

SUMMARY of PROCEEDINGS

BLOCKCHAIN TASK FORCE



TASK FORCE MEETING INFORMATION

September 24–25, 2018 | 8:30 AM
Teton County Library, Ordway Auditorium
125 Virginian Lane
Jackson Hole, Wyoming

TASK FORCE MEMBERS PRESENT

Senator Driskill, Co-Chairman
Representative Lindholm, Co-Chairman
Senator Rothfuss
Matthew Kaufman
Caitlin Long
David Pope

COMMITTEE MEMBERS NOT PRESENT

Representative Olsen

LEGISLATIVE SERVICE OFFICE STAFF

Chris Land, Staff Attorney
Ian Shaw, Legal Division Administrator
Kelley Shepp, Research Analyst

OTHER LEGISLATORS PRESENT AT MEETING

Senator Christensen
Representative Gierau
Representative Schwartz

Please refer to [\(Appendix 1-02\)](#) to review the Task Force Sign-in Sheet for a list of other individuals who attended the meeting.

The Task Force Meeting Summary of Proceedings (meeting minutes) is prepared by the Legislative Service Office (LSO) and is the official record of the proceedings of a legislative meeting. This document does not represent a transcript of the meeting; it is a digest of the meeting and provides a record of official actions taken by the Task Force. All meeting materials and handouts provided to the Task Force by the Legislative Service Office, public officials, lobbyists, and the public are on file at the Legislative Service Office and are part of the official record of the meeting. An index of these materials is provided at the end of this document and these materials are on file at the Legislative Service Office. For more information or to review meeting materials, please contact the Legislative Service Office at (307) 777-7881 or by e-mail at lso@wyoleg.gov. The Summary of Proceedings for each legislative meeting can be found on the Wyoming Legislature's website at www.wyoleg.gov.

EXECUTIVE SUMMARY

The Blockchain Task Force (“Task Force”) met on September 24–25, 2018 at the Teton County Library in Jackson Hole, WY.

The Task Force considered legislation regarding financial institutions, digital assets, corporations, smart contracts, a financial technology sandbox and blockchain real property records. The Task Force also heard testimony from industry leaders and state regulators on blockchain-related developments.

The Task Force voted to consider the following legislation, as amended, at its meeting in Cheyenne in October:

- 19LSO-0048 (Financial technology sandbox)
- 19LSO-0055 (Special purpose depository institutions)
- 19LSO-0059 (Series LLC naming and designation requirements)
- 19LSO-0060 (Open blockchain tokens-property)
- 19LSO-0073 (Non-standard electric utility agreements)
- 19LSO-0145 (Personal information trust services)
- 19LSO-0175 (Business entity filing system)

CALL TO ORDER (SEPTEMBER 24, 2018)

Co-Chairman Lindholm called the meeting to order at 8:41am. The following sections summarize the Task Force proceedings by topic. Please refer to ([Appendix 1-01](#)) to review the Task Force Agenda.

VIRTUAL CURRENCY/LEGAL TENDER

Caitlin Long provided introductory remarks on 19LSO-0058 (Virtual Currency-Legal Tender) ([Appendix 2-01](#)). Ms. Long explained that the bill draft would recognize virtual currency, along with gold and silver, as legal tender in Wyoming. Ms. Long also explained that the concept is similar to legal tender legislation in other states, including Utah. Ms. Long also discussed constitutional concerns relating to the draft.

Public Comment

Mike Geesey, Wyoming Bankers' Association, commented that the bill draft needs to specify that banks are not required to accept virtual currency.

Task Force Action

Ms. Long moved that the Task Force recommend that 19LSO-0058 be forwarded to an interim committee for sponsorship in the 2019 General Session. After further discussion, the motion was defeated unanimously by roll call vote.

FEDERAL PERSPECTIVES ON BLOCKCHAIN, DIGITAL ASSETS & FINANCIAL TECHNOLOGY

Co-Chairman Lindholm and Co-Chairman Driskill explained that the Federal Reserve Bank of Kansas City and the Federal Deposit Insurance Corporation (FDIC) cancelled their scheduled appearance before the Task Force. The chairmen expressed disappointment that the federal agencies did not attend.

