

May 26, 2021

Via US Mail only

The Honorable Trey Walker
Chief of Staff to the Governor of South Carolina
State House
1100 Gervais Street
Columbia, South Carolina 29201

Dear Mr. Walker,

I write to inform you that the original PalmettoChain initiative has expanded, and we are pleased to announce the birth of the South Carolina Emerging Tech Association. Please see our website at www.sceta.io.

Our mission is to educate, advocate, and establish a state-wide, regional and international ecosystem for the promotion of our state as a center of innovation development in twelve Critical and Emerging (CnET) technologies as designated on October 20, 2020, in the National Strategy for Critical and Emerging Technologies. Please find enclosed a copy of our brief entitled **Emerging Technologies as an Economic Development Initiative in South Carolina**.

Wyoming has led the nation with landmark legislation in blockchain and Distributed Ledger technology (DLT) with three goals:

1. To create an economic development plan by defining a nascent industry, while multiple federal agencies continue to vie for regulatory oversight;
2. Expand incentives for corporate registrations as an alternative to Delaware and first preference for companies dealing in digital assets;
3. Creation of the Special Purpose Depository Institution, a full reserve bank model, that has catalyzed their state banking industry as a growth market and simultaneously created a revenue stream to fund and administer the regulatory oversight of its Financial Technology sandbox.

The strategy is working in Wyoming, and we believe if we do not act with a sense of urgency, we will lose this race to other states also vying for this industry. Florida, despite ambiguity in the Money Transmitter licensing laws, is becoming a hotbed for innovation due to the outspoken leadership of Miami Mayor Frances Suarez who has embraced and prioritized Digital Assets, specifically Bitcoin, as a store of value for the city treasury. This leadership and forward thinking attracted a cryptocurrency exchange, FTX, only in existence for four years, as the highest bidder on a multimillion-dollar naming rights contract to the Miami Heat stadium.

While we can propose solutions and ideas, only forward-thinking leadership can offer us the guidance we need to compete.

This is not only a state-by-state race but also international, and the states have become the front line of offense to push national policy and investments forward into the future. Once we have a full understanding of how disruptive these technologies can be, we will be forced to look at the China 2049 plan for economic growth as the dominant world economy. Do we really want to look back in 28 years and ask ourselves why we did not do more to understand how China came to control the commodities markets simply because they began development and implementing various emerging technologies before we did?

In Governor McMaster's 2020 State of the State speech emerging technologies were recognized as a vehicle of change. However, this industry is growing exponentially, and we believe the failure to have the highest level of understanding of the extent that emerging technologies will have on generational change in the 21st century will result in a cataclysmic failure of leadership and significant developmental delays throughout the State of South Carolina if we do not act now to make these emerging technologies a priority to understand, promote, and attract to our state.

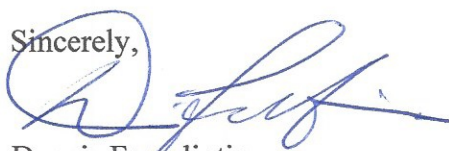
I understand the AccelerateSC task force was your brainchild. I urge you now to take the next step forward and recognize that some of the challenges that became apparent in that task force process involve solutions that can only now be realized with the new tech included in our initiative. These will be the technologies that will, both now and in the future, provide solutions as this industry continues to mature. We feel it is imperative that we create a task force by Executive Order that studies our competitiveness in the industry, works through the legislation already filed in the House, and prepares for the next legislative session so that these bills can pass and move our state forward. Three years ago, PalmettoChain Inc., wrote the Governor and proposed a state backed stablecoin for use in a digital payment system. That same concept is now at the cusp of being implemented by central banks worldwide. Had the legislation filed then been prioritized, the state might now be well on target to a projected \$100 million revenue stream.

Opportunities of today may not be there tomorrow, as they quickly disappear overnight with the rapidly changing and advancing technology. As Treasurer Loftis observed when we first met with him three years ago, "in niches there's riches." As a state, we cannot afford to let any more opportunities in this industry pass by us as the current opportunities to be at the forefront of these technologies will continue to dwindle with time as other states begin to take advantage of the groundbreaking opportunities available to them.

I am personally looking forward to both your and the Governor's assistance in working towards the creation of a task force by Executive Order in advance of the next legislative session. With your leadership, the creation of a task force will expedite the work needed before the next

legislative session to vet our bills, move forward with the important next step of a task force to attain the goal of firmly establishing South Carolina as a driving force in this new post-pandemic economy, and follow the example set by Wyoming as closely as possible, all while still making our program and opportunities unique to South Carolina.

May we schedule a time at the earliest opportunity to sit down and discuss our ideas and, better yet, we would like to offer our assistance in the coordination of a private roundtable discussion composed of industry leaders, state agency heads, and members of legislative leadership to ignite this process here in our great state?

