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SUMMARY of PROCEEDINGS



SELECT COMMITTEE ON BLOCKCHAIN, FINANCIAL TECHNOLOGY AND DIGITAL
INNOVATION TECHNOLOGY

COMMITTEE MEETING INFORMATION

September 21-22, 2021 | 8:30 AM
Coe Library, Room 506
1000 E. University Ave.
Laramie, Wyoming

COMMITTEE MEMBERS PRESENT

Senator Chris Rothfuss, Co-chairman
Representative Jared Olsen, Co-chairman
Senator Dan Furphy
Senator R. J. Kost
Senator Tara Nethercott
Representative Clark Stith
Representative Cyrus Western
Representative Mike Yin
Matthew D. Kaufman
Joel Revill
Catlin Long

LEGISLATIVE SERVICE OFFICE STAFF

David Hopkinson, Staff Attorney
Lucas Plumb, Staff Attorney
Clarissa Nord, Associate Research Analyst
Emily Wangen, Legislative Editor

OTHERS PRESENT AT MEETING

Please refer to Appendix 1-02 to review the Committee Sign-in Sheet
for a list of other individuals who attended the meeting.

The Committee 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 committee 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 Committee. All meeting materials and handouts provided to the Committee 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 committee meeting can be found on the Wyoming Legislature's website at www.wyoleg.gov.

EXECUTIVE SUMMARY

The Select Committee on Blockchain, Financial Technology, and Digital Innovation Technology met for two days in Laramie to continue its interim work. The Committee reviewed bill drafts regarding the cryptocurrency lottery, decentralized autonomous organizations, and the insurance sandbox. The Committee received updates from the Office of U.S. Senator Cynthia Lummis, University of Wyoming (U.W.), Wyoming Chancery Court, and the Wyoming Department of Insurance. The Committee considered various topics such as cryptocurrency mining, E-residency, reinsurance, the insurance sandbox, and non-fungible tokens (NFTs). The Committee also heard from the digital identity and decentralized autonomous organizations working groups. Video of the meeting is available on YouTube – Select Committee on Blockchain, Financial Technology, and Digital Innovation Tech., September 21, 2021, (AM), (PM); September 22, 2021 (AM), (PM).

The Committee sponsored the following bill, as amended, for the 2022 Budget Session:

- 22LSO-0066.5 – Cryptocurrency Lottery

CALL TO ORDER (TUESDAY, SEPTEMBER 21, 2021)

Chairman Olsen called the meeting to order at 8:35 a.m. with all members present. The following sections summarize the Committee proceedings by topic. Please refer to Appendix 1-01 to review the Committee Meeting Agenda.

2021 Wyoming Blockchain Stampede Introduction

Caitlin Long introduced the 2021 Wyoming Blockchain Stampede and Wyoming Hackathon. Co-Chairman Olsen and Co-Chairman Rothfuss also expressed their excitement for the various events that will be occurring throughout the week.

GENERAL BLOCKCHAIN UPDATES

National updates

Chris Land, General Counsel for U.S. Senator Cynthia Lummis, and Tyler Lindholm, State Policy Director for Senator Lummis, provided updates on national blockchain and cybersecurity updates and legislation that the Senator plans to introduce. Mr. Lindholm also discussed special-purpose depository institutions and accessing routing numbers and how the Legislature can act on the national level. The Committee also discussed previous actions in the Legislature.

University of Wyoming updates

Steven Lupien, Director, U.W. Center for Blockchain and Digital Innovation, reported updates on the U.W. Blockchain and Digital Innovation Center. He testified that the introductory blockchain course for the Blockchain minor has been in high demand and announced that U.W. would be creating an NFT marketplace to monetize student works and university assets. He also announced that U.W. has received 12 Bitcoin mining rigs and will be starting a Bitcoin-mining club. Laura Baker, President of CyberWyoming Alliance, and Rocky Case, Center Director at Manufacturing Works, joined Director Lupien and presented information on cybersecurity for small businesses in the state (**Appendix 2-01**). Ms. Baker emphasized the importance of cybersecurity training to reach individuals with all levels of knowledge to decrease cyber-attack losses and minimize company risk (**Appendix 2-02**).

Public Comment

Jonathan Stokes and Jade Barker with David Duccini, Silicon Prairie, provided public comment.

CRYPTOCURRENCY LOTTERY

Mr. Kaufman discussed implementing a lottery using cryptocurrency in the state. He reported that the current statute only permits payments in cash.

