

ORAL STATEMENT OF
BITPAY CFO BRYAN KROHN
BEFORE THE
CONFERENCE OF STATE BANK SUPERVISORS EMERGING PAYMENTS TASK FORCE
“VIRTUAL CURRENCIES”

MAY 16, 2014

Thank you Commissioner Cotney, Distinguished Members of the Task Force and the State Banking Commissioners for the opportunity to speak with you today.

My name is Bryan Krohn and I am the Chief Financial Officer of BitPay.

I appreciate the Task Force's interest in the commercial and international trade uses of virtual currencies, and for reaching out to the community to better understand the opportunities and risks that virtual currencies present.

BitPay was formed in May 2011 and we have been operating for over three years now, which makes us pretty old in the Bitcoin space. During this time we have acquired over 30,000 merchants to accept bitcoin with

our service. Our merchants include small, medium and large-sized businesses in every State, who accept bitcoin side-by-side with credit cards and other forms of payment.

At BitPay, our role in the bitcoin ecosystem is very close to that of the traditional merchant acquirers in the credit card space. Our software helps merchants clear and settle transactions over the bitcoin network. BitPay is not an exchange, BitPay is not a bitcoin bank, and we do not have any consumer-facing services. Consumers have no risk of loss from our service.

BitPay is committed to being a good corporate citizen. We employ a strict Know Your Customer (KYC) policy to protect against Money Laundering. Our KYC Policy follows the best practices of traditional

credit card merchant acquirers. We need to know who our merchants are and what they are selling. We only want the good actors using our service.

Bitcoin does have risks, as do other traditional forms of payment.

Criminals use cell phones, email, U.S. Dollars and banks. BitPay shares the Task Force's policy goals to protect consumers from fraud, and keep money launderers away from our businesses.

We implement a risk based approach for merchant acquisition as recommended by FinCEN, BSA, and The Patriot Act. This approach provides increased CIP/KYC due diligence as the merchant daily sales volume increases. Identification and verification of business structure, contact information and compliance with legal and allowable transactions

under US law are always collected. Personal interviews by BitPay are required at the highest levels. Ongoing monitoring of the merchant's transactions ensures visibility into potential money laundering and CFT activities. In summary, BitPay's policies and procedures are guided by the existing regulations that have served the financial communities well, and we will continue to track and comply with all existing and future regulations and recommendations.

Guidance from the IRS, Department of Treasury, Department of Justice, and SEC have all established that those dealing with them must simply follow existing tax laws and anti-money-laundering regulations.

Bitcoin is still in its infancy. It is much like the Internet in the early 1990s. If we look 10-20 years in the future, we will see many companies

built upon bitcoin-related technology. We want those companies to be based in America, creating jobs in America, and building a revenue base and tax base in America.

I commend the Task Force for recognizing the real, practical uses of virtual currencies and the potential future applications of this technology.

Thank you again for the opportunity to speak today.