Public Comment

Albert Forkner, Wyoming Banking Commissioner, echoed the frustration of the chairmen and offered to convey questions from the Task Force to the federal agencies.

NON-STANDARD ELECTRIC UTILITY AGREEMENTS

In lieu of the scheduled Federal Perspectives agenda item, on the recommendation of Chairman Zwonitzer of the Joint Corporations Committee, David Bush, Black Hills Energy, presented 19LSO-0073 (Non-standard electric utility agreements) ([Appendix 22-01](#)).

Mr. Bush explained the bill draft would allow electric companies to offer incentivized rates to new businesses that might not otherwise be amenable to standard rates, including virtual currency miners. Mr. Bush also noted that the bill draft would protect customers from the risk of companies stranding assets and passing on infrastructure costs.

Jody Levin, Rocky Mountain Power, noted that her clients were reviewing the bill and that she was generally supportive of the concept.

Public Comments

Devon James, Blockchain Technology Group, questioned the kilowatt requirement and encouraged the Task Force to not provide a subsidy for electric development.

Task Force Action

Ms. Long moved for the Task Force to consider 19LSO-0073, v.0.5 at its next meeting. The following amendments were adopted:

Page 2-line 21 Delete "loses" and insert "losses".

Page 3-line 4 Delete "megawatts" and insert "megawatt hours".

The motion passed by voice vote.

PROPERTY-BASED APPROACH TO DIGITAL ASSETS (HB 70 AMENDMENTS)

Ms. Long discussed 19LSO-0060 (Open blockchain tokens-property) ([Appendix 5-03](#)) and explained that the bill draft moves existing utility token provisions from a securities law exemption to property-focused approach and recognizes that utility tokens are not securities. The bill also creates a filing fee, provides an appropriation to the Secretary of State and makes other technical amendments.

Senator Rothfuss and Mr. Kaufman discussed concerns relating to consumer protections and noted there may be insufficient civil and criminal remedies.

Karen Wheeler and Ryan Anderson, Office of the Secretary of State, discussed the bill draft, including expressing support to have the utility token provisions taken out of securities law. Ms. Wheeler also discussed working with the Legislative Service Office (LSO) to tighten up language within the bill.

Public Comment

Joseph Pitluck and Amber Terrasas, Freerange, discussed concerns with the definition of "facilitator" and the exchange of utility tokens.

Eric Arinsberg, Giftz Exchange, discussed the term "cash payments" and suggested a clear definition was needed. Mr. Arinsberg also discussed the definition of "facilitator" and noted that it is burdensome.

Carl Lundeholm, ConsenSys, expressed support for the bill draft because it clarifies the difference between utility and security tokens.

Mr. James echoed the concerns of Mr. Pitluck related to the definition of "facilitator" and the roles they might play.

Andrew Cartwright, Open Network, discussed the manner in which the draft creates an opportunity to make real estate development transactions more transparent. Mr. Cartwright also discussed the creation of disclosure requirements for facilitators.

Mike Astleford, Government Blockchain Association, noted the keen interest of other governments in what Wyoming is doing related to utility tokens.

Task Force Action

Ms. Long moved for the Task Force to consider 19LSO-0060, v.0.5 at its next meeting. The following amendments were adopted:

Page 6-lines 19 and 20 Insert "two hundred dollars (\$200.00)".

Page 11-lines 4 through 6 Clarify definition of "facilitator" to include a third-party who resells tokens as a business, not an individual purchaser.

The motion passed by voice vote.

SMART CONTRACTS

Mr. Kaufman provided introductory remarks on 19LSO-0049, v0.5 (Smart Contracts) ([Appendix 6-01](#)).

Mr. Kaufman noted that these self-executing contracts based on computer code are likely not prohibited currently, but this bill clarifies how a smart contract would be treated under existing law.

Public Comment

Mr. Pitluck discussed smart contracts and the possible technical limitations of the bill.

John Carpenter, Accord Project, discussed possible conflicts with federal bankruptcy and real estate laws.

Mr. James discussed the scope of the term "smart contract" and applicable consumer protection laws.

Mr. Lundeholm echoed Mr. James' comments regarding the scope of the term "smart contract" and how it may have unintended consequences.

