Proposal for the South Carolina State Treasurer to Establish the Office of Digital Assets and Emerging Technologies

Respectfully submitted,
March 7, 2022
by
South Carolina Emerging Technology Association, Inc.,
Dennis Fassuliotis, President

to

The Honorable Curtis M. Loftis, Jr.
South Carolina State Treasurer

A NARRATIVE ON POLICY RECOMMENDATIONS FOR THE ESTABLISHMENT OF AN OFFICE OF DIGITAL ASSETS AND EMERGING TECHNOLOGIES

BRIEF IN SUPPORT OF AN APPROPRIATION FOR THE TREASURER OF THE STATE OF SOUTH CAROLINA FOR AN OFFICE OF DIGITAL ASSETS AND EMERGING TECHNOLOGIES

DENNIS T. FASSULIOTIS, President
SOUTH CAROLINA EMERGING TECHNOLOGY ASSOCIATION, INC
75 East Bay St.
Charleston, SC 29401

BOARD OF DIRECTORS:
Gordon Jones, DrHA, Director
Spencer Whetstone, Secretary
Craig Ratliff, CFO

CONTRIBUTORS::
Lewis Gossett, Esq.
Craig Ratliff
Jonathan Dunsmoor, Esq.
Edward Frazier, State Treasurer's Office
Dr. Brian Houillion, PhD
Dr. Gerald P. Dwyer, PhD
Mark Boyce

South Carolina State Treasurer Office of Digital Assets and Emerging Technologies[1]

Legislative Appropriation Request

Digital assets in general, and cryptocurrencies specifically, are rapidly becoming a significant part of the American and world economies. South Carolina will inevitably participate at a high level in these emerging technologies, but only if it fully understands and embraces the disruptive change these technologies offer by expanding financial inclusion through the democratization of capital for its citizens.

Moreover, in doing so, the State has an opportunity to increase its stature as a world leader in manufacturing, logistics, cybersecurity, identity and finance as an early mover. Consequently, making its citizenry the beneficiary of the exponential growth and economic development this industry is creating.

By coordinating the resources of State and local governments and creating a body of knowledge the State office can provide a service to both agencies and the citizens not yet available through any other state agency. Failure to create a central resource and understanding of how a fully digital economy will create an evolutionary trend in finance, governance and personal freedoms could result in the State *losing* opportunities.

There is an almost incalculable opportunity for economic development. As an example, in just the last five months, an estimated $500,000,000 dollars in data centers specializing in digital asset data mining have been announced in South Carolina with more on the way soon.[2]

The State is positioned well to be a significant player in digital assets and emerging technologies, but we are behind in government knowledge and policy. We need an office where the State can marshal the knowledge and resources necessary to develop prudent policy, and upon approval by the General Assembly, guide our participation in this new economy. The proposal is to begin with an Office of Digital Assets and Emerging Technologies within the Office of the State Treasurer. Although the Treasurer would set the agenda and tone for the office, we propose the following as the initial draft for a mission statement. This language can also serve as a guide for the General Assembly as it considers this request.

---

[1] See OFFICE OF THE PRESIDENT CRITICAL AND EMERGING TECHNOLOGIES LIST UPDATE first published October 2020.

[2] See https://governor.sc.gov/news/2022-01/greenidge-generation-establishing-operations-spartanburg-county, additionally, internal sources have confirmed, SC Emerging Tech Association Inc has sited 3 projects since May 2022 in excess of $220 million upon buildout.

Mission Statement

The Mission of the Office of Digital Assets and Emerging Technologies is to envision state government within a digital economy and foster financial innovation in South Carolina for the benefit of its citizens.

To further its mission this office shall:

- Serve the citizens of South Carolina as an authority on the State's participation in the digital economy. and create a body of knowledge as a state resource that promotes policy development and public private partnerships in Fintech, blockchain, and other emerging technologies.

- Organize a study group / advisory council to propose regulatory clarity for fintech /blockchain projects employing digital assets and their use in payments, remittances, and financial transactions in the SC economy. Provide a report to the General Assembly on its findings and recommendations.

- Study digital transformation, digital asset data center growth, decentralized finance, software developer educational needs and infrastructure necessary for SC to compete globally.

