies to date.
- Only two committees have held hearings directly on the topic:
 - In November 2013, the Senate Committee on Homeland Security and Government Affairs held a hearing titled “Beyond Silk Road: Potential Risks, Threats, and Promises of Virtual Currencies.”
 - In April 2014, the House Committee on Small Business held a hearing titled “Bitcoin: Examining the Benefits and Risks for Small Business.”
- Virtual currencies have also been mentioned as part of the Q&A in other Congressional hearings by the Federal Reserve Chair, SEC Chair, CFTC Chair, and the Attorney-General.

Proposed Legislation

- Three efforts sponsored by Congressman Steve Stockman of Texas in the 113th Congress in 2014:
 - H.R. 4602 – “Virtual Currency Tax Reform Act” would authorize the IRS to treat virtual currencies as legal tender for tax purposes.
 - H.R. 5777 – “Cryptocurrency Protocol Protection and Moratorium Act” would authorize a 5 year moratorium on Bitcoin regulations
 - H.R. 5892 – “Online Market Protection Act of 2014” would add specific protection for “smart contract” platforms, calls for treatment of cryptocurrencies as “exempt commodities” akin to gold and silver, provides that federal and state agencies shall have no jurisdiction over cryptocurrency economy transactions.
- No proposed legislation advanced out of Committee in the 113th Congress.
- The Stockman-sponsored bills died in the last session of Congress and have not been reintroduced in the 114th Congress.



The Federal Regulatory Landscape





Questions from May 19, 2014 Senate Committee on Banking, Housing and Urban Affairs Letter to the SEC, Treasury, CFTC, Office of the Comptroller of the Currency, FDIC and Federal Reserve

How do virtual currencies fit within the U.S. payment processing system and the U.S trading markets?

What are your expectations of your supervised entities for Bank Secrecy Act compliance with regard to virtual currencies?

Does your agency have jurisdiction to supervise or regulate virtual currencies, and what actions, if any, does your agency plan to take or has taken in this area?

What is your perspective on how virtual currencies fit or should fit within the existing regulatory framework?

What is your perspective on how virtual currencies fit within the U.S. banking system?

The Securities and Exchange Commission



“[W]hether a virtual currency is a security under the federal securities laws, and therefore subject to our regulation, is dependent on the particular facts and circumstances at issue,” but “regardless of whether an underlying virtual currency is itself a security, interests issued by entities owning virtual currencies or providing returns based on assets such as virtual currencies likely would be securities and therefore subject to our regulation”

- SEC Chair Mary Jo White, in response to an inquiry from the Senate Committee on Homeland Security and Government Affairs (August 2013)



The SEC – Beginning to Take Action

- Advisory notices:
 - July 2013: Investor alert warning of Ponzi schemes and other potential scams using virtual currencies.
 - May 2014: Investor alert warning of risks of virtual currencies: heightened risk of fraud, limited recovery options in the event of fraud or theft, lack of insurance, a history of volatility, government regulation, and security concerns.
- Enforcement actions :
 - In actions against an alleged Bitcoin Ponzi scheme, the SEC determined that the Bitcoin investments at issue qualified as “investment contracts” and “securities.”
 - The magistrate judge in the related civil case also determined that “bitcoin can be used as money” and that investment of bitcoin by investors “provided an investment of money” and thus the interests sold were held to be securities.

U.S. Commodity Futures Trading Commission



“While the CFTC does not have policies and procedures specific to virtual currencies like bitcoin, the agency’s authority extends to futures and swaps contracts in any commodity . . . derivative contracts based on virtual currency represent one area within our responsibility.”

- CFTC Chairman Timothy Massad, Testimony before the Senate Committee on Agriculture, Nutrition & Forestry (December 10, 2014)



“The definition of ‘commodity’ under the CFTC’s authorizing statute could be read to include Bitcoin, in which case the CFTC would have authority to bring enforcement actions against anyone who attempts to manipulate the virtual currency.”

