How the Cryptocurrency Industry Is Writing Its Own State Laws
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As feds circle, crypto interests are securing favorable laws in many states by stacking little-known advisory boards with boosters.

Cryptocurrency insiders have quietly hijacked the legislative process in states around the country to write laws friendly to their industry, creating favorable environments that could help them circumvent a looming federal clampdown.

An investigation by the Tech Transparency Project (TTP) found that crypto entrepreneurs, investors and activists have packed obscure state advisory boards, using them to craft new laws that benefit the industry—and often themselves. Meanwhile, consumers and skeptical voices have largely been left out of the process, leaving crypto interests to effectively set policy in an emerging realm that few understand.

The events in the states contrast with the increasingly urgent warnings from federal regulators about virtual currencies’ potential to destabilize the global economy. They also come despite growing concern about the rapid growth of crypto-based crime and the vast energy consumption required for crypto mining operations.

The policies enacted by crypto advocates in the states may also complicate efforts at the federal level to bring some order to the freewheeling, largely unregulated sector. Many of the newly enacted state policies could remain in place, even if Congress and federal regulators take action.

A review of state meeting minutes, legislative files, working papers, social media posts and other public records shows that crypto advocates are competing to build the most industry-friendly regulations and attract crypto businesses to their states. In some cases, industry advocates have looked to foreign jurisdictions like Malta, Gibraltar and Switzerland as models to follow, for their tradition of lax financial oversight.

The state advisory groups—which exist from New Hampshire and New Jersey to Wyoming and California—are often tasked with writing legislation in key areas like digital assets, taxation and banking regulation. They generally include private citizens who serve alongside state lawmakers and other government officials. Their members from the private sector often have financial stakes in the groups’ work.

For cryptocurrency advocates, they have provided an unmatched opportunity to shape the playing field for the burgeoning industry. In Wyoming, a state blockchain task force heavy with crypto advocates wrote and introduced 15 industry-friendly bills in just two years, including 12 that were signed into law. The flurry of activity helped give Wyoming an early lead among states competing for crypto business.

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2 https://ccaf.io/ceci/index

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One former industry activist in the state has complained that advocates with personal financial interests have had outsized influence in writing Wyoming’s crypto laws. The TTP review showed that one task force member launched a new type of financial institution meant to circumvent federal regulations on crypto holdings by traditional banks. The structure was only made possible by a law the task force wrote.

The records reveal a similar story in Colorado, where a leading crypto advocate pressed the state to keep pace with industry-friendly legislation that had been passed in Wyoming, Tennessee and Arizona. The industry has placed its advocates and legal experts on a state council tasked with developing the legal framework for blockchain technology. One of its first successes was a new law that exempted some cryptocurrencies from state securities rules—providing a direct benefit to a council member whose company offered the kinds of digital tokens covered by the legislation.

In New Hampshire, a crypto commission was formed after a 2015 state law put cryptocurrencies within the purview of state regulations on money transmission, prompting at least one crypto exchange to withdraw from the state. The commission included a controversial libertarian activist who is CEO of a cryptocurrency firm in the state. Members of the public who participated in its meetings included the chairman of the state’s Libertarian Party, a local activist named “Nobody,” and a bitcoin evangelist who was arrested in 2021 after a five-year investigation by the FBI.

After members of the New Hampshire commission moved to overturn the 2015 law, they then sought to keep the state free of any new rules on the industry, and they appear to have succeeded: By the end of the commission’s mandate in 2020, it had proposed no regulation.

These three states are not the only ones where formal commissions have given the crypto industry extraordinary access to the legislative process. Similar groups include the New York Digital Currency Task Force, the New Jersey Blockchain Initiative Task Force, the North Carolina Blockchain Initiative, the Illinois Blockchain Task Force, the California Blockchain Working Group, and the Texas Work Group on Blockchain Matters. Legislation to establish a Pennsylvania Blockchain Working Group is also under consideration this year.

The advisory groups are just one way the industry is exerting its influence in state capitals. Cryptocurrency firms have also hired lobbyists across the country and brought on former state government officials to help advance their cause, just as the industry has done in Washington, D.C.

In one notable example of the revolving door at work, the former head of New York state’s Department of Financial Services (DFS), Benjamin Lawsky, became head of regulatory affairs for Stone Ridge Asset Management. In 2017, he became a manager at Stone Ridge’s crypto subsidiary, which received a virtual currency license from DFS about a year later. While

5 https://www.legis.state.pa.us/cfdocs/billinfo/bill_history.cfm?year=2021&sind=0&body=H&type=R&bn=121
running DFS, Lawsky had designed the state’s regulatory framework for crypto, known as BitLicense.

That apparent conflict of interest came despite Lawsky’s assurances before he left DFS in 2015 that he had no plans to go into business advising crypto companies on the law. “The rules are very clear,” he said at the time. “I can't work at all for life on anything I ever worked on. If anyone said ‘I want to hire you to help get a BitLicense from DFS’, no can do.”8 Yet that is exactly what he appears to have done, just two years later.

Crypto advocates have also launched trade associations to influence policymakers in the states, sometimes notching significant achievements. In Washington state, for example, the Cascadia Blockchain Council, established in early 2019, boasted that it helped enact two critical pieces of legislation, including one that protects the legal status of electronic records that have been part of distributed ledgers such as blockchains.9

Much of the CBC’s success appears to be the result of its close relationship with state Sen. Sharon Brown.10 Her district has become a hub for cryptocurrency mining and other industry interests, due in part to its proximity to the Columbia River and the relatively inexpensive electricity it provides.11 Members of the CBC frequently visit Brown at the state capital and testify on behalf of her proposals.

