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FEDERAL ELECTION COMMISSION
Washington, DC 20463

AGENDA DOCUMENT NO. 14-24-B
AGENDA ITEM
For meeting of May 8, 2014
SUBMITTED LATE

May 7, 2014

MEMORANDUM

TO: The Commission

FROM: Lisa J. Stevenson *LJS by AN*
Deputy General Counsel

Adav Noti *AN*
Acting Associate General Counsel

Robert M. Knop *RMK*
Assistant General Counsel

Jessica Selinkoff *JS*
Attorney

Subject: AO 2014-02 (Make Your Laws PAC) – Draft C

Attached is a proposed draft of the subject advisory opinion.

Members of the public may submit written comments on the draft advisory opinion. We are making this draft available for comment until 9:00 am (Eastern Time) on May 8, 2014.

Members of the public may also attend the Commission meeting at which the draft will be considered. The advisory opinion requestor may appear before the Commission at this meeting to answer questions.

For more information about how to submit comments or attend the Commission meeting, go to <http://www.fec.gov/law/draftaos.shtml>.

Attachment

1 ADVISORY OPINION 2014-02

2

3 Sai

DRAFT C

4 Make Your Laws PAC, Inc.

5 122 Pinecrest Rd.

6 Durham, NC 27705

7

8 Dear Sai:

9 We are responding to the advisory opinion request you submitted on behalf of
10 Make Your Laws PAC, Inc. (“MYL”) concerning MYL’s proposed acceptance, purchase,
11 and disbursement of bitcoins under the Federal Election Campaign Act of 1971, as
12 amended (the “Act”), and Commission regulations. The Commission concludes that
13 MYL may accept bitcoins, as described below. The Commission also concludes that
14 MYL may purchase bitcoins, but MYL must sell the bitcoins it purchases and deposit the
15 proceeds into its campaign depository before spending those funds. The Commission
16 could not approve a response by the required four affirmative votes as to whether MYL
17 may acquire goods and services with bitcoins it receives as contributions.

18 ***Background***

19 The facts presented in this advisory opinion are based on your advisory opinion
20 request dated February 10, 2014 (“AOR”), email dated February 21, 2014 (“AOR
21 Supplement”), and public disclosure reports filed with the Commission.

22 MYL is a nonconnected political committee that registered with the Commission
23 in September 2012. MYL has notified the Commission that it maintains a non-
24 contribution account.¹ MYL wishes to accept contributions of up to a total of \$100 in
25 bitcoins for both its contribution and non-contribution accounts.

¹ See Press Release, FEC Statement on *Carey v. FEC*: Reporting Guidance for Political Committees that Maintain a Non-Contribution Account (Oct. 5, 2011), <http://www.fec.gov/press/press2011/20111006postcarey.shtml>.

1 *Bitcoin*

2 Bitcoin is a privately issued currency that was created in 2009.² Bitcoins are
3 purely digital, “exist[ing] only as a long string of numbers and letters in a user’s
4 computer file.”³ Bitcoins “act as real world currency in that users pay for real goods and
5 services . . . with bitcoins as opposed to U.S. dollars or other government issued
6 currencies.”⁴ A user transfers bitcoins from the user’s online bitcoin “wallet”
7 (essentially, an encrypted computer file) either to other users, to merchants who accept
8 bitcoins as payment, or through “[t]hird-party exchanges [that] allow bitcoin users to
9 exchange their bitcoins back to government-issued currencies.”⁵ The value of bitcoins is
10 established by exchanging them for goods or services or for U.S. dollars or other
11 currency. There are numerous online exchanges on which potential buyers and sellers of
12 bitcoins post “bid” and “ask” prices akin to those on securities or commodities
13 exchanges.

14 Each bitcoin transaction is public in that it is added to a “block chain,” which is a
15 public ledger of all bitcoin transactions ever made. *See* AOR at 2. Although bitcoin
16 transactions, identified by the addresses to and from which bitcoins are transferred, are
17 public in the block chain, the transactors are not identified. *Id.* Indeed, a bitcoin user’s
18 real-life identity, IP address, and even country of operation “cannot be reliably traced to a

² U.S. Gov’t Accountability Office, GAO-13-516, Virtual Economies and Currencies 5 (2013),
available at <http://www.gao.gov/assets/660/654620.pdf> (“GAO Report”).

³ *Id.*

⁴ *Id.*

⁵ *Id.*; *see also* Fed. Reserve of Chicago, Chicago Fed Letter 317, Bitcoin: A Primer 2 (Dec. 2013),
available at [http://www.chicagofed.org/digital_assets/publications/chicago_fed_letter/2013/cfldecember2013_317.p](http://www.chicagofed.org/digital_assets/publications/chicago_fed_letter/2013/cfldecember2013_317.pdf)
df (“Fed Letter”) (describing bitcoin wallets).

