

FEBRUARY 26, 2014

# MANCHIN DEMANDS FEDERAL REGULATORS BAN BITCOIN

Washington, D.C. – Today, U.S. Senator Joe Manchin (D-W.Va.) sent a letter to federal regulators seeking a ban on Bitcoin, the virtual currency that is unregulated and unstable, and has been used in illicit activity, including drug trafficking and money laundering. Senator Manchin expressed concerns about the negative effect Bitcoin could have on America's economy if this crypto-currency remains unregulated. The letter was sent to Secretary Lew, Chairwoman Yellen, Commissioner Curry, Acting Chairman Wetjen, Chairman Gruenberg, and Chairwoman White.

[Please read the full text of Senator Manchin's letter below.](#)

Dear Secretary Lew, Chairwoman Yellen, Commissioner Curry, Acting Chairman Wetjen, Chairman Gruenberg, Chairwoman White:

I write today to express my concerns about Bitcoin. This virtual currency is currently unregulated and has allowed users to participate in illicit activity, while also being highly unstable and disruptive to our economy. For the reasons outlined below, I urge regulators to take appropriate action to limit the abilities of this highly unstable currency.

By way of background, Bitcoin is a crypto-currency that has gained notoriety in recent months due to its rising exchange value and relation to illegal transactions. Each Bitcoin is defined by a public address and a private key, thus Bitcoin is not only a token of value but also a method for transferring that value. It also means that Bitcoin provides a unique digital fingerprint, which allows for anonymous and irreversible transactions.

The very features that make Bitcoin attractive to some also attract criminals who are able to disguise their actions from law enforcement. Due to Bitcoin's anonymity, the virtual market has been extremely susceptible to hackers and scam artists stealing millions from Bitcoins users. Anonymity combined with Bitcoin's ability to finalize transactions quickly, makes it very difficult, if not impossible, to reverse fraudulent transactions.

Bitcoin has also become a haven for individuals to buy black market items. Individuals are able to anonymously purchase items such as drugs and weapons illegally. I have already written to regulators once on the now-closed Silkroad, which operated for years in supplying drugs and other black market items to criminals, thanks in large part to the creation of Bitcoin.

That is why more than a handful of countries, and their banking systems, have cautioned against the use of Bitcoin. Indeed, it has been banned in two different countries—Thailand and China—and South Korea stated that it will not recognize Bitcoin as a legitimate currency. Several other countries, including the European Union, have issued warnings to Bitcoin users as their respective governments consider options for regulating or banning its use entirely. While it is disappointing that the world leader and epicenter of the banking industry will only follow suit instead of making policy, it is high time that the United States heed our allies' warnings. I am most concerned that as Bitcoin is inevitably banned in other countries, Americans will be left holding the bag on a valueless currency.

Our foreign counterparts have already understood the wide range of problems even with Bitcoin's legitimate uses - from its significant price fluctuations to its deflationary nature. Just last week, Bitcoin prices plunged after the currency's major exchange, Mt. Gox, experienced technical issues. Two days ago, this exchange took its website down and is no longer even accessible. This was not a unique event; news of plummeting or skyrocketing Bitcoin prices is almost a weekly occurrence. In addition, its deflationary trends ensure that only

speculators, such as so-called “Bitcoin miners,” will benefit from possessing the virtual currency. There is no doubt average American consumers stand to lose by transacting in Bitcoin. As of December 2013, the Consumer Price Index (CPI) shows 1.3% inflation, while a recent media report indicated Bitcoin CPI has 98% deflation. In other words, spending Bitcoin now will cost you many orders of wealth in the future. This flaw makes Bitcoin’s value to the U.S. economy suspect, if not outright detrimental.

The clear ends of Bitcoin for either transacting in illegal goods and services or speculative gambling make me weary of its use. The Senate Homeland Security and Governmental Affairs Committee issued a report just this month stating, “There is widespread concern about the Bitcoin system’s possible impact on national currencies, its potential for criminal misuse, and the implications of its use for taxation.” Before the U.S. gets too far behind the curve on this important topic, I urge the regulators to work together, act quickly, and prohibit this dangerous currency from harming hard-working Americans.

Sincerely,

U.S. Joe Manchin III

United States Senator