Sincerely,


Dennis Fassuliotis

President

South Carolina Emerging Tech Association Inc

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Enclosures as state

cc: State Leadership

SCETA Advisory Board (via Email)

Hon Pamela Evette (via US Mail only)
Hon Curtis M. Loftis, Jr. (via Email only)
Hon Richards Green (via Email)
Hon Mark Hammond (via US Mail)
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**SOUTH
CAROLINA**
EMERGING TECH

Emerging Technologies as an Economic Development Initiative in South Carolina

Prepared by the South Carolina Emerging Technology Association,
formally PalmettoChain, Inc.

By Dennis Fassuliotis, President

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“We all like to prove people wrong who say we’re no good.”

— Steve Spurrier

Executive Overview

South Carolina Emerging Tech’s mission is to educate, advocate, and establish a state-wide, regional and international ecosystem for the promotion of our state as a center of innovation development in twelve Critical and Emerging (CnET) technologies as designated on October 20, 2020, in the National Strategy for Critical and Emerging Technologies. We are pleased to provide the results of our study of one of the dozen techs, Blockchain and Distributed Ledger Technology (DLT), in our brief entitled **Emerging Technologies as an Economic Development Initiative in South Carolina.**

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.

The states are the first line of offense that can drive national policy, move the nation forward with a sense of urgency to establish the regulatory guidelines and have the potential to be the change that will offset the prognostication put forth as ‘the Great Reset’ by the World Economic Forum in 2020.

Given that these technologies can be used to promote individual freedoms, increase security, fight human trafficking and protect personal data, all in extreme contrast to their use and development in authoritarian regimes, this should be a clarion call to all free men and women who value liberty. Nations like China are using these same technologies and the Chinese Communist Party is rapidly developing technology initiatives in parts of Asia, the EU and Africa to increase their sphere of influence. The United States cannot continue to ignore the progress being made by other global entities and to stay competitive, we must push forward together to continue to propel our great nation into the future with these groundbreaking technologies.

Introduction

For the last four years we have been studying the technology of money, best exemplified by Bitcoin and its underlying structure of Blockchain and Distributed Ledger Technology (DLT). Both Blockchain/DLT and Artificial Intelligence (AI) are included in a list of twenty Critical & Emerging Technologies (CnET) published October 20, 2020, in the National Strategy for Critical and Emerging Technologies and should be viewed as the trigger mechanism for the United States that first enumerated the emerging technologies that will shape our digital infrastructure. South Carolina has the opportunity to both create *and* influence generational change. But to do so the state must focus on blockchain, legislation filed in the South Carolina House of Representatives by SC Representative Stewart Jones, and four prefilled bills in the SC House for the 2021-2022 session. The bills are:

- 2021-2022 Bill H3493 [Joint Resolution to Create the South Carolina Blockchain Voting Verification Study Committee](#)
- 2021-2022 Bill H3494: [A Bill to Provide Limitations on Criminal Liability for Digital Expression](#)
- 2021-2022 Bill H3495: South Carolina Blockchain Empowerment Act of 2021
- 2021-2022 Bill H3529: [Campaign Contributions may be made in Digital Currency](#)

Viewed collectively, the proposed legislation provides a foundation for economic development driven by regulatory clarity promoting the state as a destination and center of innovation for tech companies using this new technology. The potential to ignite the economic development and innovation behind these four bills should serve as part of a coordinated effort to add this tech sector to the **Master of Science in Computer Science at the University of South Carolina.**

On October 31, 2008, a pseudonymous individual named “Satoshi Nakamoto” published an eight-page Whitepaper entitled “Bitcoin: A Peer-to-Peer Electronic Cash System.”¹ Just less than 10 years later, the *Federal Reserve Bank of St. Louis Review, First Quarter 2018*, published “A Short Introduction to the World of Cryptocurrencies” which stated, “[T]he focus of [this article] is on Bitcoin, but many elements are shared by other blockchain implementations... We conclude that Bitcoin has a wide range of interesting applications and that crypto-assets are

¹ <https://bitcoin.org/bitcoin.pdf>

well suited to become an important asset class (JEL G23, E50, E59).’’² Every cryptocurrency developed after Bitcoin was, in some way, inspired by the Satoshi whitepaper.

Artificial Intelligence technology (or Machine Learning), with us now for several decades, is very much in vogue again, is gaining practical use, and is becoming inseparable from daily life activities. AI is becoming mainstream and gaining relevance across almost all sectors of the economy, ranging from financial and banking services, healthcare, transportation, and defense, to name only a few.