- Study real-time settlement of financial transactions and emerging financial models in the rapidly developing decentralized finance industry, peer to peer financial products and their risks and benefits to the SC economy and its citizens.

- Explore the viability of investing state funds in the new asset class through a direct investment in Bitcoin and other cryptocurrencies, the effect on the industry to provide additional safeguards for the state's electric utility resources for both grid and additional financial stability by creating a state based Bitcoin mining and innovation center.

- Explore transactional models of decentralized autonomous organizations (DAOs) and their viability to act as a digital payment rail for state based financial transactions and how they may provide the state an alternative source of funds to mitigate future increased taxes on the citizens of the State.

- Create a roadmap for the state to begin the process of Digital Transformation.

- Promote financial literacy and recommend curriculum for Bitcoin and crypto currency education in the public school and institute of higher learning in South Carolina.

The office will also develop recommendations from the work of the study committee and other office resources for the executive and legislative branches to consider policy, including appropriate legislative and regulatory efforts, but not limited to:

- Strategic plan for integrating digital assets into the SC economy.
- Define digital asset policy within existing vertical industries i.e., aerospace, logistics, supply chain, identity, and SC Ports

The office will also serve as a primary resource for assisting the South Carolina Department of Commerce as well as the regional and local economic development community in their efforts to attract new technology driven business and to encourage existing digital asset and emerging technologies economic development projects.

All references below provide examples of current state and sovereign nation policy acting on this new technology as a foundational level for the next one hundred years of innovation and economic growth.

Arizona

In 2017, Arizona adopted two statutes related specifically to the storage of information on the blockchain. Arizona Statute § 44-7061 makes signatures, records, and contracts secured through blockchain technology legally valid. "A contract relating to a transaction may not be denied legal effect, validity or enforceability solely because that contract contains a smart contract term." H.B. 2417, 53d Leg., 1st Reg. Sess. (Ariz. 2017).

Arizona Statute § 11-269.22 prohibits any county from prohibiting individuals from "running a node on blockchain technology" in a residence, as defined as "providing computing power to validate or encrypt transactions in blockchain technology." Arizona Statute § 13-3122 makes it unlawful to require people to use or be subject to electronic firearm tracking technology (including distributed ledger or blockchain technology). H.B. 2216, 53d Leg., 1st Reg. Sess. (Ariz. 2017).

In 2018, Arizona adopted H.B. 2601 and 2602. H.B. 2601 creates a framework under the State's securities laws for crowdfunding sales involving virtual currencies. S.B. 2601, 53d Leg., 2nd Reg Sess. (Ariz. 2018). H.B. 2602 prohibits localities from restricting cryptocurrency mining in residences. In the same year, the Arizona Senate proposed a regulation that would add income "derived from the exchange of virtual currency for other currency" to the computation of Arizona adjusted gross income for the purposes of the income tax. S.B. 1145, 53d Leg., 2nd Reg. Sess. (Ariz. 2018).

In February 2019, H.B. 2702 was proposed to bring the providing of "a virtual currency that buyers are allowed or required to use to purchase products from the seller" into the definition of "marketplace facilitator." This amended definition relates to "Transaction Privilege and Affiliated Excise Taxes" within the state's taxation regime. 2019 AZ H.B. 2702 (NS).

On May 31, 2019, the state legislature adopted its "general appropriations act; 2019-2020," which allocates "$1,250,000 for distribution to applied research centers that specialize in blockchain technology." 2019 AZ H.B. 2747 (NS).

In February 2020, the Arizona House passed H.B. 2400 which would create a study committee on the blockchain technology and cryptocurrency. H.B. 2400, 54th Leg., 2nd Reg. Sess. (Ariz. 2020). The bill died in the Senate Commerce Committee. However, the House reintroduced it in January 2021 under H.B. 2544 and passed it. H.B. 2544 is now pending before the Senate Finance Committee.[3]

REVISED UNIFORM FIDUCIARY ACCESS TO DIGITAL ASSETS ACT
ARTICLE 1. GENERAL PROVISIONS[4]

Arizona Law Review: Cryptocurrency BasedLaw
58 ARIZ. L. REV. 359 (2016)
MICHAEL ABRAMOWICZ