Martin Klevstul, Teton Trust, noted that the term "smart contract" is limited in scope.

Bob Cornish, Wilson Elser, spoke in support of the bill draft.

Mr. Astleford discussed computer code delivery and how smart contracts meet the criteria for deliverance in an evidentiary sense.

Task Force Action

By unanimous consent, the Task Force directed Mr. Kaufman to work with LSO to address the concerns raised during testimony and for the chairmen to determine whether the bill would be considered at the next meeting. No further action was taken on the bill.

CUSTODY OF DIGITAL ASSETS

Ms. Long discussed the need for institutional custody of digital assets in the same vein as other financial assets today, the need for regulatory clarity, and how custody is more of a trust function, instead of a typical account provided by banks. Ms. Long also identified custody issues that need to be addressed, including comingling of digital assets by custodians and the leveraging of assets.

Tim Kuhman, Kingdom Trust, gave the Task Force background on his company's custodial services, including the digital assets they hold. Mr. Kuhman discussed regulatory issues that need to be addressed.

Shahla Ali and Issac Eleftheriadis, Bitgo, presented on digital asset custody ([Appendix 10-04](#)). Ms. Ali spoke in favor of reasonable regulation and the elimination of conflicts of interest that could hurt digital asset owners.

Public Comment

Mr. Lundeholm discussed the need to have a conversation with the Securities and Exchange Commission regarding technical standards.

Task Force Action

The Task Force took no action on this topic.

SPECIAL PURPOSE DEPOSITORY INSTITUTIONS

Ms. Long provided an overview of 19LSO-0055, v.0.5 (Special Purpose Depository Institutions) ([Appendix 8-04](#)). Ms. Long discussed the trouble blockchain companies often have in obtaining and keeping bank accounts throughout the United States. Ms. Long explained that this bill draft would create a non-FDIC insured institution, be open to lawful businesses only, prohibit loans, maintain a 100% reserve requirement and maintain headquarters in Wyoming. Ms. Long also discussed summary of the bill provided by LSO ([Appendix 8-05](#)).

Commissioner Forkner expressed that the Division of Banking was neutral on the bill but discussed technical concerns and possible changes.

Mr. Geesey expressed his organization's opposition to the bill draft and stated that he did not believe blockchain companies were facing difficulty obtaining banking relationships.

Steven Lupien, Digital Asset Trade Association, discussed the challenge of banking in Wyoming and the need for companies to open multiple bank accounts.

Mr. Lundeholm noted that many blockchain companies face issues obtaining reliable banking services. Mr. Lundeholm also stated that the bill draft was particularly important for start-up companies.

Alanna Gombert, MetaX, discussed her company and echoed the testimony of previous witnesses that obtaining banking services was difficult. Ms. Gombert also discussed removing from the bill draft the authorization for banks to provide virtual currency current accounts.

Public Comment

Mr. Pitluck expressed support for the bill draft and noted that the emerging blockchain industry cannot wait for the banking industry. Mr. Pitluck also stated his belief that Wyoming should pass this legislation and enable blockchain companies to grow.

Mr. Cartwright discussed his business and difficulties with banking services.

Mr. Cornish discussed the statutory deposit minimum in the bill draft and noted that banking in Wyoming is a problem for startup blockchain businesses.

Mr. James discussed removing virtual currency accounts from the bill draft, as well as proposed fees.

Task Force Action

Ms. Long moved to have the Task Force consider 19LSO-0055, v.0.5 at its next meeting. After discussion on the bill, the Task Force postponed further consideration until the next day.

MEETING RECESS

Co-Chairman Lindholm adjourned the meeting at 6:10pm.

CALL TO ORDER (SEPTEMBER 25, 2018)

Co-Chairman Driskill called the meeting to order at 8:38am.