1 real human by an auditor of ordinary technical skill.” *Id.* at 3-4 & n.5. Moreover, a
2 bitcoin user may control any number of bitcoin addresses. *Id.* at 3. The requestor
3 indicates that “[k]nowing that a given [b]itcoin transaction comes from a specific person
4 depends primarily on asking them and just trusting their response.” *Id.* at 4.

5 *MYL’s proposal*

6 MYL wishes to accept up to a total of \$100 in bitcoins as contributions to its
7 contribution and non-contribution accounts pursuant to a detailed proposal, the relevant
8 portions of which are discussed herein. MYL proposes to accept bitcoins only through an
9 online form on which each bitcoin contributor, regardless of the proposed contribution
10 amount, will have to provide his or her name, physical address, occupation, and
11 employer. Additionally, MYL intends to require each bitcoin contributor to affirm that
12 he or she owns the bitcoins (individually, or jointly with a spouse) that he or she will
13 contribute. MYL also intends to require each bitcoin contributor to affirm that he or she
14 is not a foreign national. MYL represents that only after a bitcoin contributor has
15 provided identity and ownership information, and associated affirmations, will MYL send
16 that contributor a one-time-only “linked address” — a bitcoin address that identifies the
17 individual transaction — to use to send the bitcoins.⁶ MYL proposes to accept only \$100
18 worth of bitcoin per contributor per election (as identified using the practices just
19 described). *See* AOR Supplement.

⁶ MYL represents that it will retain records of: its own bitcoin addresses, including each linked address; the contributor to which each linked address is linked; the bitcoin addresses of those with whom it has made transactions; and MYL’s bitcoin transactions in the block chain. MYL represents that it will hold such records, and make them available to the Commission, as it would other records.

1 MYL also proposes to purchase bitcoins on open, high-volume bitcoin exchanges.
2 Once MYL has acquired bitcoins (whether by contributions received or by purchase), it
3 proposes to either sell them for dollars, hold them for later sale, or disburse them in
4 bitcoin form to pay administrative expenses such as salary, server and website costs,
5 food, office supplies, and travel.⁷ In the receipt, purchase, and sale of bitcoins, MYL
6 represents that it might use a bitcoin transaction intermediary, such as Coinbase or
7 BitPay. AOR at 7, 9. In conducting its bitcoin transactions, MYL intends to pay normal
8 transaction fees to its processors. For those bitcoins MYL sells for dollars, MYL
9 represents that it intends to deposit the proceeds into its campaign depository account
10 within 10 days of liquidation.

11 *Questions Presented*⁸

12 Based on the facts presented above, the requestor asks questions concerning:
13 (1) the receipt of bitcoins as in-kind contributions; (2) the purchase of bitcoins; (3) the
14 sale and disbursement of bitcoins; and (4) the reporting of bitcoin receipts and
15 transactions.

16

⁷ MYL states that it does not intend to disburse bitcoins for independent expenditures, solicitation costs, contributions to other committees, or other non-administrative expenses. AOR at 9.

⁸ In a comment on drafts of this advisory opinion, MYL wrote that it “request[s] clarification as to how this [opinion] applies to earmarks, which we expect to constitute the majority of our activity.” See Make Your Laws PAC, Comment at 5-6 (Apr. 21, 2014). However, MYL’s advisory request neither posed this question nor provided facts concerning it. Thus, this opinion does not address MYL’s receipt of bitcoin contributions earmarked for others. See 11 C.F.R. § 112.1 (setting out requirements for complete and qualified advisory opinion requests).

1 ***Legal Analysis and Conclusions***

2 The Commission concludes that the requestor may accept bitcoin contributions as
3 proposed in its Advisory Opinion Request and supplemental filings subject to valuation
4 and reporting procedures similar to those that the Commission has previously recognized
5 in analogous circumstances. The Commission further concludes that the requestor may
6 purchase bitcoins with funds from its campaign depository for investment purposes but
7 may not make disbursements using those purchased bitcoins because Commission
8 regulations require the committee’s funds to be returned to a campaign depository before
9 they are used to make disbursements. The Commission could not approve a response by
10 the required four affirmative votes as to whether MYL may acquire goods and services
11 with bitcoins it receives as contributions.

12 ***A. Receipt of Bitcoin Contributions***⁹

13 The Act defines a “contribution” to include “any gift, subscription, loan, advance,
14 or deposit of money or anything of value made by any person for the purpose of
15 influencing any election for Federal office.” 2 U.S.C. § 431(8)(A)(i); *see also* 11 C.F.R.
16 § 100.52(a). “Anything of value” includes “all in-kind contributions.” *See* 11 C.F.R.
17 § 100.52(d)(1). The Commission concludes that bitcoins are “money or anything of
18 value” within the meaning of the Act and that MYL may accept contributions as it
19 proposes pursuant to the identification, deposit, and valuation procedures described
20 below.¹⁰

⁹ This section addresses MYL’s question 1 (“May MYL PAC receive Bitcoins as an in-kind contribution” assuming that MYL “acts in accordance with [its] proposed framework?”).