But the state task forces have presented a particularly effective way to influence policy—and the crypto industry has seized it. While there is clearly a legitimate role for experts in helping state officials to understand issues and shape regulation, particularly in new and complex fields such as virtual currency, the crypto task forces go far beyond mere advising. There appear to be few, if any, checks to prevent conflicts of interest. Members are free to profit from the rules they write.

This report details the recent experience in three states: Wyoming, Colorado and New Hampshire. While the details differ, the result is largely the same: The states have effectively delegated the task of regulating the crypto sector to those with the greatest financial stake in its success, with little regard for those who may stand to lose.

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11 https://sharonbrown.src.wastateleg.org/about/
https://twitter.com/sharonbrownWA
Wyoming Blockchain Task Force

The Wyoming Blockchain Task Force was established by the state Legislature in March 2018, with an explicit mandate to draft legislation. Crypto advocates took quick advantage of the direct access to the policymaking process that the panel provided them. The task force introduced 15 industry-friendly bills, and 12 of them became law, all in just two years.

The task force helped Wyoming take an early lead in the scramble for crypto business—while providing very real benefits for members of the group. In perhaps the most glaring example, a task force member founded a new type of financial institution that was only made possible by a law written by the task force.

Early Advocates and Controversial Allies

Even before the task force was created, the crypto industry had been influential in the state, with the Wyoming Blockchain Coalition (WBC), a lobbying group formed in late 2017, playing a key role advancing the industry’s agenda.

The WBC’s role was evident in 2018, when Wyoming enacted five bills aimed at easing regulations and taxation on the industry. These included one measure that exempted all virtual currencies from state property taxes and another bill that created a new LLC structure that cryptocurrency businesses could use to reduce their taxes. The measures, the brainchild of the WBC, reduced Wyoming’s already-minimal tax burden; the state does not charge an income tax and relies heavily on mineral, sales, and property taxes to finance public services.

The WBC’s founding members included a group of blockchain entrepreneurs who stood to benefit from more friendly cryptocurrency policy in Wyoming. Chief among them was Caitlin Long, a self-proclaimed “bitcoin evangelist,” who was president of enterprise blockchain company Symbiont and led Morgan Stanley’s internal blockchain working group from 2014 to 2016.

Patrick Byrne, the former Overstock CEO who achieved notoriety for spreading wild conspiracy theories about the 2020 presidential election, was another founding member of WBC and appears to

Caitlin Long, one of the most active participants on the Wyoming task force, launched a new type of financial institution in 2020 that was made possible through a law written by the task force.

12 https://wyoleg.gov/2018/Chapter/Ch134.pdf, Section 333
16 https://www.jdsupra.com/legalnews/wyoming-signs-cryptocurrency-bills-into-57968/
17 https://caitlin-long.com/
continue to act as an adviser to the group.\textsuperscript{18} As CEO of Overstock, Byrne introduced a proprietary cryptocurrency that became the subject of an Securities and Exchange Commission investigation and at least one class action lawsuit.\textsuperscript{19} Byrne and another executive stepped down amid accusations that he misled investors about Overstock’s viability as a cryptocurrency investment bank.\textsuperscript{20} Jonathan Johnson, president of Overstock’s blockchain subsidiary, Medici Ventures, was also a founding member of WBC.\textsuperscript{21}

In a post on her personal blog, Long called the 2018 cryptocurrency bills “a very personal labor of love” and claimed that WBC “delivered serious interest from serious software companies looking to move to Wyoming” to entice lawmakers to pass the legislation.\textsuperscript{22} Among the industry leaders she thanked for support were Byrne and Brittany Kaiser, the former director of business development for Cambridge Analytica, the disgraced political consulting firm accused of misusing Facebook data to influence the 2016 elections in Great Britain and the United States.\textsuperscript{23} Kaiser co-founded the Digital Asset Trade Association, a short-lived “self-regulatory association for the crypto industry” that was registered to the same Cheyenne, Wyoming, address as the WBC.\textsuperscript{24}

\textbf{A Direct Role}

With the establishment of the state task force later in 2018, Long and other industry boosters went from advising and advocating to actually crafting legislation that would put Wyoming in the lead of a nationwide scramble to attract crypto businesses.

The law that established the task force, which was formally a body of the Legislature, called for it to include four state legislators and three other members, to be appointed by the governor. The unelected crypto advocates who took up those roles were given powers generally reserved for elected officials. They were able to tap the state’s legislative service office for help in drafting legislation, and they voted alongside the elected lawmakers on the panel on which bills were forwarded to the Legislature for consideration. And while they were heavily represented on the panel, crypto skeptics, consumer advocates, or other voices were not.

As the task force began its operations in May 2018, its three outside members all had ties to the crypto and blockchain community. In addition to Long, they included WBC co-founder David Pope, and Matt Kaufman, an attorney who claims to be one of the very few in Wyoming advising companies on blockchain and cryptocurrency concerns.\textsuperscript{25} Kaufman is also a partner at

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BXE Capital, a cryptocurrency investment fund. In 2019, Pope was replaced by William Cole, a vice president at Stack Overflow, a software firm. Shortly after the task force concluded its work, Cole was hired as an executive for Unchained Capital, a bitcoin financial services company.