Conclusion: Although there is a long history of debate about the degree to which government should be centralized, the legal literature has not previously questioned the premise that every legally authoritative action must come from some institution that is centralized. Even advocates of direct democracy imagine some centralized system for counting votes in such elections. Peer-to-peer systems lack a centralized server for recording information, but, as Bitcoin has shown, peer-to-peer systems can still produce decisions about which there will be a high degree of consensus. The very limited form of decision-making inherent in Bitcoin could serve as a foundation for more sophisticated types of decision-making, allowing legal institutions to be created without voting or the designation of a central authority. The strongest case for application of such decision-making is for governance of Bitcoin itself because the current governance arrangement means that Bitcoin is, in important respects, not peer-to-peer. Bitcoin could experiment with such governance by allowing decisions to be used merely as advice about whether software features should be implemented. Peer-to-peer law is likely to emerge slowly and in unpredictable ways, but it has the potential to create authoritative decisions without authoritative decision-makers. There may be decisive arguments against particular peer-to-peer institutions, but legal theorists should at least allow peer-to-peer institutions to join the menu of possible regulatory arrangements.[5]

[3] https://www.carltonfields.com/insights/publications/2021/state-regulations-on-virtual-currency-and-blockchain-technologies-(updated-march-2021)
[4] https://www.azleg.gov/legtext/52leg/2r/bills/hb2467p.htm Similar provisions adopted June 2, 2016, SC Uniform Fiduciary Access to Digital Assets Act see: SC Code Article 62-2-10
[5] https://arizonalawreview.org/pdf/58-2/58arizlrev359.pdf

Bermuda

Bermuda Monetary Authority

MISSION & VISION

To protect and enhance Bermuda's reputation and position as a leading international financial centre, utilising a team of highly skilled professionals acting in the public interest to promote financial stability, safeguard our currency and provide effective and efficient supervision and regulation.

OUR VISION STATEMENT

Committed to integrity and excellence.[6]

Digital Asset Business Act 2018 [7]

The Digital Asset Business Act 2018 (the Act) is the statutory basis for regulating Digital Asset Business (DAB) in Bermuda. The Act provides for a licensing regime for any person or undertaking (unless otherwise exempted) which carries out any of the following activities:

- issuing, selling or redeeming virtual coins, tokens or any other form of digital assets
- operating as a payment service provider business utilising digital assets
  includes the provision of services for the transfer of funds
- operating as an electronic exchange
- providing custodial wallet services
- operating as a digital assets services vendor

Dubai

DUBAI BLOCKCHAIN STRATEGY

The Dubai Blockchain Strategy will help Dubai achieve the vision of H.H. Sheikh Mohammed bin Rashid Al Maktoum by making "Dubai [will be] the first city fully powered by Blockchain by 2020" and make Dubai the happiest city on earth. The strategy will be using 3 strategic pillars Government Efficiency, Industry Creation, and International Leadership.[8]

El Salvador

El Salvador To Make Bitcoin Legal Tender: A Milestone In Monetary History

On June 5, at a conference in Miami, El Salvador President Nayib Bukele announced that the Central American country is in the process of adopting bitcoin as legal tender: a move that would make El Salvador the first country to deem bitcoin an official national currency. Despite El

[6] https://www.bma.bm/about-us
[7] http://www.bermudalaws.bm/laws/Annual%20Laws/2018/Acts/Digital%20Asset%20Business%20Act%202018.pdf
[8] **https://www.digitaldubai.ae/initiatives/blockchain**

Salvador's small size, Bukele's effort is a major milestone in monetary policy history, one with significant ramifications for the global financial system.[9]

El Salvador's Bitcoin Law: Full English Text[10]

THE LEGISLATIVE ASSEMBLY OF THE REPUBLIC OF EL SALVADOR

CONSIDERING:

1. That in accordance with Article 102 of the Constitution of the Republic, the State is under the obligation to promote and protect private enterprise, generating the necessary conditions to increase national wealth for the benefit of the greatest number of inhabitants.
2. That under Legislative Decree № 201, published in Official Gazette number 241, Volume 349, dated December 22, 2000, the United States dollar was adopted as legal tender.
3. That approximately seventy percent of the population does not have access to traditional financial services. [11]
4. That it is the obligation of the state to facilitate the financial inclusion of its citizens in order to better guarantee their rights.
5. That in order to promote the economic growth of the nation, it is necessary to authorize the circulation of a digital currency whose value answers exclusively to free-market criteria, in order to increase national wealth for the benefit of the greatest number of inhabitants.
6. That according to the previous considerations, it is essential to issue the basic rules that will regulate the legal course of bitcoin