Blockchain is a much more recent technological innovation. Its origins are credited to Bellcore cryptographer colleagues W. Scott Stornetta and Stuart Haber’s paper “[How to Time-Stamp a Digital Document](#)”, published in 1991, Their patent is considered by many to be the first incarnation of blockchain technology.³

The very feature that provided the pseudonymous inventor of Bitcoin the utility to create digital assets also serves as the trust mechanism that guarantees the accuracy of data in non-cryptocurrency applications, making it useful for a number of AI applications by both feeding data into AI systems and recording results from them. Across the world, tremendous research and investment is being put into the advancement of blockchain technology because of the massive potential and countless applications it offers, but this investment is lacking in South Carolina.

Therefore, it is of utmost importance that the State’s commitment to technological innovation, represented by the funding and study of AI and other science, along with its imminent investment in broadband, should also include a thorough understanding of DLT and how its development will contribute to and, ultimately, transform our society. To remain competitive, we must embrace this new tech and move swiftly towards a better understanding of how these two CnET’s will be integrated with the State’s plan for Digital Transformation.

Governor McMaster has the authority to create a task force by executive order to study DLT and its interaction with Artificial Intelligence (AI) to maximize the State’s investment and commitment to the study and development of Artificial Intelligence at the University of South Carolina.⁴ To expedite the State’s blockchain initiative, H3495 was prefiled in December 2020. In order to thoroughly understand the blockchain initiative, South Carolina needs a task force composed of the most informed public and private sector individuals and companies who possess an understanding of blockchain technology and/or Artificial Intelligence as the primary qualification for addition to the task force. The

²<https://research.stlouisfed.org/publications/review/2018/01/10/a-short-introduction-to-the-world-of-cryptocurrencies>

³ <https://breakermag.com/money-was-the-sizzle-blockchain-pioneer-w-scott-stornetta-assesses-satoshis-work/>

⁴ Constitution and Statutes of the State of South Carolina

strategy will eventually develop cutting edge use-cases to demonstrate how these two CnET's could be deployed in South Carolina as a central part of this policy and promote the understanding of how they can be applied by the state government to further improve the services provided to citizens.

SC H3495: South Carolina Blockchain Industry Empowerment Act Of 2021

'Blockchain', as defined in SC H3495, is a digital ledger or database which is chronological, consensus-based, decentralized, and mathematically verified in nature. H3495 further acknowledges that a share of stock may be issued as a digital token, adds Chapter 51 to the SC Code of Laws, and defines a 'Digital Asset' as a representation of economic, proprietary, or access rights which are stored in a computer-readable format, and further clarifies that this includes digital consumer assets, digital securities, and virtual currency. SC H3495 additionally lays the groundwork for both innovation in the banking industry and for establishing South Carolina as an incubator for tech industries that are seeking to develop innovative advances by using blockchain technology. The International Monetary Fund (IMF) defines digital assets as "digital representations of value, made possible by advances in cryptography and distributed ledger technology. They are denominated in their own units of account and can be transferred from peer-to-peer without an intermediary."⁵ In simpler terms, digital assets are assets that exist virtually, making them intangible, however many are increasingly being linked to real-world assets.

Real adoption of this innovative technology has emerged in:

- banking
- finance
- energy
- insurance
- real estate
- supply chain management
- cybersecurity
- identity protection
- healthcare

The possibilities with blockchain are endless and will undoubtedly touch every aspect of business over the next decade. Blockchain has the potential to do for networks of enterprises and business ecosystems what enterprise resource planning (ERP) did for the single company. Blockchain will integrate and process information both within and

⁵<https://www.imf.org/external/pubs/ft/fandd/2018/06/central-bank-monetary-policy-and-cryptocurrencies/he.htm>

across enterprise boundaries and has the potentiality to streamline and accelerate business processes, increase protection against cybersecurity, and reduce or even possibly eliminate the roles of intermediaries.

What Do The Numbers Say?

On January 23, 2020, in the State of the State address, Governor McMaster called on Senator Tom Davis to sponsor legislation for regulatory reform to support a two-year-old executive order instructing state agencies “to evaluate - before issuing regulations - unintended consequences or undue burdens they may place on South Carolina’s businesses.”