With such heavy representation from the crypto industry, the task force’s legislative efforts appear to have been rife with potential conflicts of interest. Those ethical problems led Robert Jennings, a former blockchain enthusiast who had helped found the WBC, to become disillusioned with state cryptocurrency and blockchain laws. “It seems to me the few people actually writing these laws and pushing them through have a personal financial interest in getting them passed,” Jennings said in late 2019.

Long may be the best example of what Jennings was talking about. Over the course of the task force’s two years, Long tended to dominate its meetings. Minutes and recordings show that she generally spoke more frequently and involved herself more extensively in the crafting and discussion of individual proposals than the other industry representatives and most lawmakers in the group. As her future business ventures would later make clear, she had a lot at stake.

Long appeared to acknowledge legislators’ limited understanding of cryptocurrency. Asked during a May 2018 lecture hosted by the Von Mises Institute, a libertarian think tank, if “the people in the Legislature actually get it” when it came to the details of crypto and related technology, Long replied: “A lot of folks didn't understand the depth of it.” But, she said, “what they did understand was that there is something special here and they're looking to diversify Wyoming's economy.”

At its first meeting, held the same month in Laramie, the Wyoming task force seemed to signal where it was heading: Members reviewed legislation and regulation in several foreign jurisdictions known for their lax oversight, including Malta, Gibraltar and Switzerland. The task force also agreed to have legislation drafted in nine different areas, including several that were high on the crypto advocates’ list of priorities. Among them were the creation of an uninsured, blockchain-based commercial bank and the designation of virtual currency as legal tender in the state, which Long had proposed to the group.

26 https://www.hkwyolaw.com/attorney/matthew-d-kaufman/
27 https://archive.ph/wip/vxZrq
Personal Interests

At its October 2018 meeting, the task force voted to forward seven draft bills to the Legislature. Among them was one that was particularly important to Long: legislation to establish a novel type of financial institution, known as a special purpose depository institution (SPDI), to circumvent federal regulations on cryptocurrency holding by traditional banks. In essence, the SPDIs can provide financial services to blockchain businesses and are not required to hold FDIC insurance.

Meeting minutes show Long’s extensive involvement in the task force’s consideration of the SPDI legislation. Long often described her frustration when her alma mater, the University of Wyoming, wasn’t able to receive bitcoin she wanted to donate. And she began the discussion of the SPDI proposal by explaining to her colleagues that it was “meant to address the difficulty of getting and keeping bank accounts for companies in the blockchain industry.”

Several representatives of the banking industry spoke during the meeting, expressing reservations about Long’s measure. After several amendments to the proposal, apparently designed to address those and other concerns, the task force voted to forward the SPDI measure to the Wyoming Legislature. It was formally introduced in January 2019, approved by both chambers, and signed into law in February of that year.

Long herself benefitted from the SPDI law. In January 2020, she founded Avanti Financial Group, described as “a new breed of bank—a software platform with a bank charter, built to connect digital assets with the legacy financial system.”

Avanti quickly applied for the SPDI status from Wyoming and, in late 2020, it became the second company in the state to be granted that status. The company focuses on institutional investors—not the general public but “their pension funds, their mutual funds, their university endowment funds and family offices,” according to Long. In short, Avanti seeks to encourage these institutions to convert assets to cryptocurrency reserves and hold them with Avanti, which is also developing a cryptocurrency of its own.

Long has embraced her role as one of the state’s leading advocates for cryptocurrency. By 2021, she said she had helped pass 24 blockchain and cryptocurrency-related laws in Wyoming. There is no indication that Long acted improperly.
When Wyoming’s blockchain task force began its work in 2019, it again focused on some of the cryptocurrency industry’s top priorities. It started the year by having legislation drafted in 11 areas, including digital asset investments for insurance companies, the issuance of digital securities in local bonding, and fine-tuning the SPDIs it had established the year before. Another priority was an update to legislation passed in March 2018, known as the Utility Token Act, that exempted most cryptocurrencies from securities regulation.

In that effort, Long had worked closely with state Rep. Tyler Lindholm, who calls himself “the geekiest cowboy you’ll ever meet” and would go on to serve as co-chair of the Wyoming task force. Lindholm has said that he cooked up the utility token law with Long, Jennings, and “guys from [New York-based blockchain software firm] ConsenSys and some attorneys out of New York.” He was defeated in 2020 and now serves as state policy director for U.S. Sen. Cynthia Lummis (R-Wyo.), a leading bitcoin advocate in Washington.

In May 2019, Long also pushed for protections for “digital expression” such as source code or computer programs, so that programmers cannot be held liable for the use of their creations—an apparent response to concerns that cryptocurrencies are frequently used to facilitate criminal transactions. The task force subsequently drafted a bill, which was signed into law in March 2020, that immunizes programmers from prosecution if their product was used for criminal purposes.