Florida

Florida Blockchain Task Force

In accordance with Chapter 2019-140, Laws of Florida, the Florida Blockchain Task Force is established within the Florida Department of Financial Services to explore and develop a master plan for fostering the expansion of the blockchain industry in the state, to recommend policies and state investments to help make this state a leader in blockchain technology, and to issue a report to the Governor and the Legislature. The task force shall study if and how state, county, and municipal governments can benefit from a transition to a blockchain-based system for

[9] https://www.forbes.com/sites/theapothecary/2021/06/07/el-salvador-to-make-bitcoin-legal-tender-a-milestone-in-monetary-history/?sh=1445059475b9

[10] https://freopp.org/el-salvadors-bitcoin-law-full-proposed-english-text-9a2153ad1d19

[11] By comparison, according to the 2017 FDIC approximately 26% of the South Carolina's citizens were either underbanked or unbanked. See: https://www.fdic.gov/analysis/household-survey/2017/2017appendix.pdf

recordkeeping, data security, financial transactions, and service delivery and identify ways to improve government interaction with businesses and the public.[12]

On June 25, 2019, Florida Governor Ron DeSantis signed House Bill 1393 1 into law to establish the Florida Blockchain Task Force within the Florida Department of Financial Services. The Task Force represents a comprehensive effort to study how Florida's state, county, and municipal governments can benefit from a transition to blockchain-based systems for recordkeeping, data security, financial transactions, and service delivery. The blockchain task force also has a goal of identifying ways blockchain technology can be used to improve government interaction with both businesses and the citizens of Florida. The enacting legislation recognizes that blockchain and distributed ledger technology allow the secure recording of transactions and that blockchain can facilitate more efficient government service delivery, including facilitating safe paperless transactions and recordkeeping protected from cyberattacks and data destruction. With the passing of this law, Florida has joined a growing list of states, including New York, New Jersey, Illinois and Wyoming, that have formed a task force to study the potential benefits of blockchain. See Florida Blockchain Task Force Final Report[13]

FLORIDA DEPARTMENT OF FINANCIAL SERVICES Division of Consumer Services

CRYPTOCURRENCY
WHAT IT IS AND HOW IT WORKS
Cryptocurrency is electronic money that is not backed by any government or central bank. Although rare, metal coins that serve as a physical manifestation of cryptocurrency do exist. These coins are similar to gift cards in that they do not hold intrinsic value, instead their value is found in the hidden private key they possess. The private key gives access to the amount of cryptocurrency purchased. Bitcoin is the most common form of cryptocurrency that consumers may be aware of.[14]
The Florida Fiduciary Access To Digital Assets Act (Chapter 740) [15]

Miami-Dade County
Miami-Dade County Cryptocurrency Task Force and American CryptoFed DAO Thank Wyoming's Cryptocurrency and Blockchain Leaders for Educational Discussions

The Miami-Dade County Board of County Commissioners' adoption of Resolution R-455-21, provides for the creation of a Cryptocurrency Task Force for the purpose of studying the feasibility of Miami-Dade County accepting cryptocurrency and other digital monetary forms as an acceptable method of payment for county taxes, fees and services, and to offer

---

[12] https://www.myfloridacfo.com/division/cos/blockchain-taskforce
[13] https://www.myfloridacfo.com/docs-sf/cfos-executive-offices-libraries/cos-documents/bctf-final-report.pdf?sfvrsn=7ad59a99_2
[14] https://www.myfloridacfo.com/division/consumers/documents/CryptocurrencyBrochure.pdf
[15] http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0700-0799/0740/0740.html

recommendations for other policy initiatives relating to cryptocurrencies that would be advantageous to Miami-Dade County.[16]

Georgia

Georgia is becoming the new hot spot for growing crypto in the U.S.—and Bitcoin miners are taking notice