- CFTC Commissioner Mark Wetjen, Wall Street Journal article (November 13, 2014)

U.S. Commodity Futures Trading Commission

- CFTC has oversight over swaps, futures and options relating to Bitcoin and other virtual currencies.
- The Commodity Exchange Act also provides the CFTC with oversight over the cash market for Bitcoin and other virtual currencies to the extent that manipulation or fraud in those markets affects derivatives (futures, options or swaps).
- TeraExchange listed a U.S. dollar to Bitcoin non-deliverable forward contract (USD/XBT), which is based on an index of Bitcoin exchanges, on its CFTC-registered swap execution facility.
 - The USD/XBT contract is subject to the same rules as “swaps.”
 - Live trading began on October 8, 2014.
- LedgerX, LLC recently submitted applications to register a swap execution facility and a derivatives clearing organization that would list and clear, respectively, fully collateralized physically settled options on Bitcoin.

Financial Crimes Enforcement Network (FinCEN)

- In March 2013, FinCEN issued guidance on what categories of conduct by handlers of virtual currencies would cause such entities to qualify as money services businesses subject to FinCEN’s registration, reporting, and recordkeeping regulations:
 - Users of virtual currency to purchase real or virtual goods or services are **not** money services businesses;
 - Administrators and exchangers who (1) accept and transmit virtual currency or (2) buy or sell convertible currency **can** be a money services business.
- In October 2014, FinCEN issued two additional guidance letters regarding money services business classification:
 - Virtual currency trading and booking platforms (exchanges) must be licensed as money transmitters even if they only match buyers and sellers on the platform,
 - “a person is an exchanger and a money transmitter if the person accepts convertible virtual currency from one person and transmits it to another person as part of the acceptance and transfer of currency, funds, or other value that substitutes for currency.”

Financial Crimes Enforcement Network (FinCEN) (Cont'd)

- Second guidance letter on October 27, 2014 clarified that:
 - Virtual currency payment processors that provide currency-based payments to merchants wishing to receive payment for goods or services sold in a currency other than the legal tender of their jurisdiction are also money transmitters.
 - The fact that the processor uses its own cache of virtual currency to pay the merchant does not affect this classification.
- Implications of FinCEN guidance:
 - Will likely increase costs for operators in these spaces as money transmitter licenses are costly to obtain and maintain;
 - Virtual currency exchange platforms and payment processors characterized by MSBs will likely be subject to additional reporting and compliance requirements pursuant to the Bank Secrecy Act as well as other MSB requirements.

Internal Revenue Service

- In Notice 2014-21, the IRS clarifies that virtual currency will be treated as property, not currency, for U.S. federal tax purposes.
- The Notice confirmed that tax liability and reporting obligations can result from:
 - Sale of virtual currency;
 - Exchange of virtual currency;
 - Use of virtual currency to pay for goods or services in a real-world economy transaction:
 - Receipt of Virtual Currency in Exchange for Goods or Services (including “mining” virtual currency): must include in gross income the US dollar fair market value;
 - Exchange of virtual currency for other property: must report gain or loss depending on the fair market value of the property received; and
 - Exchange of virtual currency for services: fair market value paid by employer as remuneration for services are “wages.”

Internal Revenue Service (Cont'd)

- As part of the enhanced IRS review of offshore accounts, experts believe that the IRS may soon require taxpayers to report virtual currency accounts held in foreign exchanges on the Report of Foreign Bank and Financial Accounts.
 - Foreign virtual currency exchanges may eventually be considered foreign financial institutions that must report accounts to the IRS under the Foreign Account Tax Compliance Act.
- It is important to note, however, that the IRS has not taken an official stance on this topic, and the current IRS policy treats virtual currency as property rather than currency.



Consumer Financial Protection Bureau

- On August 11, 2014, the CFPB published a consumer advisory warning on the risks of virtual currencies, including: volatile exchange rates, hacking, scams, their “experimental nature,” high exchange rates and transaction fees, the risk of losing private keys, the importance of knowing with whom virtual currency transactions are being conducted and a lack of government insurance of virtual currency wallets.
- The CFPB has indicated that it will accept complaints on virtual currency products and services, including exchange services or online digital wallets.
- CFPB’s analysis of the applicability of existing regulations to virtual products and services is ongoing.
- On November 13, 2014, the CFPB proposed new rules to expand consumer protections in the prepaid card market, including rules regarding disclosure requirements and protections against overdraft fees.
 - Proposed rules could apply to virtual currency products.

Federal Reserve

- The Federal Reserve has not taken action regarding virtual currencies:



“There’s no intersection at all, in any way, between Bitcoin and banks that the Federal Reserve has the ability to supervise and regulate. So the Fed doesn’t have authority to supervise or regulate Bitcoin in any way.”