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46 https://wyoleg.gov/InterimCommittee/2019/S3-20190506Meeting%20Minutes.pdf
47 https://decrypt.co/6152/meet-wyoming-lawman-hellbent-bringing-blockchain-cowboy-state
50 https://mobile.twitter.com/tyler_lindholm
55 https://www.wyoleg.gov/Legislation/2020/HB0008
The task force continued to push crypto-friendly legislation at its final meeting, in September 2019. It forwarded eight draft bills to their respective committees for consideration in the upcoming legislative session.53 Six of these eight became law, including one that exempted cryptocurrency traders from the state’s law on money transmitters.54 Another draft bill forwarded by the task force allowed insurance companies to invest in digital assets such as cryptocurrencies.55 The bill was passed overwhelmingly in both chambers.56

Lasting Impact

The council’s mandate ended in 2019, but its members continue to influence state policy. The council was succeeded by the Select Committee on Blockchain, Financial Technology and Digital Innovation Technology. The legislative panel is composed of many of the same members, including Long and Kaufman, although they no longer vote along with the state legislators.57 Joel Revill, an investment manager whose firm advocates for investment in cryptocurrencies like bitcoin, also serves on the committee.58

And it continues to write blockchain industry-friendly legislation.59 During Wyoming’s 2021 legislative session, the committee introduced eight bills, five of which became law.60 This includes revisions to the law defining digital assets as their own class and a new law raising the threshold for crowdfunded securities offerings before they are subject to state regulation.61

Wyoming’s blockchain laws, among the earliest in the country, were influential beyond its borders. The Colorado Blockchain Council, for example, studied Wyoming legislation on token definitions and securities classification.62

Long claims that the Wyoming task force also influenced a proposal in the U.S. Congress, the Token Taxonomy Act. The measure, which was introduced in late 2018, defines cryptocurrencies as tokens, rather than securities.63 Long and other members of the task force ultimately opposed the bill because it did not go far enough in freeing digital assets from federal law.64

54 https://www.wyoleg.gov/Legislation/2020/SF0046
55 https://www.wyoleg.gov/Legislation/2020/HB0021
56 https://www.wyoleg.gov/Legislation/2020/HB0021
57 https://caitlin-long.com/an-update-from-wyoming/
59 https://www.wyoleg.gov/Committees/2020/S19
61 https://www.wyoleg.gov/Legislation/2021/HB0043
64 https://theblockchainassociation.org/the-token-taxonomy-act-is-back-and-we-need-it-more-than-ever/
The task force also appears to have influenced Wyoming’s newest judicial body, the Chancery Court, which was set up “to provide a forum for streamlined resolution of commercial, business, and trust cases.” Legislation to establish the court—which one member of the task force refers to as the “new home court for the digital asset industry”—was co-sponsored by three members of the group. Task force member Matt Kaufman was appointed to the committee tasked with formally organizing it. The court began accepting cases in December 2021; according to Long, the judges have already received “blockchain law training.”

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65 https://www.courts.state.wy.us/chancery-court/
66 https://www.wyoleg.gov/Legislation/2019/SF0104
67 https://archive.ph/nKbRQ#selection-597.90-597.135
68 https://archive.ph/Czdm2
69 https://archive.ph/Czdm2

Members of the Wyoming task force pushed for creation of the state's new Chancery Court.
Colorado Council for the Advancement of Blockchain Technology Use

In May 2018, shortly after the Wyoming task force was formed, Colorado Gov. John Hickenlooper created the Council for the Advancement of Blockchain Technology Use. He explicitly called on it to “to develop recommendations for a legal framework that will encourage, clarify, and protect the development of applications leveraging blockchain technology and protect consumers affected by it.”

The origins of Hickenlooper’s executive order are unclear, but it followed the Legislature’s rejection of a slate of crypto-friendly bills. The industry quickly seized the new opportunity to push for favorable policies in the state. The council was heavily stacked with representatives of the crypto industry and drew input extensively from the Colorado’s blockchain community—and few others. In short order, the council was highly influential, using its privileged perch to draft, introduce, and push for legislation that revised state securities law and shaped regulation in the industry’s favor. Among its accomplishments was a law that specifically exempted digital tokens from state securities law—an important victory for a council member who co-founded a firm that offered its own tokens.

Even as the council was working, though, there were warning signs about the state’s bet on cryptocurrency, and the promises of economic growth that crypto companies would bring with them. Following the crash in crypto prices in late 2018, for example, ShapeShift, the largest crypto company in Denver, laid off a third of its staff.

Getting More Involved

The week after Hickenlooper issued his executive order, cryptocurrency advocates were discussing who among them should join the council. Paul Quigley, CEO of a digital asset management firm called Liberado and a veteran of the Wyoming Blockchain Coalition’s successful advocacy efforts in that state, used a Telegram channel that had been set up to coordinate legislative outreach by the cryptocurrency and blockchain industry to broadcast the establishment of the council. In a May 10 message, he told members of the channel to email him “if you’d like to be part of” the task force.

At a Boulder startup conference later that month, Quigley stressed the need for Colorado to take action if

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69 https://spl.cde.state.co.us/artemis/goserials/go4211internet/go42112018002internet.pdf
72 https://www.thewealthadvisor.com/article/crypto-winter-upon-us-denvers-shapeshift-lays-one-third-staff
73 https://archive.ph/wUDSB
74 May 10, 2018, message: “Prologue: The Governor has authorized a Blockchain Task Force. Please reach out to me directly. Paul@bloclab.com if you’d like to be part of that. The Exec Order was just signed so the structure has not been set yet. Let me know your interest and we can go from there. Paul.” https://t.me/s/coloradoBBL
the state was to continue to attract new crypto businesses and hold on to those already located there. He pointed to crypto-friendly legislation that had recently been passed in Arizona, Tennessee and imploring Colorado’s crypto community to become more active in engaging with legislators.74

Hickenlooper’s executive order called for a 15-member task force, including six “blockchain industry leaders” and three legal experts—with no representation for any crypto skeptics, consumer advocates, environmental groups or other interested parties.