¹⁰ The Commission acknowledges that government agencies, courts, and others are grappling with complex questions regarding whether virtual and other private “currencies” are “money” and whether and

1 *I. Contributor Eligibility, Bitcoin Deposits, and Refunds*

2 A committee treasurer is “responsible for examining all contributions received for
3 evidence of illegality and for ascertaining whether contributions received, when
4 aggregated with other contributions from the same contributor, exceed the contribution
5 limitations.”¹¹ 11 C.F.R. § 103.3(b); *see also* 2 U.S.C. § 432(c)(1)-(3). Within 10 days
6 of receipt of a contribution, a treasurer may return the contribution to the contributor
7 without having deposited it; otherwise, a treasurer must deposit the contribution into a
8 campaign depository. 11 C.F.R. § 103.3(a); *see also* 2 U.S.C. § 432(h). A campaign
9 depository is an account at a state bank, a federally chartered depository institution
10 (including a national bank), or a depository institution with accounts insured by certain
11 federal agencies. 2 U.S.C. § 432(h); 11 C.F.R. § 103.2. If, after deposit, the contribution
12 cannot be determined to be from a legal source, the treasurer must refund the contribution
13 within 30 days of the receipt of the deposit or the discovery of the illegality (if not
14 initially apparent upon receipt). 11 C.F.R. § 103.3(b)(1)-(2).

how virtual currency should be subject to law. *See, e.g., SEC v. Shavers*, No. 4:13-CV-416, 2013 WL 4028182, at *2 (E.D. Tex. Aug. 6, 2013); Internal Revenue Service, Notice 2014-21 (2014), *available at* <http://www.irs.gov/pub/irs-drop/n-14-21.pdf>; U.S. Dep’t of the Treasury, FIN-2013-G001, Financial Crimes Enforcement Network, Guidance: Application of FinCEN’s Regulations to Persons Administering, Exchanging, or Using Virtual Currencies (2013), *available at* http://fincen.gov/statutes_regs/guidance/pdf/FIN-2013-G001.pdf; Craig K. Elwell *et al*, Cong. Research Serv., R43339, Bitcoin: Questions, Answers, and Analysis of Legal Issues (2013), *available at* <http://www.fas.org/sgp/crs/misc/R43339.pdf> (providing an overview of Federal, state, and international legal issues); Fed Letter. The Commission expresses no opinion regarding the application of federal securities law, tax law, or other law outside the Commission’s jurisdiction to MYL’s proposed activities.

¹¹ A committee treasurer must also keep account of, among other things, all contributions the committee receives, the name and address of any person who makes any contribution in excess of \$50 along with the date and amount of such contribution, and certain additional information regarding any person who makes contributions aggregating to more than \$200 during a calendar year. *See* 2 U.S.C. § 432(c)(1)-(3); 11 C.F.R. § 110.4(c).

1 In its request, MYL recognizes its obligation to determine its contributors’
2 eligibility and the legality of contributions it receives. MYL proposes to employ several
3 bitcoin-specific safeguards to meet its obligations despite the potentially anonymous
4 nature of bitcoin transactions. MYL indicates that it will provide a unique linked address
5 by which an individual may make a bitcoin contribution only after that contributor
6 provides his or her name, physical address, and employer, and affirms that the
7 contributed bitcoins are owned by him or her and that the contributor is not a foreign
8 national. In this way, MYL’s proposed safeguards are similar to those the Commission
9 recognized in previous advisory opinions.¹² Accordingly, the Commission concludes that
10 MYL’s proposal, including the contributor attestations and linked addresses, adequately
11 addresses MYL’s obligations to determine the eligibility of its contributors as required by
12 the Act and Commission regulations.

13 Once MYL provides its contributor with a linked address to which to send the
14 bitcoin contribution, MYL proposes to receive the contribution in its bitcoin wallet.
15 Because a bitcoin wallet is not held at a state or federal bank and is not insured by any
16 government agency, it does not meet the criteria of a “campaign depository.” *See* 2
17 U.S.C. § 432(h).¹³

¹² *See, e.g.*, Advisory Opinion 1995-09 (NewtWatch); Advisory Opinion 2012-17 (Red Blue T LLC, ArmourMedia, Inc., and m-Qube, Inc.). The Commission emphasizes that MYL must comply with its responsibility to determine the eligibility of its contributors and the legality of the contributions it receives in all respects, including through the examination of contributions that “present genuine questions as to whether they were made by . . . foreign nationals, or Federal contractors . . .” 11 C.F.R. § 103.3(b); *see also* 11 C.F.R. § 110.20. This obligation continues even after receipt or deposit of the contribution. 11 C.F.R. § 103.3(b). Nothing in this advisory opinion should be construed to relieve MYL of these requirements.