SPECIAL PURPOSE DEPOSITORY INSTITUTIONS (CONTINUED)

After further discussion on the bill, the Task Force adopted the following amendments:

Throughout the bill draft	Delete provisions relating to virtual currency current accounts and conversion services for virtual currency.
Page 7-lines 16 through 20	Clarify the definition of "unsafe or unsound condition" based on suggestions from the Banking Commissioner and existing law.
Page 12-lines 15 through 19	Require the institution to have its headquarters in Wyoming.
Page 15-lines 2 through 10	Delete.
Page 16-line 9	Delete "one hundred thousand dollars (\$100,000.00)" and insert "five thousand dollars (\$5,000.00)".
Page 20-lines 10 through 14	Provide that subscribers who pledge initial subscriptions may receive preferential dividend rights.
Page 21-lines 19 through 23	Specify that initial subscriptions may not be withdrawn until the contingency account exceeds \$5 million.
Page 32-lines 8 through 11	Specify that organizers of an institution must have \$5 million in capital and three years of operating expenses in surplus prior to applying for a charter.

Page 44-lines 1 through 2 Delete.

Pages 68 and 69 Delete sections 4 and 5.

The motion for the Task Force to consider 19LSO-0055, v.0.5 at its next meeting, as amended, passed by voice vote.

BLOCKCHAIN REAL PROPERTY RECORDS

Sherry Daigle, Teton County Clerk, and Jeff Wiener, Old Republic Title Insurance Company, discussed the availability and cost of digital property records in various Wyoming counties. Ms. Daigle noted that 60% of Wyoming land records are available online, at an approximate cost of \$2.7 million. Ms. Daigle also discussed a statewide platform for scanning and receiving records and software options.

Isaac Sutphin, Holland & Hart, provided information regarding the potential application of blockchain technology to real estate transactions and how records are currently recorded in Wyoming counties. Mr. Sutphin acknowledged that under current law blockchain technology could likely already be used but may need some clarification. Mr. Sutphin noted that the benefits of using blockchain technology may include increased transparency, speed and accuracy.

Public Comment

Mr. James noted that the cost to place property records onto a blockchain is low and that the market is interested in this process.

Mr. Wiener stated that the means to move to digital documents is already available and that the next logical move is blockchain. Mr. Wiener noted that private industry should take the lead.

John Carpenter, Global Blockchain Summit, discussed converting digital documents in Colorado and explained the information needed in a complete digital property record.

Task Force Action

Co-Chairman Driskill requested that Ms. Daigle work with other county clerks to provide the cost required to digitize and standardize property records across the state and report back to the Task Force in October.

BLOCKCHAIN ECONOMIC DEVELOPMENT & ENDOW REPORT

Representative Gierau and Mr. Kaufman discussed the ENDOW report and the blockchain items contained in the report ([Appendix 13-01](#)). Mr. Kaufman noted that the industries Wyoming is particularly suited for include manufacturing, agriculture, digital technology, financial services, blockchain and robotics. Mr. Kaufman also discussed the lack of private capital in Wyoming.

Blockchain & University of Wyoming

Dr. Jim Caldwell, Department of Computer Science, University of Wyoming, discussed blockchain courses at the University. Dr. Caldwell also discussed the possibility of offering a blockchain certificate or minor in the future.

Task Force Action

The Task Force requested Dr. Caldwell to put together a proposed budget for a broad-based blockchain curriculum at the University and to present it to the Task Force in October.

FINANCIAL TECHNOLOGY SANDBOX

Senator Rothfuss and Chris Land, LSO, gave the Task Force an overview of 19LSO-0048 (Financial Technology Sandbox) ([Appendix 16-02](#)). Senator Rothfuss explained that the bill draft provides flexibility for the Banking Commissioner and Secretary of State to provide regulatory flexibility for innovative financial products and services.

Mr. Land provided background on other jurisdictions' financial technology sandboxes, specifically Arizona, Illinois and the United Kingdom ([Appendix 16-01](#)).

Commissioner Forkner discussed questions and possible concerns with the bill draft, specifically the need to promote innovation, but still maintain consumer protection. Commissioner Forkner also discussed the sandbox timeframe and extensions, having the process start in the Attorney General's Office, clarifying language and the cost of administration.

Ms. Wheeler and Mr. Anderson noted that this is challenging new territory for their office. Ms. Wheeler stated her office would like to encourage innovation while keeping consumer protection standards in place. Ms. Wheeler requested that the bill draft include a delayed effective date to provide more time for rulemaking.

Public Comment

Mr. Cornish discussed potentially requiring sandbox entities to be physically present in Wyoming and also requiring an economic development report related to job creation.