The job of selecting the industry representatives fell to a state official who appears to have had limited knowledge of cryptocurrency: Stephanie Copeland, who Hickenlooper had named as executive director of the state’s Office of Economic Development and International Trade in 2016.75 Copeland, who also had a seat on the council, had previously worked at an IT infrastructure firm, and does not appear to have been notably involved in blockchain and cryptocurrency technology prior to her appointment to state office.76

The crypto industry appears to have taken note of Copeland’s relative unfamiliarity with their issue. At the May startup conference, an unnamed audience member noted that “Stephanie and others who are trying to set this [Council] up, they’re not really sure what the mission of that task force is.”77

The following month, the governor’s office announced 12 members of the council, including at least one industry representative whose business practices would soon draw scrutiny.78 Erik Voorhees, an anti-regulation libertarian running ShapeShift, a cryptocurrency exchange, was among those named to the council. Just a few months later, in September 2018, the Wall Street Journal published an investigation into ShapeShift that showed the company processed more suspicious transactions than any other U.S.-based exchange, including millions of dollars’ worth of ransom money from suspected North Korean hackers.79

Quigley was also named to the council, as was Blake Samuel Cohen, a co-founder of SALT Lending, a firm that offers loans and other financial services for cryptocurrency investment.80 SALT offers digital tokens (SALT Tokens), which were specifically exempted from state securities legislation under legislation drafted by the council.

The group’s other industry members were: Sasha Shtern, an entrepreneur and organizer of Ethereum Denver and Rocky Mountains Blockchain, two blockchain community meetup groups;

74 https://youtu.be/NQv1DYXTRLs?t=1575
https://archive.ph/tKknZ
https://archive.ph/wUdSB
75 https://youtu.be/NQv1DYXTRLs?t=2137
76 https://www.linkedin.com/company/zayo-group/
https://americanlampngassociation.net/stephanie-copeland
https://www.linkedin.com/in/stephanieacopeland/details/experience/
77 https://youtu.be/NQv1DYXTRLs?t=2184
80 https://techcrunch.com/2018/05/02/salt-lending-offers-liquidity-for-cryptocurrency-holders/
Hannah Parsons, then-CEO of Exponential Impact, a startup accelerator with a focus on blockchain technology; and Paul Foley, co-leader of Colorado Blockchain, which claims to be the state’s largest blockchain community group.81

The three legal experts on the council—Eric Kintner, Scott Sanderson and Matthew McClintock—were all involved in cryptocurrency.82 Kintner chairs the blockchain and digital currency group at Snell & Whitmer, a Denver law firm.83 Sanderson is a patent attorney specializing in cryptocurrency and blockchain clients.84 McClintock is a financial adviser who focuses on the use of cryptocurrencies in wealth planning and estate management.85

In contrast to other states like New Hampshire, where career regulators were at least given seats at the table, none of the Colorado council members were civil servants. Both Copeland and the other cabinet member on the council, the state’s secretary of technology, Sumana Nallapati, were political appointees.86

The council also featured three state legislators, who were each sympathetic to pro-cryptocurrency policy and involved in introducing pro-crypto bills crafted by the group.87 They included then-Sen. Jack Tate, a strongly pro-cryptocurrency Republican who was appointed council chairman at the group’s second meeting, and Sen. Stephen Fenberg, the state’s Senate Democratic majority leader, as well as then-Rep. Tracy Kraft-Tharp.88 (A fourth legislator, Lang Sias, was not re-elected and did not participate in the 2019 legislative session.89)

Tate was a primary sponsor on nine bills during the 2019 legislative session, including three that had to do with cryptocurrencies and blockchain technology.90 Before the council was formed, he also sponsored unsuccessful 2018 legislation to exempt bitcoin from state laws that govern third-party money transmission.91

The council also solicited volunteers to work at least three to four hours per week on proposals and discussions.92 Based on comments visible in remaining shared working files, these volunteers were overwhelmingly, if not exclusively, figures from the crypto and blockchain industries.93

81 https://boulderstartupweek2018.sched.com/speaker/shtern.sasha
https://www.linkedin.com/company/exponential-impact/
83 https://www.swlaw.com/people/eric_kintner
84 http://www.sandersoniplaw.com/
85 https://archive.ph/PnKyA
90 https://leg.colorado.gov/bills/sb19-023
91 https://ballotpedia.org/Lang_Sias
92 https://archive.ph/wh4Eb
93 Two files have all comments visible (press Command + Option + Shift + A to reveal in Google Docs):
https://docs.google.com/document/d/1_mKXAs__1JfenK7hRg2LKj42_LhqW0yjFsdOR1j0Eig/edit#heading=h.eszeckrg626b
https://docs.google.com/document/d/1eC1L8yheuo0g8SPaFE9uE9_HVXgK2hduenumIfJU/edit
Commenters included: Emma Channing, CEO of Satis Group, a technology company affiliated with ConsenSys, a major blockchain firm; Andrew Kernosky, an accountant who owns a firm specializing in cryptocurrency taxes; Jason Rohlfling, CEO of a cryptocurrency startup; Brent Wadman, a lawyer focused on blockchain; Patrick Berarducci, an executive at ConsenSys; and Csilla Brimer, a Wyoming-based founder of a blockchain consulting company that advertises company domiciling in Malta.  

**A String of Victories**

Most of the council’s work is undocumented, maintained only in partially or wholly inaccessible Google Docs and a wholly inaccessible Slack channel, making it difficult to fully assess how it drafted legislation and regulatory proposals. Relatively sparse meeting minutes and agendas are available for the first seven meetings in 2018, but from October 2018 to the council’s dissolution in June 2019, there are records for only a single meeting.  

