



LEGISLATURE *of the* STATE of WYOMING

BLOCKCHAIN TASK FORCE

February 27, 2019

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President
Uniform Law Commission
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Dear President Ramasastry,

Thank you for your letters and memoranda dated January 29 and February 6, 2019, which asked the Wyoming Legislature to set aside SF 125 and instead enact the Uniform Law Commission's Uniform Regulation of Virtual-Currency Businesses Act, as well as the accompanying Supplemental Act ("the Model Acts").

Last year, the Wyoming Legislature's Blockchain Task Force studied the Model Acts at length with industry professionals, legal scholars and legislators. The Task Force determined that the Commission's approach was inappropriate because the Model Acts recognize virtual currency under the UCC *only* if the digital assets are owned via a securities intermediary, and therefore neglect to recognize the reality of this asset class, i.e., that individuals (not intermediaries) own a majority of virtual currency. Moreover, as explained below, the indirect ownership regime is particularly risky for virtual currencies because it enables risky practices in intermediary omnibus accounts that can cause insolvency more easily than other asset classes. Unlike the traditional financial industry, which has mechanisms to "paper over" the issues caused by indirect ownership, there is no lender of last resort for virtual currencies and no way to create fault tolerance in their settlement systems. Consequently, ledger inaccuracies that arise due to indirect ownership create acute solvency risks for financial institutions dealing in virtual currencies. Additionally, and perhaps most strikingly, the Model Acts do not address other widely recognized forms of digital assets,¹ including digital consumer assets ("utility tokens") and digital securities, which have

¹ See, e.g., *Guidance on Cryptoassets*, Financial Conduct Authority (United Kingdom), at *8, January 2019, available at <https://www.fca.org.uk/publication/consultation/cp19-03.pdf>; *Guidelines for Enquiries Regarding the Regulatory Framework For Initial Coin Offerings (ICOs)*, Swiss Financial Market Regulatory Authority, at *3, Feb. 16, 2018, available at <https://www.finma.ch/en/authorisation/fintech/>; Senate File 125, 65th Wyo. Leg., 1st Sess. (2019), available at <https://www.wyoleg.gov/Legislation/2019/SF0125>.