Task Force Action

Co-Chairman Lindholm moved the Task Force consider 19LSO-0048, v0.5 at its meeting in October. The following amendments were adopted:

Page 13-lines 1 and 2	Require that a person applying to the sandbox be a domestic entity incorporated or organized in Wyoming with a meaningful physical presence.
Page 14-lines 18 and 19	Delete "In consultation with the attorney general relating to compliance with the provisions of this act,".
Page 16-line 20	After "secretary," delete "The".
Page 16-lines 21 through 23	Delete.
Page 17-lines 10 through 12	Delete "and the number of consumers that the commissioner or secretary reasonably determines are likely to receive the product or service.".
Page 17-lines 17 and 18	Require that the consumer protection bond expire two years after the conclusion of the sandbox period.
Page 26-lines 25 through 27	Delete.
Page 28	Specify that the Banking Commissioner or Secretary of State may order the payment of restitution.

RULES OF EVIDENCE & BLOCKCHAIN RECORDS

Mr. Kaufman discussed 19LSO-0046 (Blockchain Records-Evidence) ([Appendix 19-02](#)). Mr. Kaufman explained that the bill draft provides standards for the authentication and identification of blockchain records as evidence in court.

Judge Thomas Rumpke discussed the bill and believes these issues are currently being addressed in proposed amendments to the Wyoming Rules of Evidence. Judge Rumpke prefers these provisions to be placed in the Rules of Evidence instead of statute and noted authentication and identification issues addressed in the proposed amendments apply to a broader range of evidence than just blockchain.

Jeff Pope, Holland and Hart, echoed the comments of Judge Rumpke and stated that he believes proposed changes should be placed in court rules and not statute.

Public Comment

Mr. Cornish discussed possible choice of law issues and the need for clarity in the admissibility of blockchain evidence.

Task Force Action

Senator Rothfuss moved that the bill draft be laid on the table indefinitely. The motion passed by voice vote.

SERIES LLCs & BUSINESS ENTITY FILINGS

Mr. Land provided an overview of 19LSO-0059 (Series LLC Naming and Designation Requirements) ([Appendix 18-01](#)). Mr. Land stated that the bill draft permits series LLCs to be named in any manner consistent with the operating agreement of the series or the articles of incorporation of the parent LLC. Mr. Land also noted that the bill draft prohibits administrative rules which specify naming requirements.

Ms. Wheeler discussed her office's emergency rules relating to series LLC naming requirements and explained the need to tie series LLCs to a parent. Andrea Byrne, Office of the Secretary of State, discussed the Secretary of State's filing system and how the system would need to be updated.

Public Comment

David Murray, DAO Sprout, discussed how unique identifiers can be linked to each series LLC using blockchain.

Task Force Action

Mr. Pope moved that the Task Force consider 19LSO-0059, v.0.4 at its October meeting. No amendments were adopted. The motion passed by voice vote.

19LSO-0175-Business Entity Filings

Co-Chairman Lindholm discussed 19LSO-0175, v.0.5 (Business Entity Filings) ([Appendix 18-02](#)). Co-Chairman Lindholm explained the bill draft requires the Secretary of State's Office to develop and implement an application program interface for business entity filings.

Ms. Wheeler and Ms. Byrne discussed online filing features for corporations and LLCs.

Public Comment

Mr. James discussed organizing databases and transitioning them to blockchain.

Task Force Action

Senator Rothfuss moved to have the Task Force consider 19LSO-0175, v.0.5 at its next meeting. The following amendment was adopted:

Throughout the bill	Require the Secretary of State to develop a blockchain filing system through which all commercial filings may be submitted and for appropriate fees for these filings to be studied.
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The motion passed by voice vote.

PERSONAL INFORMATION TRUST SERVICES

Senator Rothfuss and Mr. Land made introductory remarks on 19LSO-0145, v0.2 (Personal Information Trust Services) ([Appendix 21-01](#)). Senator Rothfuss explained that the bill draft provides for personal information to be held under fiduciary standards. Mr. Land explained that trust companies can apply for a special charter for these services through the Banking Commissioner.

Commissioner Forkner discussed whether this needs to be a chartered activity or if it could be a licensed activity and the potential need for additional resources.