"Georgia is attracting miners with its relatively low power prices and large amount of nuclear and solar power, which allows mining companies to brand themselves as sustainable or emissions-free. Regulators in the state have also built a reputation for being friendly to miners, guiding miners toward a solar program that allows companies to offset their emissions with renewable energy credits, and giving them access to day-ahead power prices so miners have enough time to throttle back their operations when rates are set to spike. All of this helps explain why a consortium of crypto companies including Bitmain Technologies Ltd. said in September they were bringing another 56,000 miners to the state."[17]

Georgia lawmakers consider giving crypto miners tax exemptions in new bill

"Five members of the Georgia House of Representatives have introduced a bill that would exempt local crypto miners from paying sales and use tax.

...Georgia Representatives Don Parsons (NYSE:PSN), Todd Jones, Katie Dempsey, Heath Clark, and Kasey Carpenter introduced HB 1342, a bill which has yet to be titled. The legislation proposes to amend the state tax code "to exempt the sale or use of electricity used in the commercial mining of digital assets" and would likely only apply to commercial miners operating in a facility of at least 75,000 square feet — roughly 6,968 square meters."[18]

Kentucky

2019

House Resolution 171 was adopted to urge comprehensive study of and subsequent plan to address growing blockchain technology.

2020

---

[16] https://www.prnewswire.com/news-releases/miami-dade-county-cryptocurrency-task-force-and-american-cryptofed-dao-thank-wyomings-cryptocurrency-and-blockchain-leaders-for-educational-discussions-301409441.html
[17] https://fortune.com/2022/02/07/georgia-hot-spot-bitcoin-mining-us-crypto-energy/

[18] https://cointelegraph.com/news/georgia-lawmakers-consider-giving-crypto-miners-tax-exemptions-in-new-bill

Senate Bill 55 (KRS 42.747) was adopted creating the Kentucky Blockchain Technology Working Group to research and provide annual reports to the Governor and General Assembly on the feasibility and efficacy of using blockchain technology within the state infrastructure.

2021

Senate Bill 134 passed the Senate but failed on the House floor due to sine die. Proposed adding definitions of “medium of exchange” and recognizing “virtual currency” within money transmitter statutes.

Senate Bills 177 and 178 were proposed to replicate the Special Purpose Depository Institution chartering created by the state of Wyoming.

Senate Bill 255 was adopted to provide tax incentives for cryptocurrency mining facilities with minimum investment of $1,000,000.

2022

Senate Bills 16 and 17 have been proposed to replicate the Special Purpose Depository Institution chartering created by the state of Wyoming.

Senate Bill 67 has been proposed to adopt the Uniform Commercial Code and Emerging Technology recommendations prior to the final vote by the Uniform Law Commission in July 2022. https://apps.legislature.ky.gov/recorddocuments/bill/22RS/sb67/orig_bill.pdf

The Kentucky Blockchain Technology Working Group has issued two (2) Annual Reports (2020, 2021). The following are a sample list of recommendations made to the Governor and General Assembly within these two (2) reports.

1) The Commonwealth of Kentucky should explore the benefits of creating a state blockchain leadership position (officer, liaison, coordinator, etc.) to aid in the research and management of potential implementation of blockchain in the state government. This officer would consult with all branches of government, cabinets, agencies and even other local governments to manage the adoption and implementation of blockchain in a smart, methodical and unified manner. In the interim, the work group should identify an intake process for blockchain related inquiries.
2) The Blockchain Technology Working Group should continue to monitor this ongoing development of alternative currency while also advising the Kentucky State Treasurer’s Office of developments in this area and investigating potential opportunities in which the Treasurer’s Office can pursue future blockchain technology adoption.
3) The Kentucky Auditor’s Office should explore the benefits of implementing blockchain technology in their auditing processes, especially those that occur annually.
4) The Commonwealth of Kentucky should investigate the use of blockchain based municipal bonds to fund future projects while at the same time increasing the opportunity for building wealth in its communities.