From documentation that is publicly available, however, it is possible to gain a picture of how industry figures used their position on the council to influence regulators and the development of legislation.

A two-page summary of the council’s meeting on October 9, 2018, shows the breadth of the group’s ambitions, with six items listed under “proposed legislative action.” The most consequential council proposal was the Colorado Digital Token Act, which went on to be introduced by Sens. Tate and Fenberg in January 2019 and signed into law by Gov. Jared Polis in March 2019. The law, described as the state’s “first blockchain-related” legislation, exempted some cryptocurrencies from state securities laws—a key priority for industry advocates.

Following the recommendation of the council, the law classifies cryptocurrencies not as securities but “digital tokens.” It excludes these tokens from securities taxes and regulations if they are for “consumptive purposes”—generally defined as providing access to goods or services. The legislation marked an apparent victory for Cohen, the council member who co-founded SALT, which had offered digital tokens since 2017. (In 2020, the SEC ordered SALT to cease distribution of the tokens because they were considered securities under federal law.)

The need to differentiate consumptive-purpose tokens was identified as a critical goal for the state’s blockchain industry by Paul Quigley in his May 2018 presentation. Two council
working groups—one on “token definition,” led by Sanderson, and another on taxation, led by Kintner—also highlighted the issue in their respective working files.102

Sanderson’s group, in particular, appeared to reflect the industry’s concerns: “Definitions around the various types of tokens are unclear and vague,” it said in a working file. “This leaves companies looking to issue various types of tokens with a high level of legal risk. By defining and classifying types of tokens, companies can create token offerings that fit in a clear legal framework which drastically reduces the companies (sic) costs, protects consumers, and gives more visibility into the offering.”103

Notes from the council’s October 9, 2018, meeting show the issue was also discussed then, with Kintner sharing a version of a proposed Colorado Digital Token Act with the group.104 Kintner was tasked with making updates to the proposal, which were to be discussed at the council’s next meeting.

The Digital Token Act, which decreased state regulation of initial coin offerings (ICOs), was an important victory for cryptocurrency advocates. The council’s final report, issued in August 2019, lists the legislation first among its accomplishments.105 And it appears to have at least partially undercut the Colorado Department of Regulatory Affairs, which had aggressively gone after fraudulent and shaky ICOs, shutting down 18 of them by the end of 2018.106 In contrast, the Colorado Department of Securities does not appear to have shut down any ICOs in 2019 or 2020.107

The council also succeeded in blocking the introduction of rival legislation by the Uniform Law Commission (ULC), a national nonprofit that seeks to harmonize state regulatory law. The council, like other cryptocurrency advocates, considered the ULC legislation too strict, because it would require cryptocurrency to be treated as a security and require cryptocurrency-holding institutions to be registered as banks.108

102 https://docs.google.com/document/d/1ULB1v0zFk-p4Y6w2nlzTZ_xW0ON4KIZnibh8-etgXU/
https://docs.google.com/document/d/1PuSM-Xw7Q7yy_hMKVL7hSrhS5x51Ys47-VyYjAITk/
103 https://docs.google.com/document/d/1ULB1v0zFk-p4Y6w2nlzTZ_xW0ON4KIZnibh8-etgXU/edit
Minutes from the council’s meeting on October 9, 2018, show that it discussed the possibility that the national standards would be introduced in the state by the Colorado Commission for Uniform State Laws (CCUSL). That bill, the council said, was “not well-aligned” with its own work, noting that it “defines things in statute that the Council would not want to define, adds additional regulation, and makes proposals that will be in conflict with what the Council will propose.”

The council also testified against the uniform law and noted in its final report that the CCUSL decided against introducing the legislation. Quigley was more blunt: “We were able to block its submission,” he wrote on the Colorado blockchain Telegram channel, which he ran.

In addition to legislative work, the council appears to have influenced regulatory guidance on cryptocurrency from the Colorado banking board through Erik Voorhees, the member tasked with communicating with the state regulator. The board issued guidance in 2018 that exempted some cryptocurrency traders from regulation under the state’s money transmitters laws. While the council’s specific position and arguments are unclear, it was evidently pleased with the outcome, as it saw “no need for additional legislative action” after the guidance was published.

**Looking Ahead**

Even from its earliest days, the council appears to have been thinking about ways to protect its interests well into the future. At an August 2018 meeting, the council expressed the desire to communicate with both the Republican and Democratic gubernatorial campaigns. It is unclear if or when this communication took place. A few days prior to the meeting, candidate Jared Polis, who ultimately won the election, unveiled the pro-blockchain technology plank of his platform.

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111. Quigley in the CO Blockchain Telegram channel, March 26, 2019: “We (CO Blockchain Task Force) reviewed and discussed this - and the Supplemental Act - with Rep Perry (potential sponsor in Co) before the 2019 GA started. We were able to block its submission in CO 2019. Our review came to many of the same conclusions in late 2018, just before the CO Gen Assembly and the COBCTF voted to NOT support/ NO Endorsement of VCB as written. It is a Trojan Horse for institutional custody agents and forces anything labeled a virtual Currency to be handled by them. It would kill custody innovation in the Blockchain space. If it were to emerge in 2020+ as a viable Bill it would have to be radically restructured and rebalanced. Problem is - we (innovators/entrepreneurs) are NOT at that table - we need to be - or this next version of the bill will be a component redux of this one because all of the entrenched stakeholders interests are represented on these committees. @PaulQuigley
Polis, who succeeded Hickenlooper as governor in 2019, continued the council until the end of its mandate in June 2019. After a year of work, the council said that “future work would be better handled in a more focused manner.” And with Polis, a crypto booster, in charge, the council’s work was divided among five state agencies, which each committed to holding at least two industry forums per year. To ensure its continued influence, the council “informally nominated” both an industry and an agency lead to facilitate ongoing work together.