- Federal Reserve Chair Janet Yellen, Testimony before the Senate Committee on Banking, Housing and Urban Affairs (February 27, 2014)

- While the Federal Reserve has taken a strong stance, Chair Yellen has also indicated that it is her understanding that existing statutes and regulations are sufficient to enable the Department of Justice and FinCEN to take action against those using virtual currencies to facilitate illegal activities and money laundering.

Federal Election Commission

- In May 2014, the FEC issued an Advisory Opinion:
 - Political committees may accept Bitcoin donations;
 - Bitcoin donors may not remain anonymous;
 - PACs must sell the Bitcoins and convert them to dollars prior to their deposit into an official campaign account; and
 - Bitcoins may not be used by PACs to acquire goods and services.
- A very small minority of political campaigns have accepted Bitcoins:
 - One count identified 28 Bitcoin-accepting campaigns for the 2014 midterm election.
 - Bitcoin is accepted by the national Libertarian Party.



The Landscape at the State Level

New York Department of Financial Services (NY DFS)

- New York has taken the most proactive stance on regulation and has proposed the first regulatory framework for virtual currencies.
- In July 2014, the proposed framework released for public comment, and over 3,700 comments were received.
- Proposed “BitLicense” required for firms engaged in:
 - Receiving or transmitting virtual currency on behalf of customers;
 - Securing, storing, or maintaining custody or control of such virtual currency on behalf of customers;
 - Performing retail conversion services;
 - Buying and selling virtual currency as a customer business; and
 - Controlling, administering, or issuing a virtual currency.

NY DFS “BitLicense”

- Proposed requirements include:
 - Maintaining specific capital requirements;
 - Protecting customer assets;
 - Seeking approval prior to any action that would result in a change of control of a licensee;
 - Submitting reports and financial statements;
 - Establishing an anti-money laundering program;
 - Establishing a cybersecurity program; and
 - Maintaining a business continuity and disaster recovery plan.

NY DFS “BitLicense” (Cont’d)

- On February 25, 2015, DFS released revised proposed regulations; a 30-day public comment period will follow.
- Revisions included:
 - Clarification about what entities are subject to licensing requirements;
 - Details on a transitional BitLicense—a two-year license with eased requirements—for startups and small companies;
 - Allowing licensees to apply for a determination that certain parties (e.g., angel investors) should not be deemed “control parties;”
 - A shortened recordkeeping period—from ten years to seven years;
 - Allowing a broader range of financing, including virtual currencies, to satisfy capital requirements; and
 - Elimination of the requirement that addresses and transaction data be obtained from all parties to a transaction.

Conference of State Bank Supervisors (CSBS)

- In February 2014, the CSBS created the Emerging Payments Task Force (Task Force) to study virtual currencies and engage with a broad range of stakeholders.
- In April 2014, the Task Force and the North American Securities Administrators Association (NASAA) issued the Model State Consumer and Investor Guidance on Virtual Currency
 - Designed to assist state regulatory agencies in providing the consumer with information about virtual currency
 - Warns of risks including volatility, theft, and lack of regulations; and reinforces the IRS ruling that virtual currencies are not legal tender
 - Several states have adopted some version of the Model Guidance, and many more have released their own versions of consumer and investor warnings regarding virtual currencies

CSBS (Cont'd)

- In December 2014, the Task Force issued for public comment a draft Model Regulatory Framework for virtual currencies:
 - Echoes themes in NY DFS BitLicense;
 - Suggests state licensing and supervision requirements for businesses that:
 - Exchange virtual currency for sovereign currency or other types of virtual currency;
 - Transmit virtual currencies; and
 - Facilitate the third-party exchange, storage, or transmission of virtual currencies.
 - Suggests specific areas for state regulations including: implementing licensing requirements and systems, requiring compliance with the Bank Secrecy Act/Anti-Money Laundering regulations, requiring recordkeeping and access to records, requiring consumer protection policies, and providing authority for supervisory and enforcement actions.

Other State Action

- States are taking varied stances on the applicability of state money-transmission laws to virtual currency businesses.
- Texas:
 - Virtual currencies will not be considered legal tender.
 - Exchange of virtual currencies for sovereign currency will not be considered currency exchange under the Texas Finance Code.
 - Most virtual currency exchanges that do business with Texas consumers will be subject to state licensing rules for their money wiring services.
- Washington:
 - Exchanging virtual currencies for sovereign currencies or for other virtual currencies is “money transmission” and subject to state licensure.