5) The Department for Professional Licensing, the Public Protection Cabinet (PPC) and the Commonwealth Office of Technology (COT) should research the opportunity provided by incorporating blockchain technology into Kentucky's licensing systems.
6) The Commonwealth of Kentucky should continue to research opportunities that may benefit from blockchain technology in records and document management systems in the state government. To ensure interoperability blockchain will need to be implemented in an organized, centralized and efficient manner.
7) The Kentucky Secretary of State, as custodian of both elections and business filings, should research the benefits of blockchain in the issuance and/or management of these records to ensure the integrity and accuracy of these crucial records.

Malta

Malta Financial Services Authority (MFSA)

Mission

To be an independent, proactive and trustworthy supervisory authority whose purpose is to safeguard the integrity of markets and maintain stability within the financial sector for the benefit and protection of consumers.

Vision

To be a leading forward looking financial services regulator, having the respect and trust of the industry and the general public, contributing towards a strong and dynamic financial sector.[19]

For more see MFSA Vision 2021[20]

New York

Department of Financial Services

Mission

To reform the regulation of financial services in New York to keep pace with the rapid and dynamic evolution of these industries, to guard against financial crises and to protect consumers and markets from fraud.[21]

North Carolina

NC H624[22] - North Carolina Regulatory Sandbox Act: Governor Roy Cooper (D) signed HB 624, the "North Carolina Regulatory Sandbox Act," into law on October 15, 2021

[19] https://www.mfsa.mt/about-us/

[20] https://www.mfsa.mt/wp-content/uploads/2019/01/MFSA-Vision-2021.pdf

[21] https://www.dfs.ny.gov/About_Us

[22] https://www.ncleg.gov/Sessions/2021/Bills/House/PDF/H624v0.pdf

Overview: House Bill 624 would create a "regulatory sandbox program" under which an applicable State agency (either the Office of the Commissioner of Banks or the Department of Insurance) would be authorized to waive statutory or regulatory requirements to permit a program participant to offer an innovative financial, insurance, or emerging technology product or service to consumers for a limited time under the agency's supervision, with disclosures to the consumers that the product or service is authorized to be offered for a temporary testing period and is not endorsed or recommended by the State or the supervising agency. [23]

Excerpted from The National Law Review, February 23, 2022 Volume XII, Number 54

"…In March 2018, Arizona became the first state to launch a FinTech-related regulatory sandbox, followed by Kentucky, Nevada, Utah, Wyoming, Vermont, Florida, West Virginia, and Hawaii. North Carolina just became the 10th state to implement a FinTech or InsurTech regulatory sandbox, and other states are considering similar regulatory programs."

Overview of the NC Sandbox Act and approval process.

North Carolina's addition to the growing list of US FinTech sandboxes is important not only because of the state's large banking and technology industries but also the fact that FinTech sandboxes are all working to generate evidence for similar issues that could help build a consensus for national standards.

The NC Sandbox Act recognizes a familiar problem: "that existing legal and regulatory frameworks are restricting innovation because these frameworks were established largely at a time when technology was not a fundamental component of industry ecosystems, including banking and insurance[,]" and that "innovators require a flexible regulatory regimen to test new products, services, and emerging technologies, such as blockchain technology[.]"

The NC Sandbox Act hopes to "facilitate the development of innovative financial or insurance products or services utilizing new or emerging technology" through the creation of a sandbox program that a newly-established "Innovation Council" will oversee. The Innovation Council is comprised of 11 members appointed by several governmental bodies, such as the North Carolina Commissioner of Banks, and it expressly requires that two of its members come from academia and two of its members come from "the North Carolina entrepreneurial or blockchain community."[6] The general composition of the Innovation Council helps promote a balance of interdisciplinary expertise. All public members of the Innovation Council must have a background in financial services, insurance, blockchain, InsurTech, or entrepreneurship.[24]

[23] https://dashboard.ncleg.gov/api/Services/BillSummary/2021/H624-SMTG-122(e4)-v-2

[24] https://www.natlawreview.com/article/hardly-child-s-play-north-carolina-joins-growing-number-states-fintech-regulatory

TEXAS

Texas Department of Banking: Virtual Currency Guidance

The following materials are helpful tools for consumers and bankers to understand virtual currency.