Introduction of bill draft - 22LSO-0066 v0.5 - Cryptocurrency lottery

Mr. Hopkinson summarized bill draft 22LSO-0066 (**Appendix 4-01**), which amends the current statute regarding lottery games' conduct to allow individuals to purchase lottery tickets and receive winnings in a virtual currency approved by the lottery board of directors. The Committee discussed the fluctuating value of cryptocurrency and how the Wyoming Lottery Corporation would disperse virtual currency prizes.

Committee Action

Senator Nethercott moved that the Committee sponsor 22LSO-0066.5 for the 2022 Budget Session. The Committee adopted the following amendments to 22LSO-0066.5:

Page 2-Line 18	after "payment of" insert " <u>cash</u> ".
Page 2- Lines19-20	delete new language.
Page 3-Line 1	after "pay" insert " <u>cash</u> "
Page 3-Lines 1-2	delete new language.
Page 4	delete lines 4 through 11.
Pages 4-5	delete section 2, make effective date July 1, 2022

Change catch title to lottery amendments

The motion to sponsor 22LSO-0066.5 passed on a roll call vote with all voting members voting in favor of the motion except Senator Furphy, who voted against the motion.

CRYPTOCURRENCY MINING

Flared natural gas

Pete Obermueller, President of the Petroleum Association of Wyoming, and Dr. Glen Murrell, Executive Director of the Wyoming Energy Authority, discussed different ways to power cryptocurrency mining operations. Dr. Murrell explained how mining rigs could use flared natural gas near oil wells to power off-the-grid mining operations. Mr. Obermueller described the challenges the state faces in developing large-scale cryptocurrency mining operations and provided three approaches the state could take to bring cryptocurrency mining to the state.

Power requirements

David Bush, Black Hills Energy; Craig Eller, Vice President of Business Policy and Development at Rocky Mountain Power; Shawn Taylor, Executive Director at Wyoming Rural Electric Association; Brad Nebergall, Senior Vice President of Energy Management at Tri-State Generation and Transmission Association, Inc., provided overviews of the energy services provided by their respective companies and discussed their capabilities and regulations in respect to energy usage for cryptocurrency mining (**Appendix 6-01**), (**Appendix 6-02**). The Committee discussed energy deregulation in Texas that has drawn cryptocurrency mining operations to the state. Mr. Lindholm noted the stability mining operations have in Wyoming is not available in Texas. Chris Petrie, Chairman of the Wyoming Public Service Commission

(PSC); and Mary Throne, Commissioner, discussed PSC's position on cryptocurrency mining in Wyoming and stated their mission is to provide just and reasonable rates to Wyoming consumers.

Siting, permitting, and leasing

Todd Parfitt, Director of the Wyoming Department of Environmental Quality (DEQ), and Nancy Vehr, Air Quality Administrator for DEQ, discussed permits for mining operations. Director Parfitt guided interested parties to the DEQ website to get in contact with DEQ. Jenifer Scoggin, Director of the Office of State Lands and Investments (OSLI), and Deputy Director Jason Crowder discussed cryptocurrency mining operations on state trust lands. Deputy Director Crowder reported that OSLI has been working on lease terms for mining operations. Director Scoggin noted that Wyoming is the only state leasing state-trust lands for cryptocurrency mining in the country.

Industry Presentation - Crusoe Energy

Cully Cavness, Co-Founder and President of Crusoe Energy, presented information (**Appendix 6-04**) on the Denver-based company, which connects oil and gas companies that experience natural gas flaring with energy-intensive operations like data centers and cryptocurrency mining.

Industry Presentation - Hut 8 Mining

Tanya Woods, General Counsel and Executive Vice President of Regulatory Affairs, and Jason Zaluski, Head of Technology, provided an overview of the Toronto-based company that provides infrastructure for cryptocurrency mining operations.

Industry Presentation – Riot Blockchain

Jason Les, Riot Blockchain CEO, presented information on the Bitcoin mining company based in Castle Rock, Colo., and discussed the history and future of Bitcoin mining operations.

Public Comment

Jason Giuliano, Justin Giuliano, and Joey Darwell, Calchip Connect; Matt Prusak; and Amanda Cavaleri provided public comment.

DAY ONE ADJOURNMENT

Chairman Olsen adjourned the meeting at 6:22 p.m. to be continued at 8:30 a.m. the following day.

CALL TO ORDER (WEDNESDAY, SEPTEMBER 22, 2021)

Chairman Rothfuss called the meeting to order at 8:36 a.m. with all members present.

DEPARTMENT OF INSURANCE UPDATES

Reinsurance discussion

Jeff Rude, Insurance Commissioner for the Wyoming Insurance Department; Linda Johnson, Deputy Commissioner for the Wyoming Insurance Department; and Raymond Brooks, Azure Reinsurance Holdings Ltd., provided updates on Project Gannet (**Appendix 12-01**) and discussed the reinsurance industry.