Other State Action (Cont'd)

- California:
 - In June 2014, it became the first state to affirmatively legalize the use of virtual currencies in transactions in the state (AB 129).
 - Department of Business Oversight:
 - State agency responsible for licensing and overseeing California money transmitters
 - Has been discussing virtual currencies since November of 2013.
 - Held a meeting in mid-December to examine the application of current law to virtual currencies, and the DBO continues to examine whether and how to regulate virtual currencies in the best interest of consumers.
 - On January 27, 2015, the Commissioner stated the Department “has not decided whether to regulate virtual currency transactions, or the businesses that arrange such transactions, under the state’s Money Transmission Act”
 - On February 27, 2015, the chairman of the California State Assembly’s Banking and Finance Committee introduced a bill that would bring virtual currency businesses under the state’s Money Transmission Act



Virtual Currencies Abroad

Foreign Virtual Currency Landscape

- Much interest and discussion, but so far few laws and regulations.
- Many countries are conducting inquiries and determining tax status of virtual currency transactions.
- European Union
 - European Central Bank (ECB) started analyzing in 2011, with a report published in 2012 that concluded virtual currency schemes fall within central banks' responsibility; updated report published February 2015
 - ECB is taking a supervisory role, monitoring the extent to which the financial institutions it supervises are involved with virtual currencies and assessing related risks
 - European Banking Authority issued a Warning to consumers in December 2013 followed by an Opinion on virtual currencies in July 2014
 - European Securities and Markets Authority (ESMA) is monitoring the breadth of the virtual currency market and the investment products/services providing exposure to virtual currencies
 - EUROPOL has called for police to be given increased power for AML efforts

Foreign Virtual Currency Landscape (Cont'd)

- China:
 - In December 2013, the Chinese central bank and four other regulatory bodies jointly issued the “Notice on Precautions Against the Risks of Bitcoins”:
 - Defines Bitcoin as a “virtual commodity” and found it was not a currency, and therefore should not be circulated and used in the market at such; and
 - Banks and payment institutions in China may not deal in Bitcoins.
 - But in March 2014, the Chinese central bank clarified that it was not prohibiting trading in virtual currencies.
- Russia:
 - Russia’s Finance Ministry drafted a bill, released in October 2014, that if enacted would effectively ban virtual currencies.
 - The draft bill calls for fines on citizens and businesses who issue, create, or disseminate information leading to the creation or use of virtual currencies.
 - The Finance Ministry has suggested that the bill could be passed in the Spring of 2015.

Other Countries are Exploring Options (Cont'd)

- Canada:
 - June 2014: virtual currencies businesses are “money service businesses” under Canadian anti-money laundering law.
 - As a result, companies will be required to register with the Financial Transactions and Reports Analysis Centre of Canada, implement compliance programs, maintain records and report suspicious or terrorist-related property transactions and determine if any of the customers are “politically exposed persons.”
 - The law also applies to virtual currency exchanges outside Canada that “direct services at persons or entities in Canada.”
- Brazil:
 - Has enacted legislation addressing virtual currencies, but is still evaluating whether to formally regulate them.
 - In April 2014, announced that, like the IRS, it will tax Bitcoin capital gains in a manner similar to other securities.

Federal Enforcement Actions



Securities and Exchange Commission

- In July 2013, the SEC charged Trendon Shavers of Texas with defrauding investors in a Bitcoin-denominated Ponzi scheme (Bitcoin Savings & Trust):
 - Raised at least 700,000 Bitcoins
 - BS&T and Shavers ordered to pay a combined \$40.7M
 - September 2014: final judgment entered
- In February 2014, the SEC announced a 2-week suspension of trading for Imogo Mobile Technologies—a company developing a mobile platform for Bitcoin—“because of questions that have been raised about the accuracy and adequacy of publicly disseminated information concerning, among other things, [the company’s] business, revenue, and assets.”
- And, in June 2014, the SEC fined Bitcoin entrepreneur Erick Voorhees in connection with two offerings of unregistered securities valued in Bitcoin:
 - Voorhees published prospectuses online and actively solicited investors to buy shares using Bitcoin.

Department of Justice

- In November 2014, the U.S. Attorney for the S.D.N.Y. announced the unsealing of a criminal complaint against Trendon Shavers, the operator of Bitcoin Savings & Trust.
 - Complaint alleges securities fraud and wire fraud for operating Bitcoin Savings & Trust as a Ponzi scheme and collecting approximately \$4.5M in Bitcoin payments from investors.