Public Comment

Mr. Klevstul explained that there is considerable interest in this bill draft from the industry and offered to work with the Task Force on the issue.

Task Force Action

Senator Rothfuss moved that the Task Force consider 19LSO-0145, v0.2 at its October meeting. The motion passed by voice vote. No amendments were adopted.

The Task Force requested that LSO work with the Banking Commissioner to address his concerns. The motion passed by voice vote.

MEETING ADJOURNMENT

There being no further business, Co-Chairman Lindholm adjourned the meeting at 5:06 p.m.

Respectfully submitted,

Senator Driskill, Co-Chairman

Committee Meeting Materials Index

Index Number	Agenda Item	Document Description	Document Provider
1-01		Agenda	Legislative Service Office
1-02		Sign-In sheet	Legislative Service Office
2-01	Virtual Currency/Legal Tender	Virtual Currency & Legal Tender Draft Bill [19LSO-0058, v.0.5]	Legislative Service Office
5-01	Property-Based Approach to Digital Assets (HB 70 Amendments)	Congressional Research Service Report on Tokens	Legislative Service Office
5-02	Property-Based Approach to Digital Assets (HB 70 Amendments)	Switzerland Token Regulatory Guidance	Legislative Service Office
5-03	Property-Based Approach to Digital Assets (HB 70 Amendments)	Open Blockchain Tokens & Property Draft Bill [19LSO-0060, v.0.5]	Legislative Service Office
6-01	Smart Contracts	Smart Contracts Draft Bill [19LSO-0049, v.0.5]	Legislative Service Office
8-01	Special Purpose Depository Institutions	Background on Uninsured National Banks & Receiverships	Legislative Service Office
8-02	Special Purpose Depository Institutions	Federal Special Purpose Bank Charters	Legislative Service Office
8-03	Special Purpose Depository Institutions	Connecticut Uninsured Bank Statutes	Legislative Service Office
8-04	Special Purpose Depository Institutions	Special Purpose Depository Institutions Draft Bill [19LSO-0055, v.0.5]	Legislative Service Office
8-05	Special Purpose Depository Institutions	Special Purpose Institutions Overview	Legislative Service Office
8-06	Special Purpose Depository Institutions	Letter	Brandon Elsasser, Chief Investment Officer, Victoria Capital

8-07	Special Purpose Depository Institutions	Letter	Phu Nguyen, Founder, Block Star
8-08	Special Purpose Depository Institutions	Letter	Andrew Barnard, Co-Founder, Bitstop
10-01	Custody of Digital Assets	Overview of Bank Custody Services	Legislative Service Office
10-02	Custody of Digital Assets	Qualified Custodian Rule (Federal)	Legislative Service Office
10-03	Custody of Digital Assets	SEC Comment Letter Re: Custody	Ms. Long
10-04	Custody of Digital Assets	Presentation on Digital Asset Custody	BitGo
13-01	Blockchain Economic Development & ENDOW Report	ENDOW Report (Excerpts)	Legislative Service Office
16-01	Financial Technology Sandbox	Lessons Learned Report on Regulatory Sandboxes (UK Financial Conduct Authority)	Legislative Service Office
16-02	Financial Technology Sandbox	Financial Technology Sandbox Draft Bill [19LSO-0048, v.0.5]	Legislative Service Office
18-01	Series LLCs & Business Entity Filings	Series LLC Naming Draft Bill [19LSO-0059, v.0.5]	Legislative Service Office
18-02	Series LLCs & Business Entity Filings	Business Entity Filings Draft Bill [19LSO-0175, v.0.5]	Legislative Service Office
19-01	Rules of Evidence & Blockchain Records	Wyoming Rules of Evidence (Excerpts)	Legislative Service Office
19-02	Rules of Evidence & Blockchain Records	Blockchain Records & Evidence Draft Bill [19LSO-0046, v.0.5]	Legislative Service Office
21-01	Personal Information Trust Services	Personal Information Trust Services Draft Bill [19LSO-0145, v.0.2]	Legislative Service Office
22-01	Completion of Business	19LSO-0073 v0.5 Non-standard electric utility agreements.	Legislative Service Office