Clarissa Nord, LSO, presented her research on the reinsurance industry (**Appendix 12-02**). She described it as a mechanism for insurance companies to reduce their liability by transferring portions of their risk

portfolios to other agencies. She also described the U.S. reinsurance market, as well as recent trends and innovations within the industry.

Discussion of bill draft - 22LSO-0064 v0.3 - Insurance sandbox

Mr. Hopkinson summarized bill draft 22LSO-0064.3 (**Appendix 12-03**), which authorizes limited waivers of specific statutes in Title 26 and related rules to test insurance products and services. Commissioner Rude and Deputy Commissioner Johnson also provided commentary on the bill draft and raised concerns regarding the implementation of the bill and the Department's National Association of Insurance Commissioners accreditation if enacted.

Public Comment

Katharine Wilkinson, American Property Casualty Insurance Association (APCIA); Brenden Maher, member of the Digital Identity and DAO working groups; and Ms. Barker with Mr. Duccini, Silicon Prairie, provided public comment.

Committee Action

The Committee moved 22LSO-0064 to be considered during the next meeting and adopted the following amendments:

Page 16-Line 9	Delete "90 days after an application" and insert "90 days after a completed application".
Page 12, 40-42	Conceptual amendment requiring an entity to be licensed prior to approval of an application, but not prior to applying.
Page 12, 35-40	Insert a new paragraph requiring explicit coordination with NAIC prior to any waiver of the statutes outline in paragraph 4 of the staff comment on page 12.
Page 18-Line 2	Delete "granted" and insert "approve".
Page 7-Line 19	Delete "xiv" and insert "xviv".
Page 30, line 1	Delete the requirement for background checks and make any conforming amendments.
	Appropriate \$250,000.00 to the Commissioner to bring in experts as needed to review applications, and to increase assessments as needed to cover the increased costs.

DECENTRALIZED AUTONOMOUS ORGANIZATIONS

Discussion of bill draft - 22LSO-0063 v0.3- Decentralized autonomous organizations-amendments

Mr. Hopkinson summarized bill draft 22LSO-0063.3 (**Appendix 14-01**), which amends statutes regulating decentralized autonomous organizations (DAO). Specifically, the bill draft removes the definition of "quorum", and related language, removes the distinction between member managed and algorithmically managed DAO's, adds new methods for dissolution and corrects grammatical errors. Members of the DAO working group – Mr. Kaufman; Aaron Wright, Associate Clinical Law Professor at the Cardozo Law School at Yeshiva University (New York); George Mocsary, UW Law Professor; and Del Wright, University of Missouri-Kansas City Law Professor – discussed and proposed amendments to the bill draft. Mr. Maher and Christopher Allen, Executive Director at Blockchain Commons – who are also on the working group - provided input on the topic.

Public Comment

Mr. Allen; Mr. Maher; Dazza Greenwood, a DAO working group member; and Ms. Barker, Silicon Prairie, provided public comment.

Committee Action

The Committee moved 22LSO-0064 to be considered during their next meeting and adopted the following amendments:

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|---------|--|
| Page 10 | Remove the actions for dissolution from Secretary of State to a court of competent jurisdiction. |
| Page 3 | Insert the language in the staff comment on page 6 lines 6 through 15, and repeal 17-31-105(d). |
| | Add language to W.S. 17-31-105 providing for a 30-day compliance period with specifying a unique identifier for any smart contracts used to help manage a DAO. |

WYOMING CHANCERY COURT UPDATE

Benjamin Burningham, Chief Counsel and Director of the Wyoming Chancery Court, provided an overview and updates on the Wyoming Chancery Court (**Appendix 16-01**), (**Appendix 16-02**). He reported that the Chancery court will begin accepting cases December 1, 2021, with a three-judge panel of District Court judges.

Public Comment

Mr. Maher provided public comment.

Committee Action

The Committee moved to have LSO draft a bill requiring the chancery court to maintain jurisdiction and resolve the question of whether the provision is valid, when there is a contract requiring disputes to be resolved in chancery court.

DIGITAL IDENTITY**Working group update**

Chairman Rothfuss provided updates from the Digital Identity Working Group and Mr. Hopkinson provided an analysis of privacy legislation from California (**Appendix 17-01**), Colorado (**Appendix 17-05**), and Virginia. The Committee discussed incorporating and implementing consumer protection and privacy laws in the state. Mr. Allen, Mr. Greenwood, and Mr. Maher – who are members of the working group – provided commentary on digital privacy protections and offered suggestions for Wyoming privacy laws.