In addition, Polis created a new position, the state’s first-ever “blockchain solution architect,” to promote Colorado’s blockchain infrastructure and work with the designated stage agencies to continue the council’s work and integrate blockchain efforts across the state government. Thaddeus Batt, who Polis tapped for the role, was the founder and CTO of Blockchain Industries LLC in Denver.

The impetus behind the state blockchain architect appears to have been legislation passed in 2018 concerning cybersecurity and other issues.

But here too, in shaping how Colorado would address cryptocurrency issues once its mandate ended, the council appears to have been influential. The council’s minutes from October 2018 note that it will prepare a proposal for a “Colorado Blockchain Czar,” to be shared with the state’s next governor.
New Hampshire Commission to Study Cryptocurrency

New Hampshire’s cryptocurrency commission provides another model for how the crypto community has used a state-sanctioned panel to amplify its influence. But unlike in Colorado or Wyoming, where crypto forces helped draft legislation, industry advocates in New Hampshire sought to keep the state free of new restrictions on cryptocurrency. They appear to have succeeded: By the end of the commission’s mandate in 2020, it had proposed no regulation.

The impetus for the New Hampshire commission was a 2015 state law known as HB 666, which included cryptocurrencies within the purview of state regulations on money transmission. Its passage prompted Poloniex, a cryptocurrency exchange, to announce its withdrawal from the state. The departure incensed the largely libertarian crypto community in New Hampshire and prompted sharp criticism of banking regulators.

In 2016, cryptocurrency advocates in New Hampshire secured passage of another measure, which provided for the establishment of a commission “to study whether regulation of the cryptocurrency industry is necessary” in the first place. The enactment of the 2015 law and Poloniex’s withdrawal appear to have motivated a major wave of cryptocurrency activism in the state that would see the commission as a battleground.

An Early Win

In contrast to Wyoming and Colorado, where the state-backed commissions were stacked with pro-crypto members, the New Hampshire’s Commission to Study Cryptocurrency initially appeared more balanced.

As set out under law, the commission was to consist of six members: three from the state House of Representatives (one each appointed by the speaker, the chair of the Commerce Committee, and the chair of the Ways and Means Committee); one representative each from the Banking Commissioner and the Bureau of Securities Regulation; and a member of the cryptocurrency industry, appointed by the governor.

The initial members were the two regulators—Maryam Torben-Desfosses of the Banking Department, who had been the object of intense criticism after the Poloniex departure, and Kevin Moquin of the Bureau of Securities Regulation—along with two pro-

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125 https://archive.ph/PiFuz
126 http://www.gencourt.state.nh.us/statstudcomm/reports/1291.pdf
127 https://legiscan.com/NH/text/HB356/id/1427225
cryptocurrency and anti-regulation Republican legislators, John B. Hunt and Barbara Biggie; and one more neutral legislator, Democrat Susan B. Almy.

Hunt was clear from the outset that he was deeply skeptical of any suggestions by state officials for how to regulate crypto. During the commission’s second meeting, in October 2016, after Biggie worried that state regulation might “snuff out” the cryptocurrency industry, Hunt effectively asked her to introduce a bill to repeal existing legislation. She quickly agreed to introduce legislation repealing HB 666, doing so as soon as the Legislature convened the following January.

The Republican repeal bill passed along partisan lines in both houses of the General Court and was signed into law in June 2017. This represented a major victory for cryptocurrency advocates over the regulators of the Banking Department; in the words of one prominent cryptocurrency news website, the repeal “completely deregulate[d] Bitcoin” and was passed thanks to the work of Hunt and Biggie.

In early commission meetings, Almy expressed concern that the group might act prematurely, given the complexities of the fast-changing industry. In an October 2016 meeting, she noted, “I’m much less expert at this than [Rep. Hunt]. I would be a totally horrible chair of this committee. … I don’t know whether it’s useful to try to recommend legislation at this point.” She also mused that the commission would be better off staying dormant until 2021, because the technology was moving so quickly that she was skeptical regulation could keep up with it.

**Little Room for Dissent**

Over the course of the commission’s lifetime, the outside voices it heard from appear to have been exclusively pro-crypto. The commission’s final report names 11 individuals who participated in its meetings. There are no public recordings of the meetings outside of two taken by Free Keene, a libertarian activist group, on September 28 and October 6, 2016. It is unclear how many total meetings there were during the commission’s lifetime.

