



# STATE OF WYOMING

## Stable Token Commission

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Senator Tara Nethercott  
Representative Bob Nicholas  
Joint Appropriations Committee  
200 West 24th Street, Capitol Building, E301  
Cheyenne, WY 82002

Re: Biennial Budget Request for the Wyoming Stable Token Commission

Dear Chairman Nethercott, Chairman Nicholas, and Members of the Joint Appropriation Committee,

Thank you for your consideration of this request. I appreciate the Committee's flexibility in adding the Wyoming Stable Token Commission to the 2025 - 2026 Biennial Budget Hearings, and your understanding of the nascency of this agency.

On behalf of the Wyoming Stable Token Commission (the "Commission" or "STC"), I am requesting a biennial budget allocation in the amount of \$5,800,000 for the development, issuance, and ongoing operation of a Wyoming Stable Token ("WYST") throughout the upcoming biennium.

As with the initial amount of \$500,000 allocated to the Commission by the Stable Token Act (the "Act"), **the Commission expects and intends to return all capital provided by the general fund using investment income generated by the underlying reserves of the WYST.**

The WYST should be viewed as an opportunity for Wyoming to:

- Create a supplemental income stream for the state, particularly one that is diversified from the traditional portfolio of oil and gas.
- Fortify its position as the leading state for prudential regulation and business-forward policies around blockchain and digital assets.
- Issue a privacy-conscious stable token in advance of central bank digital currency ("CBDC") launches.

I hope the following narrative substantiates the Commission's budget request by reflecting the opportunity at hand, our progress to date, and proposed path forward. I look forward to fielding any questions or comments the Committee may have.

## Background

Wyoming has established a formidable reputation in the digital assets domain, having enacted numerous laws that create a prudential regulatory environment for entities leveraging blockchain technology. Our state has been a pioneer in recognizing the legal status of Decentralized Autonomous Organizations, creating a charter for Special Purpose Depository Institutions, and offering compelling tax treatment for digital assets. These initiatives have positioned Wyoming as a beacon for innovation, and the WYST will fortify this status.

Stable tokens are a \$130B asset class, fully built on blockchain technology.<sup>1</sup> Combined, fiat-backed stable tokens (or “stablecoins”) now represent the 16th largest holder of U.S. Treasuries.<sup>2</sup> These numbers will only continue to grow as real-world assets such as gold and real estate come to be represented on digital ledgers, and more users are onboarded to blockchain-enabled platforms through simplified interfaces.

Wyoming has a unique, immediate, and global opportunity to enter this space with a fully-reserved digital token that preserves price parity with the United States Dollar. By creating the first domestic stable token issued by the public sector, Wyoming can offer important benefits over the privately-issued incumbents. These include enhanced privacy for users,<sup>3</sup> increased transparency of reserves, and support of public initiatives (e.g., school funding).

## Landscape

Several states, countries, and coalitions thereof, are exploring the deployment of stable tokens or central bank digital currencies.

- Other U.S. states have embarked on their own stable token efforts, such as Texas’ gold-backed design.<sup>4</sup> The New York Department of Financial Services issued its “Guidance on the Issuance of U.S. Dollar-Backed Stablecoins” in July 2022;<sup>5</sup> California’s Department of Financial Protection and Innovation’s “Digital Financial Assets Law” takes effect in July 2025.<sup>6</sup>
- Several countries or coalitions have already formalized regulatory frameworks for digital assets or stablecoins. These include the “Markets in Crypto Assets Regulation” in the European Union,<sup>7</sup> the “Stablecoin Regulatory Framework” in Singapore,<sup>8</sup> and additional initiatives in the United Kingdom, Japan, and Hong Kong.

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<sup>1</sup> <https://coinmarketcap.com/view/stablecoin>

<sup>2</sup> <https://messari.io/report/stablecoin-brief-october-19th-2023>

<sup>3</sup> W.S. 34-29-107. Production of private keys, prohibition.

<sup>4</sup> <https://capitol.texas.gov/tlodocs/88R/billtext/pdf/HB04903I.pdf>

<sup>5</sup> [https://www.dfs.ny.gov/industry\\_guidance/industry\\_letters/il20220608\\_issuance\\_stablecoins](https://www.dfs.ny.gov/industry_guidance/industry_letters/il20220608_issuance_stablecoins)

<sup>6</sup> <https://www.morganlewis.com/pubs/2023/11/california-becomes-latest-state-to-regulate-digital-assets>

<sup>7</sup> <https://www.esma.europa.eu/esmas-activities/digital-finance-and-innovation/markets-crypto-assets-regulation-mica>

<sup>8</sup> <https://www.mas.gov.sg/news/media-releases/2023/mas-finalises-stablecoin-regulatory-framework>

- The U.S. Federal Reserve has been researching a CBDC since 2016,<sup>9</sup> inclusive of exploratory development of “OpenCBDC” between the MIT Digital Currency Initiative and the Federal Reserve Bank of Boston.<sup>10</sup> This has caused concern about the privacy and security of such a system within the American public and Congress. In response, the “CBDC Anti-Surveillance State Act” sponsored by Representative Emmer passed through the House Financial Services Committee in September.<sup>11</sup>
- China’s CBDC – the Digital Yuan or eYuan – has been live for several years.<sup>12</sup> Key members of the BRICS coalition – which added Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates as of January 1st – continue to push for creation of a “super currency.”<sup>13</sup> While none of these projects have achieved mainstream adoption, and the United States Dollar is unlikely to be displaced in the near future,<sup>14</sup> any small number of policy or regime changes could alter that.