¹³ The Commission has concluded that securities accounts and similar brokerage accounts do not qualify as campaign depositories, even if the account-holder can disburse funds directly from them. *See* Advisory Opinion 2000-30 (pac.com) (securities account); Advisory Opinion 1986-18 (Bevill) (“cash

1 Notwithstanding the requirement that a committee deposit all receipts in a
2 campaign depository, section 104.13(b) of the Commission’s regulations establishes
3 procedures for political committees to receive and report contributions of “stocks, bonds,
4 art objects, and other similar items to be liquidated” at a later date. The Commission has
5 concluded that this provision implicitly allows a committee to accept such assets as
6 contributions and hold those assets (for more than 10 days) as investments outside
7 campaign depositories until later sale. Advisory Opinion 2000-30 (pac.com) at 8 (citing
8 Advisory Opinions 1989-06 (Boehlert) and 1980-125 (Cogswell)). For example, when a
9 committee receives stock as a contribution, the Commission does “not require the
10 liquidation of the stock within any set time period after its receipt by the committee; nor
11 [does] it require the deposit of the proceeds in the committee’s depository account within
12 any prescribed period.” *Id.* at 5 (discussing Advisory Opinion 1989-06 (Boehlert)).

13 The Commission concludes that contributions of bitcoins, like the contributions
14 discussed in section 104.13(b), need not be deposited in a campaign depository within 10
15 days of receipt. Like securities that a political committee may receive into and hold in a
16 brokerage account, bitcoins may be received into and held in a bitcoin wallet until the
17 committee liquidates them.¹⁴

18 Holding bitcoins in a bitcoin wallet does not relieve MYL of its obligations to
19 return or refund a bitcoin contribution that is from a prohibited source, that exceeds the
20 contributor’s annual contribution limit, or that is otherwise not legal. *See* 2 U.S.C.

management account”).

¹⁴ The Commission could not agree by the requisite four votes whether the requestor may disburse bitcoins initially received directly into its bitcoin wallet. *See infra* Section C.

1 § 441a(a)(1)(C); *see also* 11 C.F.R. §§ 103.3(a), 110.1(d), 110.2(d). The Commission
2 has previously determined that a committee may return an excessive contribution “either
3 in the form given,” or in a dollar amount “equal to the excess” of the contribution when it
4 was received. Advisory Opinion 1980-125 (Cogswell); *see also* 11 C.F.R. § 103.3(b)(3).
5 Accordingly, MYL’s proposal (AOR at 7) to refund the dollar equivalent of a bitcoin
6 contribution, when required by law to make a refund or return, satisfies this requirement.
7 The refund amount, including for any excessive portion of the contribution, should be
8 calculated by the valuation methods discussed below.

9 *2. Bitcoin Valuation*

10 Like foreign currencies and some public stocks, bitcoins can be exchanged for
11 U.S. dollars on multiple public exchanges. Although bitcoins do not have closing times
12 or prices — because bitcoin exchanges generally operate 24 hours per day — the going
13 rate for bitcoins generally can be determined on a specific exchange at any given
14 moment. The availability of public exchange rates provides an objective method of
15 determining the value of bitcoin contributions. Thus, the Commission concludes that a
16 political committee that receives a contribution in bitcoins should value that contribution
17 based on the market value of bitcoins at the time the contribution is received.¹⁵ *Cf.* 11
18 C.F.R. § 104.13(a) (providing that amount of contribution is “equal to [its] usual and
19 normal value on the date received”).

¹⁵ The date of receipt of a contribution is the date the committee obtains possession of the contribution. 11 C.F.R. § 102.8(a). The Commission has previously determined that a contribution made by electronic credit card authorization is “received” when the committee receives the contributor’s authorization to charge the card. *See, e.g.,* Advisory Opinion 2012-17 (Red Blue T) at 6; Advisory Opinion 1990-04 (American Veterinary Medical Association) at 2-3; *see also* Advisory Opinion 1995-34 (Politechs). Following that reasoning, the Commission concludes here that a bitcoin contribution is “received” when the committee receives notice either of the authorization or of the completion of the transfer, whichever such notification comes first.

1 To determine this market value, the committee should first rely on any
2 contemporaneous determination provided by the entity that processes the bitcoin
3 contribution. If that processor provides an exchange rate for the specific transaction in
4 question — or if the committee opts to receive a bitcoin contribution from its processor in
5 the form of dollars — the committee should use this rate or dollar amount to value the
6 contribution.

