Twitter Thread by Hong Fang (OKCoin)



Hong Fang (OKCoin)
@hfangca



On Dec 18th, FinCEN announced a proposed rule that will require collection of personal information for transactions of >$3,000 sent to self-hosted wallets. https://t.co/h1GT64oOqo

We are very concerned about this proposal @OKCoin.

Key takeaways below:

1/ The results seem to be pre-determined.

Transparency and full public participation is needed for sound policy making on complex topics like this. However, with a shortened 15d window (holiday included) vs standard 60d, we are not getting a genuine opportunity to participate.

2/ Cyber-crime is not unique to crypto. An FBI report in June said that daily digital crime has risen 75% since March.

No evidence indicates that illicit crypto activity has risen disproportionally to threaten national security that warrants such a rush.

3/ A unique nature of #bitcoin is to transmit value without intermediary.

This is revolutionary in human history and will greatly promote financial inclusion and freedom. It would also lead to innovations and paradigm shifts that we cannot imagine today.

4/ This is the “responsible innovation” that sound policy making is supposed to protect.

It is also very nascent that needs very careful and thoughtful policy-making.

5/ However, if this proposed rule on self-hosted wallets is implemented, FINCEN registered exchanges will be forced to either non-comply or significantly increase the friction w/r/t self-hosted wallets, which are the major medium where such innovations actually happen.

6/ It is essentially slamming the door closed on crypto-related innovation in US.

7/ This proposed rule won't succeed in "protecting national security".

Good guys will have increased burden of compliance, less access to the system, and potential risk of data leakage.

Bad guys can off-ramp in other jurisdictions, which weakens law enforcement.

8/ Nor can this proposal be practically implemented without unintended consequences:

9/ There are fundamental differences between crypto and banking system.

The former being decentralized in nature (and by design), and therefore does not have a centralized, secure messaging network like SWIFT for Travel Rule compliance by banks.

10/ In other words, there is no practical tools available yet that allows effective identity checking while protecting individual privacy.

11/ Most concerningly, such a proposal is a serious infringement on our privacy and constitutional rights.

It would force crypto exchanges to store and hand over customer information automatically, every time, while today law enforcement has to subpoena to get such information

12/ Such monitoring may be needed where intermediaries are indispensable.

But when we are building a more sovereign financial world where trust is built into code and enabled through smart contracts, people are entitled to their financial privacy when using self-hosted wallets

13/ Like many others in the industry, we find it to be our social responsibility to have our voices heard.

14/ There are sensible voices among policy-makers, as demonstrated by @CynthiaMLummis. https://t.co/RDxcWZLWFB

We hope that sound policy-making can finally prevail.

> A hallmark feature of digital assets, like #BTC, is the ability to conduct transactions w/out an intermediary. This promotes financial inclusion and freedom. A rule adopted at this juncture would be a solution in search of a problem. More pressing BSA-related issues exist. (7/8)
>
> — Cynthia Lummis (@CynthiaMLummis) December 18, 2020

15/ End.