As a state with an educated and agile legislature – as well as a head start – Wyoming has an opportunity to chart a course and issue a prudentially compliant stable token in 2024.

### Progress

To date, the Commission’s efforts have been effective and efficient.

- The Commission was formed in March 2023 through passage of the Act.
- The Commission began meeting in May 2023, with initial members including Chairman Governor Mark Gordon, Treasurer Curt Meier, and Auditor Kristi Racines.
  - Four subject matter experts were appointed: David Pope, owner of DAPCPA Certified Public Accountants; Jeff Wallace, CEO and Director of Wyoming Bank and Trust; Flavia Naves, outgoing general counsel for the global financial technology company Circle; and Joel Revill, CEO of Two Oceans Trust.
  - Anthony Apollo, Cheyenne resident and founder of Rensa Incorporated was appointed as Executive Director on September 18, 2023. Director Apollo leverages his prior experience in traditional finance and operating several blockchain startups to facilitate the day-to-day operations of the agency.
  - Director Apollo is the sole full-time resource of the agency. He receives support from other agencies including Administration & Information, Enterprise Technology Services, the Office of the Governor, the Attorney General’s Office, and the State Treasurer’s Office.

<sup>9</sup> <https://www.federalreserve.gov/cbdc-research-and-publications.htm>

<sup>10</sup> <https://dcj.mit.edu/cbdc-central-bank-digital-currency>

<sup>11</sup> <https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=408981>

<sup>12</sup> <https://www.fpri.org/article/2023/06/china-is-doubling-down-on-its-digital-currency>

<sup>13</sup> <https://www.reuters.com/markets/currencies/what-is-brics-currency-could-one-be-adopted-2023-08-23>

<sup>14</sup> <https://www.wellsfargoadvisors.com/research-analysis/reports/policy/dollar.htm>

- The Commissioners drafted a preliminary Business Plan in August to provide details about the WYST’s potential structure and a summary of the opportunity. This document has been iterated upon since, and will continue to evolve as a living document.
- The Commission website launched in September to collate meeting materials, procurement details, stablecoin news and research, and more. This site can be accessed at <https://stabletoken.wyo.gov> or through the truncated link: [wyst.io](https://wyst.io).
- Following delivery of Director Apollo’s Legislative Report to the Select Committee on Blockchain, Financial Innovation, and Digital Innovation Technology (the “Select Committee”) on Nov. 1, and pertaining to the Act’s statutory requirement to “endeavor to issue at least one (1) Wyoming stable token not later than December 31, 2023,” the Select Committee replied with a letter on Nov. 8 to state:

*“We believe the Commission has thoroughly endeavored to issue a Wyoming stable token and has met its obligations required by Chapter 185, Section 2(a) of the 2023 Wyoming Session Laws.”<sup>15</sup>*

- During the Commission’s initial “Request for Information” (“RFI”) period which began on Nov. 17 and closed on Dec. 18, Director Apollo and other Commissioners were in contact with over 210 individuals across 92 organizations that are interested in either providing vendor services or lending their expertise as subject matter advisors.
- The encouraging response to the initial RFI prompted the Commission to create a second RFI period, which began on Dec. 22 and will close on Mar. 4. The Commission anticipates transitioning to a formal bidding process by releasing “Requests for Proposal” (“RFP”) on Mar. 22.
- As of December 31, expenses have totaled less than \$150,000. In the Commission’s most recent public meeting, Governor Gordon expressed his appreciation for the conservative fiscal approach the Commission has taken.

However, we must acknowledge that we are currently operating in a “design” phase that is focused on structuring the first publicly issued stable token in a technically secure and legally compliant manner. The majority of costs will be incurred during the anticipated “build” phase.

## **Funding**

Domestic private companies have raised significant venture capital to develop and deploy their offerings. Circle, the issuer of the USDC stablecoin, has raised \$1.1B.<sup>16</sup> Paxos, the issuer of their own USDP stablecoin and PayPal’s PYUSD stablecoin, has raised \$540M.<sup>17</sup>

<sup>15</sup> <https://wyoleg.gov/InterimCommittee/2023/S19-20231120WyomingStableTokenCommissionLetterNovember82023.pdf>

<sup>16</sup> <https://www.wsj.com/articles/crypto-company-circle-focuses-on-growth-after-canceled-spac-merger-e46f779>

<sup>17</sup> <https://paxos.com/2021/07/29/paxos-adds-bank-of-america-coinbase-ventures-founders-fund-ix-to-series-d-funding-round>

On January 4, the European Central Bank issued five RFPs to develop key components of a Digital Euro, totaling \$1.2B in bids.<sup>18</sup>

The Commission will need more than the initial allocation provided by the Act to launch a WYST. Fortunately, the Commission can leverage technology, financial infrastructure, and operational management already assembled and stress-tested by existing third parties.