7 If, however, a contributor makes a contribution through an entity that does not
8 provide an exchange rate for that contribution (or if no processor is involved in the
9 transaction), then the recipient committee may value the contribution using another
10 reasonable exchange rate of bitcoins for dollars. For an exchange rate to be reasonable, it
11 should be a publicly available rate of bitcoins traded for dollars on a high-volume public
12 bitcoin exchange that is open to transactions within the United States. For each bitcoin
13 transaction, the committee should use the rate established by the chosen exchange closest
14 in time to receipt of the contribution for the transaction being valued.

15 ***B. Bitcoin Purchases***¹⁶

16 MYL also proposes to purchase bitcoins, either on open, high-volume exchanges
17 or through bitcoin payment processors.¹⁷ Under Commission regulations, “funds may be
18 transferred from the [committee’s campaign] depository for investment purposes, but
19 shall be returned to the depository before such funds are used to make expenditures.” 11
20 C.F.R. § 103.3(a). In several prior advisory opinions, the Commission concluded that a

¹⁶ This section, in conjunction with Part C below, addresses MYL’s question 2 (“May MYL PAC purchase and sell Bitcoins?”).

¹⁷ Although MYL does not specify the source of funds for such purchases, the Commission presumes that such purchases will be made with funds from MYL’s campaign depository.

1 committee could invest its funds in a variety of liquid investment vehicles. *See, e.g.,*
2 Advisory Opinion 1999-08 (Specter) (mutual and bond funds); Advisory Opinion 1986-
3 18 (Bevill) (cash management account); Advisory Opinion 1980-39 (Fluor PAC)
4 (investment trust). Accordingly, the Commission concludes that MYL may use funds in
5 its campaign depository to purchase bitcoins for investment purposes. The Commission's
6 regulations provide that funds transferred from the committee's campaign depository for
7 investment purposes "shall be returned to the depository before such funds are used to
8 make expenditures." 11 C.F.R. § 103.3(a). The Commission has previously concluded
9 that 11 C.F.R. § 103.3(a) prohibits a political committee from making expenditures with
10 liquid assets it has purchased with funds from its campaign depositories. *See* Advisory
11 Opinion 1986-18 (Bevill); Advisory Opinion 1999-08 (Specter).

12 Consistent with these prior determinations, the Commission concludes that
13 MYL's proposal to purchase goods or services with bitcoins that MYL has purchased
14 using funds removed from its campaign depository is not permissible under Commission
15 regulations. MYL must sell those purchased bitcoins and deposit the proceeds in its
16 campaign depository before using the funds to make disbursements for goods and
17 services.

18 ***C. Bitcoin Sales and Disbursements***¹⁸

19 MYL proposes to either sell its bitcoins or disburse bitcoins to purchase goods
20 and services. MYL represents that when it sells bitcoins, it will deposit the dollar
21 proceeds in its campaign depository within 10 days of liquidation. As discussed above,

¹⁸ This section addresses MYL's question 2 ("May MYL PAC purchase and sell Bitcoins?"), 3 ("May MYL PAC disburse Bitcoins?"), 3a ("May it do so with Bitcoins it received as contributions as well as purchased Bitcoins?"), and 3b ("May it accept ordinary discounts offered by providers?").

1 the Commission concludes that such sale and deposit would satisfy the campaign
2 depository requirement at 11 C.F.R. § 103.3(a). The Commission could not approve a
3 response by the required four affirmative votes as to whether MYL may purchase goods
4 and services with bitcoins it has received as contributions.

5 ***D. Reporting***¹⁹

6 *1. Bitcoins Purchased by MYL*

7 The earnings (or losses) realized upon the sale of any bitcoins purchased from
8 funds transferred from a campaign depository must be reported like other investment
9 earnings or losses. *See* 2 U.S.C. § 434(b)(3)(G); 11 C.F.R. §§ 104.3(a)(3),
10 104.3(a)(4)(vi); Advisory Opinion 1999-08 (Specter); Advisory Opinion 1986-18
11 (Bevill). Such earnings and losses should be valued as discussed above and should be
12 reported on Form 3X, Schedule A, Line 17 (with losses as a negative entry).

13 *2. Bitcoins Received by MYL as Contributions*

14 Bitcoins share certain characteristics of contributions governed by two different
15 regulatory reporting provisions: 11 C.F.R. § 104.13(a), which addresses the reporting of
16 most in-kind contributions, and 11 C.F.R. § 104.13(b), which addresses the specific
17 reporting of in-kind contributions that the committee receives to liquidate in a later
18 reporting period. Accordingly, the Commission concludes that a practical approach that
19 takes into account aspects of these reporting provisions is appropriate.²⁰

¹⁹ This section addresses MYL's question 4 ("How should MYL PAC report all of the above?").

²⁰ The reporting approach described here modifies the approach taken in two earlier advisory opinions that addressed the reporting of stock to be liquidated. *See* Advisory Opinion 2000-30 (pac.com); Advisory Opinion 1989-06 (Boehlert).

