

Top New York Regulator Calls Crypto an Important Potential Alternative to Current Financial System

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Linda Lacewell, New York Department of Financial Services superintendent, considers cryptocurrency an important innovation that deserves support from regulators.

During a recent virtual summit on The Evolution of Banking hosted by the Cato Institute, leading policymakers and experts discuss how regulators can best foster innovations that will benefit consumers through policy.

Linda Lacewell, in particular, talks about the importance for regulators to stand back, allowing entrepreneurs to lead innovations especially in the crypto industry.

“So, I think that cryptocurrency is very important as an innovation and as a potential alternative to some aspects of the financial system. The reason I like it is that it’s organic, it’s been developed and over time, it has become more sophisticated... When you have the Fidelity’s of the world coming in, looking for some type of a BitLicense from us, you know that things have really changed. We can’t say it’s on the fringe anymore.”

Since taking over the NYDFS in 2018, Lacewell has made a number of changes to expedite the licensing process for startups looking to break into the crypto space in New York. To do this, the agency created a conditional license specifically designed to remove the heavy licensing costs for startups. Instead, of applying for a full BitLicense, the conditional license will allow startups to partner with existing licensees to operate legally in the Big Apple.

“My own view is we want to generate the conditions for innovation. But I don’t have the ideas for innovation, I know what our priorities are. But the people who have the ideas are the entrepreneurs.... We want to see to it that the innovation develops.”

In addition, Lacewell has pushed to allow licensed companies to self-certify virtual currencies. To foster innovation, NYFDS has partnered with the State University of New York, which will allow anyone to collaborate with innovators and entrepreneurs on projects and ideas.

“Since the industry has grown and matured, you shouldn’t have to come to us every time you have to list a coin... you shouldn’t have to come to us every time you need a license.”

On top of providing a legitimate alternative to the financial system, Lacewell believes that cryptocurrency shows what smart, innovative people can do.

“We have to foster industry and innovation, it’s critical now to build back better, and it’s critical also to make sure there is consumer protection. We need to continue to work together, states and federal regulators, especially now.”