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## BitLicense? Here Are Some Tips to Get Started

Original:

<https://www.btcc.com/en-US/academy/crypto-basics/bitlicense-here-are-some-tips-to-get-started>

**Anyone who wishes to conduct regulated cryptocurrency related transactions in or with parties in the state of New York must have a BitLicense. In this guide, you can find out what it is, why you want to create it, and how to get it.**

When bitcoin (BTC) was created in 2008, there was no way to predict the future of this digital currency. However, with the development of cryptocurrency, the regulatory demand for bitcoin is obvious, because due to the lack of regulation, it has attracted some criminals, fraud organizations and tax evaders. Therefore, BitLicense appears.

BitLicense is a business license for virtual currency activities issued by the New York State Department of financial services (nydfs) under special regulations designed for the company. BitLicense performs a wide range of cryptocurrency regulatory functions in New York, including cryptocurrency transmission, exchange services and digital asset management.

Anyone who wishes to conduct regulated cryptocurrency related transactions in or with parties in the state of New York must have a BitLicense. However, the payment can be made by an individual.

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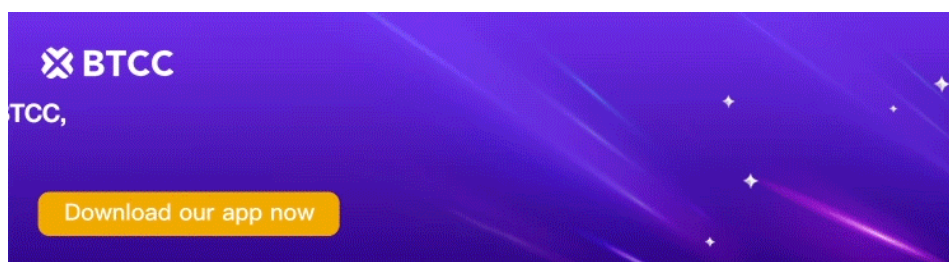
## Background of Crypto Regulatory Guidelines

Cryptocurrency faces a long and bumpy road in the process of climbing the peak of the financial industry. One of the biggest challenges along the way is the lack of trust in the technology by governments and financial regulators.

Cryptocurrency technology defies regulation because of its nature. Its decentralized principle ensures anonymity in transactions. It is not surprising that so many governments are so opposed to the idea of cryptocurrency.

The lack of standardization means that cryptocurrency can be used for many illegal activities, such as money laundering and tax evasion. Decentralization means that there is no management organization, resulting in the general lack of security of investors' funds. These problems need to be solved in order to make cryptocurrency truly trusted in most countries.

BitLicense is the first similar cryptocurrency supervision guide. However, after it, some regulatory frameworks and legislation have sprung up, such as FINMA license in Switzerland or FCA license in Europe.. Many countries, even those with a good relationship with cryptocurrency in history, are beginning to realize the importance of regulation.



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## How is BitLicense Generated?

As early as November 2013, nydfs held a public hearing on the supervision of virtual currency for the first time. At that time, it first proposed BitLicense. In July 2014, nydfs released details of BitLicense, including a list of proposed rules and regulations for bitcoin trading in New York.

The acceptance of BitLicense proposal has changed the pattern of encryption economy in 2015. More than 20 companies applied, Paxos, a cryptocurrency company, won the first trust charter and bitcoin wallet, and circle Internet Financial Limited won the first BitLicense. However, 10 cryptocurrency companies stopped all activities in New York in protest against legislation they considered unfair.

Since coming to the field of encryption economy, nydfs has only issued BitLicenses to 25 encryption entities. These lucky few are well-known and trusted names in the field of cryptocurrency. It is worth noting that companies such as coinbase (NASDAQ: coin), Gemini and bittrex have been rejected on the grounds of insufficient security and legitimacy.

## BitLicense Application Process

The process of obtaining a BitLicense can be daunting for new applicants. It is quite difficult and expensive, with an initial cost of \$5000. The licensee and the applicant stated that time allocation, legal fees and other fees could bring this amount to \$100000, depending on the size of the cryptocurrency entity.

Parties interested in obtaining BitLicense first apply to the national multi state licensing system and registry (nmls), a secure online registry that processes and manages state licenses. Applicants fill out a company application form and they can submit it only once. They will then receive an nmls login, which is used by the designated primary account administrator to access nmls, submit relevant documents to state regulators, and manage the company information in the registry.

The approval process can prove arduous, especially for small companies or cryptocurrency start-ups. It includes a 30 page application, a 4-page list of required documents, a 44 page list of regulations, a number of fees to be paid, and additional information collected. However, nydfs does not intend to complicate this process and recognizes the need to simplify the approval process. They are working

out a conditional license to allow trade. At the same time, the company has completed the approval procedure of BitLicense.



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## Requirements for Applicants

The target control list of BitLicense is very long, and those who want to obtain it must meet all requirements. These requirements are as follows.

- BitLicense requires the company to comply with all applicable federal and state fiscal policies and have documented compliance policies.
- The licensee must maintain a specific and determined amount of assets to ensure its financial stability and sustainable operation. Considering the company's records and conditions, the nydfs supervisor determined this amount.
- The licensee must maintain a US dollar security deposit or trust account to protect the client's assets and funds. The nydfs supervisor also decided on this amount.
- Regulators must also approve changes in business models, services, products, corporate control, mergers or partnerships. The supervisor must also approve all commercial activities. The licensee must maintain records, accounting books and other similar documents of all accounts or transactions dating back at least 7 years. In addition, they must be ready to provide these documents to nydfs at any time.
- The permit holder must be subject to regular inspections and inspections and submit financial reports and audited financial disclosures. These submissions and inspections shall be conducted alternately quarterly, annually and twice a year. They should focus on examining finance and practices to determine whether the licensee is in good financial condition and complete compliance with all regulations.
- The AML and Cybersecurity plan must be in place, which means the implementation of the KYC plan and the chief information security officer. The licensee must provide information to the New York state monetary authority in the event of fraudulent transactions, hacking attacks and data breaches. This provision also extends to business continuity and disaster recovery plans.
- Licensees must disclose all risks related to their products and services before trading, so as to adjust their advertising and marketing to protect the interests of consumers. They must also display the words "license issued by the New York State Department of financial services to engage in virtual currency business activities".

## BitLicense Framework Highlights

The process of obtaining BitLicense is time-consuming and laborious. However, once the license is

obtained, the company will get some incidental benefits. First, it can protect them from unnecessary litigation and fraudulent investors. Secondly, it provides special licenses for companies involved in the following activities.

- Transmit digital currency.
- Storage or safekeeping of digital currency
- Buying and selling virtual currency includes exchanging virtual currency for legal tender.
- Operate virtual currency exchange.
- Issue virtual currency.

In short, BitLicense is the green light for legal cryptocurrency activities protected at the state level.



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## Conclusion

When the BitLicense system came, many cryptocurrency enthusiasts believed that the regulatory framework was stifling and unconstitutional. However, one cannot deny the effectiveness of BitLicense in protecting the interests of investors. The framework has eliminated companies with poor business models, opaque finances and platforms full of swindlers.

Nydfs continues to revise the framework of BitLicense. It is trying to make the approval process simpler and clearer. Nydfs has allowed conditional licenses to make the application process easier for small businesses. In addition, it is continuing its efforts to include more cryptocurrency entities in the regulatory framework.