1 The initial receipt of bitcoins as contributions, regardless of subsequent
2 disposition, should be reported like in-kind contributions described in 11 C.F.R.
3 § 104.13(a), as shown on Attachment 1 to this advisory opinion. Attachment 1 shows, on
4 the first page, the reporting of the receipt of \$100 in bitcoin as a contribution (aggregating
5 with \$325 of prior contributions from this contributor) and, on the second page, the
6 simultaneous reporting of the bitcoins as a disbursement. These offsetting entries allow
7 the committee's reported cash-on-hand to remain unchanged while holding bitcoins
8 outside a campaign depository.

9 Any usual and normal fees deducted by the bitcoin processor from a contribution
10 made using bitcoins prior to its transfer to the recipient committee should not be deducted
11 from the reported value of the contribution. That is, "the Committee must treat the full
12 amount of the donor's contribution as the contributed amount for purposes of the limits
13 and reporting provisions of the Act, even though the Committee will receive a lesser
14 amount because of [the] fees." Advisory Opinion 1995-09 (NewtWatch) at 3. The
15 committee should report the usual and normal fees and commissions that it pays an online
16 processor as operating expenditures pursuant to 2 U.S.C. §§ 432(c)(5), 434(b)(5)(A) and
17 11 C.F.R. §§ 102.9(b), 104.3(b)(3), (4). *See* Advisory Opinion 1995-09 (NewtWatch) at
18 3.

19 The subsequent liquidation of bitcoins received as contributions should be
20 reported as shown in either Attachment 2(A) or Attachment 2(B) to this advisory opinion.
21 The use of Attachment 2(A) or (B) will depend on whether the purchaser is known or
22 unknown to the committee. If the committee sells the bitcoins directly to a purchaser,
23 and therefore knows the identity of that purchaser, the purchase is itself considered to be

1 a contribution. *See* 11 C.F.R. § 104.13(b)(2); Advisory Opinion 1989-06 (Boehlert) at 2;
2 Advisory Opinion 2000-30 (pac.com) at 8-9. Attachment 2(A) illustrates how a
3 committee should report the sale of bitcoins to a known purchaser. If the committee sells
4 the bitcoins through an established market mechanism where the purchaser is not known,
5 the purchaser is not considered to have made a contribution to the committee. *See*
6 Advisory Opinion 1989-06 (Boehlert) at 2; 11 C.F.R. § 104.13(b)(2). Attachment 2(B)
7 illustrates how a committee should report the sale of bitcoins to an unknown purchaser.²¹

8 Because the Commission could not approve a response by the required four
9 affirmative votes as to whether MYL may purchase goods and services with bitcoins it
10 receives as contributions, the Commission is not addressing how such purchases might be
11 reported.

12 This response constitutes an advisory opinion concerning the application of the
13 Act and Commission regulations to the specific transaction or activity set forth in your
14 request. *See* 2 U.S.C. § 437f. If there is a change in any of the facts or assumptions
15 presented, and such facts or assumptions are material to a conclusion presented in this
16 advisory opinion, then the requestor may not rely on that conclusion as support for its
17 proposed activity. Any person involved in any specific transaction or activity which is
18 indistinguishable in all its material aspects from the transaction or activity with respect to
19 which this advisory opinion is rendered may rely on this advisory opinion. *See* 2 U.S.C.
20 § 437f(c)(1)(B). The analysis or conclusions in this advisory opinion may be affected by

²¹ If the committee opts to immediately liquidate the bitcoin contribution and receive its equivalent in dollars from the processor at the time of receipt, the committee should report the initial receipt as indicated in Attachment 1 and should also report the liquidation as indicated in Attachment 2(B), substituting the name of the bitcoin processor for the name of the exchange. Note also that in the case of an immediate liquidation, the dates and amounts on lines A and B on Attachment 2(B) would be identical because the conversion from bitcoin to dollars would be simultaneous with receipt.

1 subsequent developments in the law including, but not limited to, statutes, regulations,
2 advisory opinions, and case law. All advisory opinions cited herein are available on the
3 Commission's website.

4 On behalf of the Commission,
5
6
7

8 Lee E. Goodman
9 Chairman
10

Attachment 1: Receiving contributions of Bitcoins (page 1 of 2)

SCHEDULE A (FEC Form 3X)

ITEMIZED RECEIPTS

Use separate schedule(s) for each category of the Detailed Summary Page		FOR LINE NUMBER: (check only one)	PAGE	OF
<input checked="" type="checkbox"/>	11a	<input type="checkbox"/>	11b	<input type="checkbox"/>
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Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)
XYZ Action Fund

Full Name (Last, First, Middle Initial)
A. John Contributor

Mailing Address
123 First Street

City State Zip Code
Alexandria VA 22314

FEC ID number of contributing federal political committee. **C**

Name of Employer Occupation
First Bank Teller

Receipt For:
 Primary General
 Other (specify) ▼

Aggregate Year-to-Date ▼ **425.00**

Date of Receipt
02 / 15 / 2014

Amount of Each Receipt this Period
100.00

0.2 Bitcoins not liquidated

Full Name (Last, First, Middle Initial)
B.