Joint Enforcement Actions

- In November 2014, the Department of Justice, the United States Attorney’s Office for the Southern District of New York, the Federal Bureau of Investigation, Homeland Security Investigations, Drug Enforcement Administration, Internal Revenue Service, Bureau of Alcohol, Tobacco, Firearms and Explosives, Secret Service, U.S. Marshals Service, the Department of Treasury’s Office of Foreign Assets Control, and law enforcement agencies of approximately 16 foreign nations took action against over 400 Tor sites—websites accessed via a protocol that allows for user anonymity.
 - Sites included Silk-Road 2.0 and dozens of other “dark market” websites.
 - Blake Benthall—26 year old computer programmer from San Francisco—was arrested and is alleged to have been the operator of the site at the time of seizure.



Joint Enforcement Actions (Cont'd)

- Original Silk Road prosecutions:
 - In September 2014, Charles Shrem and Robert Faiella entered guilty pleas for their involvement in the original Silk Road scheme.
 - Mr. Shrem was accused of using his company, BitInstant, to exchange dollars into Bitcoin which were in turn sold by Mr. Faiella to individuals who wanted to use the laundered funds to purchase drugs in dark markets.
- Auction of the Bitcoins from the original Silk Road
 - Over 144,000 Bitcoins were seized from the alleged owner and operator of Silk Road, Ross William Ulbricht.
 - In June 2014, the U.S. Marshals Service auction nearly 30,000 Bitcoins (worth approximately \$17 million at the time of auction).
 - In December 2014, the U.S. Marshals conducted the second auction of 50,000 Bitcoins (worth approximately \$18 million at the time of auction).
 - On March 5, 2015, the U.S. Marshals conducted the third auction of 50,000 Bitcoins (worth approximately \$13.5 million at the time of auction).

Federal Trade Commission

- Butterfly Labs:
 - They are a manufacturer of Bitcoin mining hardware; rapid obsolescence makes this hardware decline in practical value very quickly.
 - September 2014, the FTC filed a complaint and requested a temporary restraining order alleging that consumers who ordered machines either never received their order or received orders only after significant delay.
 - District Court for the Western District of Missouri granted the TRO.
 - October 2014, an interim agreement allowed the company to partially reopen.
 - November 2014, a federal judge heard testimony on whether to grant the FTC's motion for a preliminary injunction.
 - January 2015, the company resumed operations and began a program of customer refunds.
- Other companies have drawn customer lawsuits, but not yet FTC attention:
 - Two mining hardware manufacturers, with similar allegations to Butterfly Labs.
 - One virtual currency exchange accused of having lax security and of losing coins from customers' accounts.



Virtual Currencies: What to Expect in 2015

2015 – Continued Challenges and Opportunities

- Continued growth and acceptance by mainstream retailers.
- Ongoing use for illicit activities.
 - At the time of its seizure, Silk Road 2.0 was only the 3rd largest “dark market.”
- Ongoing security concerns.
 - On January 4, 2015, virtual currency storage wallets at BitStamp were compromised, resulting in a reported \$5 million loss of funds.
- Ongoing volatility.
 - Bitcoin’s price dropped from \$314 to \$263 in two days over the New Year weekend, and then from \$270 to \$177 two weeks later.
- Increased regulation at the federal and state levels.
 - Most notably, the revised BitLicense is expected to be implemented in 2015.
 - Increased enforcement activities.

2015 – Continued Challenges and Opportunities

- Increased innovation: “Crypto 2.0” and other applications of block chain technology to things other than currency.
 - The “block chain,” the cryptographically-secured, public ledger on which Bitcoin is based is being further developed (and may be the most important innovation).
 - Potential developments:
 - Ripple and other financial transmission infrastructure;
 - Escrow through multi-signature transactions;
 - Decentralized identity verification for electronic signatures or reputation-based services;
 - Decentralized registries for property or other information;
 - “Smart contracts” – self-executing computer programs that can automatically execute once conditions are met:
 - Automatically unlock digital goods upon receipt of payment,
 - “Internet of things” integration: unlock a rental property via electronic payment;
 - Decentralized organizations: use of block chain technology to distribute and automate organization rights such as voting, dividends, and equity.

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