



VIA E-MAIL

January 27, 2020

Linda A. Lacewell
Superintendent
New York State Department of Financial Services

Re: Proposed Guidance Regarding Adoption or Listing of Virtual Currencies

Dear Superintendent Lacewell:

We appreciate the opportunity to comment on the “Proposed Guidance Regarding Adoption or Listing of Virtual Currencies” by the New York State Department of Financial Services (“DFS”), released on December 11, 2019 (the “Proposed Guidance”). Paxos Trust Company, LLC (“Paxos”) supports and welcomes both elements of the Proposed Guidance: the proposed list of permitted coins, on which we are grateful and proud to have our Paxos Standard token included, and the proposed model framework for coin listing or adoption.

As you may know, in 2015, Paxos (then known as itBit) became the first New York State chartered limited purpose trust company to receive approval from the DFS to specifically engage in virtual currency activities. Since then, Paxos has been proudly innovating and serving consumers in the virtual currency space in a safe and regulated manner.

The Proposed Guidance will allow Paxos to continue to innovate and further serve New York consumers as it provides clarity and efficiency to Paxos’ already existing virtual currency evaluation procedures. For this reason, we support the Proposed Guidance.

We write with two suggestions: First, we suggest that all DFS-approved tokens be included on the proposed list of permitted coins that all VC licensees may adopt without prior approval of DFS. The initial proposed list includes Paxos Standard and Gemini Dollar; we suggest the addition of the two other coins that have already been approved by DFS -- BUSD and PAX Gold -- which are issued by Paxos and remain subject to the ongoing supervision of DFS.

Second, we suggest that DFS provide additional clarity on what criteria will qualify a coin for consideration to be added to the list of permitted coins, and we suggest that you consider utilizing the following criteria:

- The risk factors identified in DFS's Proposed Model Framework for the Creation of Company Coin-Listing Policies; plus:

- Regulated status of the issuer;
- Availability of blockchain monitoring; and
- Specifically for asset-backed tokens:
 - Security of the underlying assets, including how and where they're held, and whether they're bankruptcy remote;
 - Regular audits confirming that the underlying assets equal or exceed the face value of the tokens outstanding; and
 - Ease and availability of redemption for the underlying asset.

Paxos expects to continue to innovate and to create more coins that will enable our customers to mobilize more assets at the speed of the internet. We will always strive to have these coins meet the most exacting safety and soundness standards and would hope that each would therefore be included on the list of permitted coins. Clarity on the criteria for inclusion on the list will enable us to continue to strive for and meet these criteria.

Thank you for your consideration. Please do not hesitate to reach out if you have any questions.

Yours truly,



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