

# The New York Times

## Former S.E.C. Chairman to Advise Two Prominent Bitcoin Companies

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Since it was introduced more than five years ago, Bitcoin has been viewed as a way to operate outside the realm of the existing financial system and the laws that govern it. But more recently, Bitcoin companies have been luring the financial establishment into their ranks.

In what virtual currency supporters say is a sign that the Bitcoin industry is maturing, several well-known financial and legal experts have joined Bitcoin companies.

The latest, and arguably most prominent, is Arthur Levitt Jr., the longest-serving chairman of the Securities and Exchange Commission, who will serve as an adviser to BitPay, the Bitcoin payment processor, and Vaurum, an exchange for institutional investors. The moves were announced on Tuesday.

“The brainpower behind Bitcoin technology and cryptocurrency is so deep and so challenging that I was attracted to it,” Mr. Levitt said in an interview. “The fact that so few people in America understand what Bitcoin is made me interested in the possibility of helping define it.”

Mr. Levitt, who is 83, ran the S.E.C. from 1993 to 2001. He is on the board of Motif Investing, an online investing platform, and Bloomberg L.P. and has also served as an adviser to Goldman Sachs and the private equity firm Carlyle Group. Mr. Levitt said he aims to help both BitPay and Vaurum build their businesses and encourage them to be transparent with regulators.

“I personally believe that a company that deals with regulation has kind of a good housekeeper seal of approval,” Mr. Levitt said. “Even though some in the industry believe that this space shouldn’t be regulated, I think a mature industry that really is an international factor must have the transparency that regulation can bring to it.”

Mr. Levitt’s decision to advise BitPay and Vaurum comes as Bitcoin is at something of a crossroads in its development. As the virtual currency has become more popular, government officials and regulators have started taking steps to bring it under their purview. Among others, the Internal Revenue Service, the S.E.C. and the Financial Industry Regulatory Authority have all acknowledged Bitcoin’s growing presence in the mainstream. A number of highly publicized

failures, like the collapse of Mt. Gox in February, have made the need for more stringent oversight especially apparent.

Still, formal regulations have been somewhat slow to take hold. The New York Department of Financial Services, for instance, proposed rules for virtual currency companies in July. The initial comment period on the regulations ended last week after the department bowed to pressure from the Bitcoin industry to extend the time allowed for the public to submit their views on the rules.

In the meantime, Bitcoin companies have begun to bring on government insiders and well-known legal experts to help them navigate the uncertainty. Coinbase, for example, recently hired John Collins, a former adviser to the Senate Homeland Security and Government Affairs Committee, as its head of government affairs. Mr. Collins, who focused on digital currency, will work with lawmakers and public officials on policy decisions related to virtual money. In September, Blockchain retained Marco Santori, a business lawyer in New York, as global policy counsel.

Part of the reason Bitcoin companies are adding these types of experts in-house is because they want to work closely with government officials to write rules that will allow for Bitcoin's continued success. Because digital currency is relatively unfamiliar, the Bitcoin industry is wary that regulations could go too far and stanch future innovation. Others recognize that regulations, if written with appropriate guidance, would discourage shady Bitcoin businesses, which could make everyday consumers more willing to use the virtual currency.

“Well-formulated regulation can help because you don't want everyone to start a Bitcoin business,” said Jim Harper, a senior fellow at the Cato Institute and an original member of the Department of Homeland Security's data privacy and integrity advisory committee, who joined the Bitcoin Foundation as global policy counsel earlier this year. “We want the Bitcoin ecosystem to be one that's safe to use.”