Among the individuals named in the final report who participated in commission meetings were:

- Rep. Keith Ammon, who shepherded legislation repealing HB 666 along with Hunt and Biggie;
- Darryl Perry of Liberty Lobby and then-chairman of the state’s Libertarian Party;

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128 https://archive.ph/PiFuz
https://www.youtube.com/watch?v=tymaGpkybLI
129 c. 37:00 https://www.youtube.com/watch?v=tymaGpkybLI
130 c. 29:30 https://www.youtube.com/watch?v=tymaGpkybLI
131 https://www.youtube.com/watch?v=tymaGpkybLI&feature=emb_title
131 http://www.gencourt.state.nh.us/statstudcomm/reports/1291.pdf
132 https://www.youtube.com/watch?v=0w0TtiYLXhA
134 https://www.fsp.org/thanks-darryl-w-perry/
• Michael Demopoulos, a Poloniex executive;

• Ian Freeman, a bitcoin activist who was arrested in 2021 following a five-year investigation by the FBI, which alleges that he knowingly abetted criminal activity via his unlicensed cryptocurrency exchange;¹³⁷

• Nobody (formerly Richard Paul), an activist and alleged co-conspirator of Freeman who was arrested alongside him;¹³⁸

• Robert Call, a member of the “Crypto Church of New Hampshire,”¹³⁹ which opened bank accounts that the FBI alleges Freeman and his associates used to evade regulators;¹⁴⁰

• Christopher Waid, a software engineer and bitcoin activist;¹⁴¹

• Jason Brett of the Washington, D.C.-based Chamber of Digital Commerce, which lobbies for the crypto industry;¹⁴² and

• Jeremy Kauffman, CEO of a New Hampshire-based cryptocurrency and blockchain technology firm, LBRY (“library”).¹⁴³

Kauffman, a controversial member of the libertarian activist community, would later become a full member of the commission, apparently taking the spot reserved for a representative of the cryptocurrency industry, though the circumstances and exact timing of his appointment are unclear.¹⁴⁴

Kauffman appeared well-mannered in comments he made at a commission meeting on September 28, 2016, before he was appointed a member, when he spoke against regulation of cryptocurrency along the lines of money transmission.¹⁴⁵ But he represents an extremist wing of libertarian community within New Hampshire, notorious among other things for his incendiary tweets rife with racial slurs, which have caused rifts within the state’s Libertarian Party and wider activist circles in recent years.¹⁴⁶ He also earned the condemnation of the LGBTQ caucus of the national Libertarian Party in 2021 over anti-trans tweets and his unapologetic sexual harassment and crude insults directed toward a minor who disagreed with him.¹⁴⁷

Jeremy Kauffman, a controversial libertarian activist, was a member of the New Hampshire crypto commission.

¹³⁹ https://opencorporates.com/companies/us_nh/7828875
¹⁴¹ https://cryptonewsbtc.org/2021/08/02/inside-the-federal-raid-on-keene-nhs-crypto-mecca/
¹⁴² https://digitalchamber.org/about/leadership-team/
¹⁴³ https://www.linkedin.com/in/kauffj/
¹⁴⁴ http://www.gencourt.state.nh.us/statstudcomm/reports/1291.pdf
¹⁴⁵ from c. 1:09:00 to 1:12:00 https://www.youtube.com/watch?v=0w0TiuYLXhA
¹⁴⁶ https://newhampshirebulletin.com/briefs/liberty-alliance-faces-backlash-over-choice-of-keynote-speaker/
¹⁴⁷ https://www.outrightusa.com/blog/statementfromtheboard
Kauffman and his allies embody a different strand of crypto activism than that seen in Wyoming or Colorado, where advocates used the state to establish specific legal regimes and architecture amenable to their interests and where the state was actively interested in courting businesses like novel cryptocurrency banks and blockchain firms. In contrast, the decidedly libertarian crypto industry figures in New Hampshire were determined to simply keep the state out altogether—ideally, no new laws, regulations, or any other oversight whatsoever.

A Limited Role

After it succeeded in repealing HB 666, the commission, according to its brief final report, did relatively little: It simply continued to monitor the cryptocurrency industry and recommended no more regulation.\textsuperscript{148} And there is no permanent successor to the New Hampshire commission, unlike the blockchain czar in Colorado or the select committee in Wyoming.

The report states that the repeal made the state more cryptocurrency-friendly and helped attract the Free State Blockchain Digital Assets Conference to Durham, New Hampshire, in 2019 and an unnamed new app business to the city of Portsmouth. From 2017 to 2020, only one law related to digital assets or blockchain technology was passed in the New Hampshire General Court; it dealt with transfer of digital assets after the death of their primary owner.\textsuperscript{149} Introduced by Hunt, it was the only blockchain- or cryptocurrency-related bill proposed that year, but the commission’s role in it is not clear.

While apparently successful in keeping the state at bay, the libertarian-crypto activists have had less success thwarting the federal government, which has gone after several of them on serious criminal charges. In addition to Freeman, who is still in jail awaiting trial, Kauffman is currently facing a lawsuit from the SEC over LBRY Credits, the digital tokens that his firm issues and that the SEC maintains are securities.\textsuperscript{150}

Nevertheless, New Hampshire continues its laissez-faire approach. BlockFi, a non-bank lender that was hit with a cease-and-desist letter from New Jersey authorities, was encouraged to refile its application to set up shop in New Hampshire by the state’s bank commissioner, Gerald Little, after it was withdrawn for reasons the company would not specify.\textsuperscript{151}

\textsuperscript{148} http://www.gencourt.state.nh.us/statstudcomm/reports/1291.pdf
\textsuperscript{149} http://www.gencourt.state.nh.us/bill_status/legacy/bs2016/billText.aspx?sy=2019&id=1015&txtFormat=html
\textsuperscript{150} https://www.nhpr.org/nh-news/2021-03-30/feds-again-target-n-h-cryptocurrency-firm-with-libertarian-ties
\textsuperscript{151} https://nhjournal.com/crypto-bank-pulls-nh-application-cites-state-regulation/