Public Comment

Ron Hill, Spocra; Darren Shelton, FuelTrust; Mr. Stokes; Autumn Bizon, Ordinal Inc.; Kevin Fox; Mr. Duccini, Silicon Prairie; and Trey Cannon, Governor DAO, provided public comment.

Committee Action

The Committee moved to have LSO draft a bill incorporating Colorado's Privacy Act into Wyoming statute within the framework of Wyoming's Digital Identity statutes.

The Committee moved to have LSO draft a bill incorporating "digital identity" into W.S. 6-3-902 unlawful impersonation through electronic means.

COMMITTEE DIRECTIVE

State Banking Commissioner Albert Forkner and Mr. Lindholm provided an overview of the concept of open banking and discussed how it could be put into statute.

Committee Action

The Committee requested LSO to prepare a memorandum on open banking and a bill draft providing for opt-in open banking based on the United Kingdom's open banking law.

E-RESIDENCY

Mr. Allen presented information (**Appendix 9-01**) about the E-Residency program established in Estonia in 2014. He described E-Residency as a way for non-citizens to access Estonia's government services – particularly the ability to register European Union (E.U.) corporations. The Committee discussed with Mr. Allen how Wyoming could use e-residency to attract business. Mr. Maher provided comments on the topic. The Committee discussed how e-residency could bring in capital to Wyoming and the concrete benefits of providing e-residency in Wyoming and considered how establishing an e-residency program might bring in Capital to the State. Mr. Allen provided the example of new special purpose depository institutions that are incorporated in Wyoming.

Public Comment

Mr. Maher and Mr. Fox provided public comment.

NON-FUNGIBLE TOKENS

David Pope, CPA, CGMA, and Dr. Sean Stein Smith, Business and Economics Associate Professor at Lehman College (City University of New York), discussed NFTs and discussed how Wyoming could benefit from them. Mr. Pope shared his goal is to remove some of the barriers for NFTs and his interest in real estate tokenization. Dr. Stein Smith provided information regarding the corporate taxation structure and how that relates to NFTs and how tokens might enable individuals to tether their digital identity to a particular asset. Rich Kopcho, Executive Producer of WyoHackathon, discussed some his recent projects regarding NFTs and provided considerations to the Committee.

Public Comment

Mark James Mullins, Casper resident; Anita Chambers CEO of Odulair; and Matthew Elias, Exponential Business Technologies, provided public comment.

GENERAL PUBLIC COMMENT

Augusto (last name unknown) provided public comment on the topic of technology providers and DAOs.

MEETING ADJOURNMENT

There being no further business, Chairman Rothfuss adjourned the meeting at 6:35 p.m. The Committee will next meet November 9-10, 2021, in Cheyenne.

Respectfully submitted,

Representative Jared Olsen, Co-Chairman

Committee Meeting Materials Index

Index Number	Agenda Item	Document Description	Document Provider
1-01		Agenda	LSO
1-02		Sign-In Sheet	Legislative Service Office
2-01	General Blockchain Updates	Promoting Wyoming Small Business Cybersecurity	CyberWyoming
2-02	General Blockchain Updates	CyberWyoming Presentation	CyberWyoming
4-01	Cryptocurrency Lottery	22LSO-0066 v0.5 Cryptocurrency lottery.	LSO
6-01	Cryptocurrency Mining	BHE Blockchain Order and Stipulation	Wyoming Public Service Commission
6-02	Cryptocurrency Mining	BHE Blockchain Tariff	Wyoming Public Service Commission
6-03	Cryptocurrency Mining	Bitcoin Net Zero	LSO
6-04	Cryptocurrency Mining	Crusoe Energy Presentation	Crusoe Energy
9-01	E-residency	E-Residency Presentation	Blockchain Commons LLC.
12-01	Department of Insurance Updates	Project Gannett Process Update	Azure Reinsurance Holdings Ltd.
12-02	Department of Insurance Updates	Memo - Reinsurance Industry	LSO
12-03	Department of Insurance Updates	22LSO-0064 v0.3 Insurance sandbox.	LSO
14-01	Decentralized Autonomous Organizations	22LSO-0063 v0.3 Decentralized autonomous organizations-amendments.	LSO
16-01	Wyoming Chancery Court Update	Chancery Court Fact Sheet	Wyoming Chancery Court

16-02	Wyoming Chancery Court Update	Chancery Court Presentation	Wyoming Chancery Court
17-01	Digital Identity	CCPA Summary and Text	LSO
17-02	Digital Identity	Digital ID presentation	Blockchain Commons LLC.
17-03	Digital Identity	BSA analysis of state privacy legislation	LSO
17-04	Digital Identity	AMH CRJ H1373	LSO
17-05	Digital Identity	2021 Colorado Privacy Act	LSO