- June 10, 2021: Authority of Texas State-Chartered Banks to Provide Virtual Currency Custody Services to Customers
- Supervisory Memorandum 1037
  Regulatory Treatment of Virtual Currencies Under the Texas Money Services Act
- Model State Consumer and Investor Guidance on Virtual Currency
  Conference of State Bank Supervisors (CSBS), through its Emerging Payments Task Force, and the North American Securities Administrators Association (NASAA) released the Model State Consumer and Investor Guidance on Virtual Currency.The purpose of the model guidance is to provide state regulators with a tool to support consumer education and outreach on virtual currency. The document is modeled on consumer guidance issued by some states and foreign banking authorities; the document provides a brief explanation of virtual currency and lists some factors consumers should consider when investing in or transacting with virtual currencies. [25]

Wyoming

“We have witnessed first-hand the success of the model used by Wyoming for attracting this industry and strongly believe a similar approach is needed if we want to attract and promote innovation in South Carolina.

Wyoming’s strategy has worked, driving economic growth in a sparsely populated state during a pandemic while, in stark contrast, the centralized models of big data, pervasive in Silicon Valley, promoted some narratives while silencing others’ right to free speech. This begs the question: do we really want to continue down that path when decentralization is the future?

We believe we are at a critical stage in policy discussions at all levels of government that will influence generational change with these new technologies.”[26]

“Wyoming has emerged as the most crypto-friendly jurisdictions in the United States and has enacted more than a dozen bespoke pieces of legislation aimed at attracting blockchain and

[25] https://www.dob.texas.gov/consumer-information/virtual-currency-guidance
[26] Emerging Technologies as an Economic Development Initiative in South Carolina

cryptocurrency businesses to the State. The State enacted rules that would allows "special purpose depository institutions" that enable companies to offer banking services for businesses unable to secure FDIC-insured banking services due to their dealings with cryptocurrencies and a slate of bills on the State's 2020 legislative agenda….

On March 13, 2020, HB0027 was enacted establishing the Wyoming Select Committee on Blockchain, Financial Technology and Digital Innovation.

The select committee shall:
(i) Develop knowledge and expertise among its members regarding issues pertaining to blockchain, financial and digital innovation technology;

(ii) Develop and introduce legislation as necessary to promote blockchain, financial technology and digital innovation in Wyoming unless the legislation relates to Title 13 of the Wyoming statutes, in which case the legislation shall be recommended to the joint minerals, business and economic development interim committee for consideration. [27]
In 2021, Wyoming became the first State in the nation to propose legislation to regulate Decentralized Autonomous Organizations (DAOs). If enacted, SB38 would recognize DAOs and grant them the ability to form as a limited liability company."[28]

Finally, on December 27, 2021 Wyoming Business Report published its article entitled:

Don't expect landmark crypto legislation in 2022 out of Wyoming.

Citing state Sen. Tara Nethercott, R-Cheyenne, a member of the Select Committee on Blockchain, Financial Technology and Digital Innovation Technology. "For the last four years, Wyoming has done profound legislation that has achieved global attention with its groundbreaking concepts. We did that rapidly. There's over 20 pieces of legislation that we've done. So, as a result of that, right now we are readjusting in understanding how what we have done is playing out in the global space."

However, 2022 may still set another landmark filing in Wyoming. In the same article, Select Committee Co-chair Chris Rothfuss, D-Laramie, said, "In reviewing the select committee's work to date, legislation is being prepared to follow up on the "digital identity" definition established by this year's Senate File 39, which was enacted into law this past session.

"The bill laid the groundwork for further work in the realm of digital identity, including property and privacy rights," Rothfuss said. Digital identity was the topic of a lengthy discussion and public testimony at the committee's September meeting on the University of Wyoming campus.

[27] ttps://wyoleg.gov/Legislation/2020/HB0027

[28] https://www.carltonfields.com/insights/publications/2021/state-regulations-on-virtual-currency-and-blockchain-technologies-(updated-march-2021)

“It’s currently drafted as the ‘Digital Identity and Privacy Act,’” he said. “It should be released publicly pretty soon.”

Rothfuss said the draft incorporates the best practices of other states, such as California, Virginia, Colorado and Washington.[29]

[29] https://www.wyomingnews.com/wyomingbusinessreport/current_edition/don-t-expect-landmark-crypto-legislation-in-2022/article_39a3ac5f-05b1-566d-a4d4-eaabbea1bc85.html