Mailing Address

City State Zip Code

FEC ID number of contributing federal political committee. **C**

Name of Employer Occupation

Receipt For:
 Primary General
 Other (specify) ▼

Aggregate Year-to-Date ▼

Date of Receipt

Amount of Each Receipt this Period

Full Name (Last, First, Middle Initial)
C.

Mailing Address

City State Zip Code

FEC ID number of contributing federal political committee. **C**

Name of Employer Occupation

Receipt For:
 Primary General
 Other (specify) ▼

Aggregate Year-to-Date ▼

Date of Receipt

Amount of Each Receipt this Period

SUBTOTAL of Receipts This Page (optional)..... ▶ **100.00**

TOTAL This Period (last page this line number only)..... ▶

Attachment 1: Receiving contributions of Bitcoins (page 2 of 2)

SCHEDULE B (FEC Form 3X)
ITEMIZED DISBURSEMENTS

Use separate schedule(s) for each category of the Detailed Summary Page

FOR LINE NUMBER: (check only one)

PAGE OF

<input checked="" type="checkbox"/> 21b	<input type="checkbox"/> 22	<input type="checkbox"/> 23	<input type="checkbox"/> 24	<input type="checkbox"/> 25	<input type="checkbox"/> 26
<input type="checkbox"/> 27	<input type="checkbox"/> 28a	<input type="checkbox"/> 28b	<input type="checkbox"/> 28c	<input type="checkbox"/> 29	<input type="checkbox"/> 30b

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NAME OF COMMITTEE (In Full)
XYZ Action Fund

A. Full Name (Last, First, Middle Initial)
John Contributor

Date of Disbursement: / /

Mailing Address
123 First Street

City: **Alexandria** State: **VA** Zip Code: **22314**

Purpose of Disbursement
0.2 Bitcoins received, not liquidated

Candidate Name: _____

Office Sought: House Senate President
State: _____ District: _____

Disbursement For: Primary General Other (specify) ▼

Category/Type: _____

Amount of Each Disbursement this Period:
0.2 Bitcoins not liquidated

B. Full Name (Last, First, Middle Initial)

Date of Disbursement: / /

Mailing Address

City: _____ State: _____ Zip Code: _____

Purpose of Disbursement

Candidate Name

Office Sought: House Senate President
State: _____ District: _____

Disbursement For: Primary General Other (specify) ▼

Category/Type: _____

Amount of Each Disbursement this Period:

C. Full Name (Last, First, Middle Initial)

Date of Disbursement: / /

Mailing Address

City: _____ State: _____ Zip Code: _____

Purpose of Disbursement

Candidate Name

Office Sought: House Senate President
State: _____ District: _____

Disbursement For: Primary General Other (specify) ▼

Category/Type: _____

Amount of Each Disbursement this Period:

SUBTOTAL of Disbursements This Page (optional).....

TOTAL This Period (last page this line number only).....

Attachment 2(A) - Bitcoins sold to known purchaser (appreciated value)

SCHEDULE A (FEC Form 3X)

ITEMIZED RECEIPTS

Use separate schedule(s) for each category of the Detailed Summary Page	FOR LINE NUMBER: (check only one)	PAGE	OF
	<input checked="" type="checkbox"/> 11a <input type="checkbox"/> 13	<input type="checkbox"/> 11b <input type="checkbox"/> 14	<input type="checkbox"/> 11c <input type="checkbox"/> 15

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NAME OF COMMITTEE (In Full)
XYZ Action Fund

Full Name (Last, First, Middle Initial) A. Jane Purchaser		Date of Receipt <table border="1"> <tr> <td>M M</td> <td>/</td> <td>D D</td> <td>/</td> <td>Y Y Y Y</td> </tr> <tr> <td>04</td> <td></td> <td>15</td> <td></td> <td>2014</td> </tr> </table>	M M	/	D D	/	Y Y Y Y	04		15		2014
M M	/	D D	/	Y Y Y Y								
04		15		2014								
Mailing Address 456 Main Street		Amount of Each Receipt this Period <table border="1"> <tr> <td>2,500.00</td> </tr> </table>	2,500.00									
2,500.00												
City Arlington	State Zip Code TX 76006											
FEC ID number of contributing federal political committee. C		Purchase of 0.2 Bitcoins										
Name of Employer Memorial Hospital	Occupation Physician											
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼	Aggregate Year-to-Date ▼ <table border="1"> <tr> <td>2,500.00</td> </tr> </table>		2,500.00									
2,500.00												