As such, we are requesting an allocation of \$5.8M for the upcoming biennium.<sup>19</sup> These funds will allow the Commission to engage established vendors who can facilitate WYST development, issuance, and ongoing operation.

The attached Stable Token Exception Request provides a rough estimate of where the Commission expects to incur hard costs. It is important to note at this time:

- Some vendor-supported components of WYST development and operation may be paid as a pro rata portion of investment income, i.e. through profit-sharing agreements. Such opportunities could be attached to functions like stable token development or fund management.
- Other vendor-supported components of WYST development and operation will be paid on a fixed-fee basis. These may include audits (of smart contract code, or financial reserves), on- and off-chain analytics, and other compliance functions. Providers must be industry leaders who are fully onboarded and integrated prior to issuing the first WYST. These components are the key impetus for this budget request.
- The Commission is still interviewing potential vendors through the RFI process to ascertain estimated costs for the services they provide. Hard financial data will not be available until the RFP process is complete in May 2024.
- Director Apollo can work with the Administration & Information Accounting team to consolidate this information into the standard format typically received by the JAC. Currently, the agency is not set up in IBARS and such configuration is pending.

## Revenues

It is important to reiterate that the WYST should be a revenue-generating program for the state. These revenues will be driven by investment income on the underlying WYST reserves.

In other words, when a buyer purchases \$100 worth of WYST and Wyoming receives those dollars, said dollars are not simply kept on deposit. The State Treasurer's Office will invest those dollars into low-risk, interest-bearing U.S. Treasury securities with a maturity of one year or less,

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<sup>18</sup> <https://www.ledgerinsights.com/ecb-digital-euro-contract-vendor-1-1-billion>

<sup>19</sup> This request is inclusive of any unobligated, unexpended funds from the initial allocation of \$500,000, which we ask to be carried forward. This amount is anticipated to be approximately \$275,000 as-of June 30, 2024.

or US Treasury security repurchase agreements with a term of one month or less. Some amount of cash will be kept on-hand to facilitate redemptions of WYST.

US Treasury Bill rates have risen in recent years, and the current rate on a bill with 52 weeks to maturity is 4.60%.<sup>20</sup> If dollars received for WYST are invested at that rate, each \$10M in WYST issued and outstanding for longer than 365 days will generate \$460,000 in investment income annually.

Stablecoins launched by domestic incumbents Circle and PayPal have market capitalizations of \$25B (USDC) and \$275M (PYUSD), respectively.<sup>1</sup>

The Federal Reserve's committee members have signaled that rates may be cut three times in 2024,<sup>21</sup> which would gradually decrease the amount of investment income that may be earned. Availing the agency of higher rates is another reason why the Commission continues to work expeditiously towards launching the WYST.

The Commission is working on formal revenue projections and looks forward to sharing those with the Joint Appropriations Committee upon completion.

## Repayment

Funds allocated to the Commission from the general fund should be structured similarly to a loan. Per Section 4 of the Act:

*“There is transferred five hundred thousand dollars (\$500,000.00) from the general fund to the Wyoming stable token administration account for purposes of this act. These funds shall not be transferred or expended for any other purpose. These funds shall be repaid pursuant to W.S. 40-31-105(a), as created by section 1 of this act.”* (Emphasis added.)<sup>22,23</sup>

As such, the Commission would commit to repaying the biennial budget allocation in full – via the aforementioned investment earnings – in accordance with the established structure and ethos of the Act.

Subsequent earnings would then substantiate reserves in the amount of 102% on the notional value of all outstanding issued WYST, to create a cash buffer for redemptions.<sup>24</sup> Any remainder shall be distributed on a quarterly basis into the school foundation program account created by W.S. 21-13-306(a).<sup>25</sup>

<sup>20</sup> [https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily\\_treasury\\_bill\\_rates&field\\_tdr\\_date\\_value\\_month=202401](https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_bill_rates&field_tdr_date_value_month=202401)

<sup>21</sup> <https://www.cnbc.com/2023/12/13/fed-interest-rate-decision-december-2023.html>

<sup>22</sup> It is the opinion of the Executive Director that the statutory reference in Section 4 should be amended to replace W.S. 40-31-105(a) with W.S. 40-31-106(c)(iii) during the upcoming legislative session.

<sup>23</sup> The “Wyoming State Token Administration Account” has been given the identifier Fund 204. The “Wyoming State Token Trust Account” has been given the identifier Fund 203.

<sup>24</sup> W.S. 40-31-106(b)

<sup>25</sup> W.S. 40-31-106(c)(iii)

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As a new agency, there is still significant work for us to do with respect to information-gathering and presenting details in a familiar format. I hope that this narrative has provided insights into the economic opportunity available, and the effort required to achieve it.

I would like to thank the Joint Appropriations Committee again for your consideration of the biennial budget request for the Stable Token Commission. At this time, I would welcome any questions you may have.

Sincerely,



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