Full Name (Last, First, Middle Initial) B. John Contributor		Date of Receipt <table border="1"> <tr> <td>M M</td> <td>/</td> <td>D D</td> <td>/</td> <td>Y Y Y Y</td> </tr> <tr> <td>02</td> <td></td> <td>15</td> <td></td> <td>2014</td> </tr> </table>	M M	/	D D	/	Y Y Y Y	02		15		2014
M M	/	D D	/	Y Y Y Y								
02		15		2014								
Mailing Address 123 First Street		Amount of Each Receipt this Period <table border="1"> <tr> <td>100.00</td> </tr> </table>	100.00									
100.00												
City Alexandria	State Zip Code VA 22314											
FEC ID number of contributing federal political committee. C		0.2 Bitcoins, contribution previously disclosed [MEMO ITEM]										
Name of Employer First Bank	Occupation Teller											
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼	Aggregate Year-to-Date ▼ <table border="1"> <tr> <td>425.00</td> </tr> </table>		425.00									
425.00												

Full Name (Last, First, Middle Initial) C.		Date of Receipt <table border="1"> <tr> <td>M M</td> <td>/</td> <td>D D</td> <td>/</td> <td>Y Y Y Y</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	M M	/	D D	/	Y Y Y Y					
M M	/	D D	/	Y Y Y Y								
Mailing Address		Amount of Each Receipt this Period <table border="1"> <tr> <td></td> </tr> </table>										
City	State Zip Code											
FEC ID number of contributing federal political committee. C												
Name of Employer	Occupation											
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼	Aggregate Year-to-Date ▼ <table border="1"> <tr> <td></td> </tr> </table>											

SUBTOTAL of Receipts This Page (optional).....▶	<table border="1"> <tr> <td>2,500.00</td> </tr> </table>	2,500.00
2,500.00		
TOTAL This Period (last page this line number only).....▶	<table border="1"> <tr> <td></td> </tr> </table>	

Attachment 2(B) - Bitcoins sold to unknown purchaser (appreciated value)

SCHEDULE A (FEC Form 3X)

ITEMIZED RECEIPTS

Use separate schedule(s) for each category of the Detailed Summary Page	FOR LINE NUMBER: (check only one)		PAGE	OF
	<input checked="" type="checkbox"/> 11a	<input type="checkbox"/> 11b	<input type="checkbox"/> 11c	<input type="checkbox"/> 12
	<input type="checkbox"/> 13	<input type="checkbox"/> 14	<input type="checkbox"/> 15	<input type="checkbox"/> 16
			<input type="checkbox"/> 17	

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NAME OF COMMITTEE (In Full)
XYZ Action Fund

Full Name (Last, First, Middle Initial) A. ABC Bitcoin Exchange, Inc.		Date of Receipt <table border="1"> <tr> <td>M M</td> <td>/</td> <td>D D</td> <td>/</td> <td>Y Y Y Y</td> </tr> <tr> <td>04</td> <td></td> <td>15</td> <td></td> <td>2014</td> </tr> </table>	M M	/	D D	/	Y Y Y Y	04		15		2014
M M	/	D D	/	Y Y Y Y								
04		15		2014								
Mailing Address 789 West Street		Amount of Each Receipt this Period 2,500.00										
City New York	State Zip Code NY 10005											
FEC ID number of contributing federal political committee. C		0.2 Bitcoins sold via ABC Exchange - purchaser unknown										
Name of Employer	Occupation											
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼	Aggregate Year-to-Date ▼ 2,500.00											

Full Name (Last, First, Middle Initial) B. John Contributor		Date of Receipt <table border="1"> <tr> <td>M M</td> <td>/</td> <td>D D</td> <td>/</td> <td>Y Y Y Y</td> </tr> <tr> <td>02</td> <td></td> <td>15</td> <td></td> <td>2014</td> </tr> </table>	M M	/	D D	/	Y Y Y Y	02		15		2014
M M	/	D D	/	Y Y Y Y								
02		15		2014								
Mailing Address 123 First Street		Amount of Each Receipt this Period 100.00										
City Alexandria	State Zip Code VA 22314											
FEC ID number of contributing federal political committee. C		0.2 Bitcoins, contribution previously disclosed [MEMO ITEM]										
Name of Employer	Occupation											
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼	Aggregate Year-to-Date ▼ 425.00											

Full Name (Last, First, Middle Initial) C.		Date of Receipt <table border="1"> <tr> <td>M M</td> <td>/</td> <td>D D</td> <td>/</td> <td>Y Y Y Y</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	M M	/	D D	/	Y Y Y Y					
M M	/	D D	/	Y Y Y Y								
Mailing Address		Amount of Each Receipt this Period										
City	State Zip Code											
FEC ID number of contributing federal political committee. C												
Name of Employer	Occupation											
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) ▼	Aggregate Year-to-Date ▼											

SUBTOTAL of Receipts This Page (optional).....▶	2,500.00
TOTAL This Period (last page this line number only).....▶	