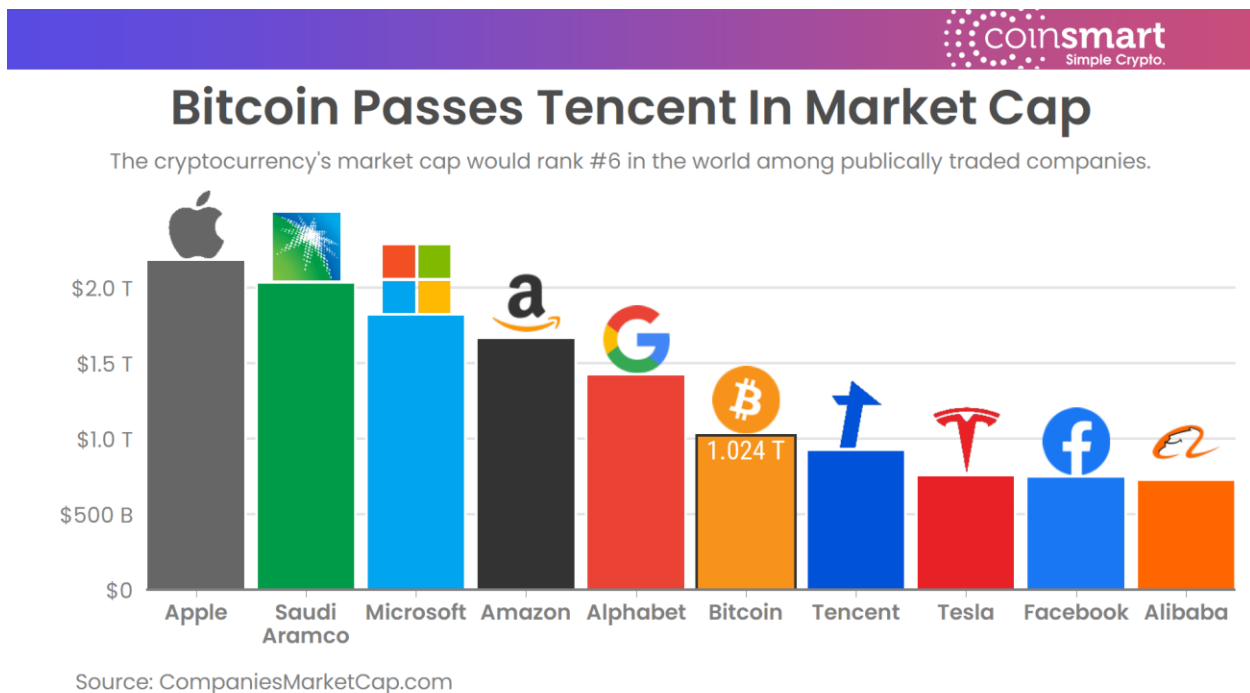
His call to action required legislation that charged the Governor’s office to annually submit to the General Assembly recommendations “...for the elimination, withdrawal or modernization of any statutes, regulations, policies, protocols, boards, commissions, offices, positions or practices...” He also asked in that address that Lt. Governor Evette “...implement this law upon enactment – and to seek input and suggestions from businesses on what to eliminate, change or modify, and ***unleash innovation, investment and emerging technologies*** by passing this bill promptly.

While prescient, this industry is growing exponentially, and we believe the failure to have the highest level of understanding of the extent that emerging technologies will have on generational change in the 21st century will result in a cataclysmic failure of leadership and significant developmental delays throughout the State of South Carolina if we do not act now to make these emerging technologies a priority to understand, promote, and attract to our state. **In March of 2020**, South Carolina took a critical step toward this goal by establishing its own place in the blockchain economy. Led by Senator Davis, the SC Senate adopted S1158, a resolution acknowledging the importance of blockchain technology and called upon South Carolina residents to “join in encouraging the promotion of blockchain in our state.” The resolution establishes an urgency for and highlights the priority of fostering innovation, development, and the adoption of emerging technologies so that South Carolina can be a leader in this new technology sector.

In December 2020, 169-year-old institutional giant MassMutual purchased \$100 million of Bitcoin for its general investment account, heralded as the most important news in the history of the digital asset industry. These institutional investors have continued to flow into the crypto space.⁶ Forbes recently published that industry insiders are confident the industry has entered its fourth stage of adoption. From its price just over a year ago on April 1, 2020, of \$6,560, Bitcoin has steadily advanced to an all-time high in mid-March 2021 of over \$60,000.

⁶ In March 2021, Morgan Stanley, Goldman Sachs, and Fidelity all filed for a Bitcoin ETF.

On February 19, 2021, Bitcoin was already over a \$1 trillion market cap, achieving this in a little over 12 years – faster than Apple, Microsoft, Amazon, and Google. The global market cap for all cryptocurrencies at that time was approximately \$1.7 trillion and increased over forty percent to \$2.42 trillion in the 90-day period since Bitcoin reached the \$1T milestone. Even more impressive is the meteoric growth in the overall market over the past year period from just over \$240 billion.⁷



What Have Other States Done?

However, this is not just about Bitcoin, as absent clear direction at the federal level, a growing number of states see blockchain technology as a way to attract new businesses to their state to spur economic development. In March 2018, Wyoming Governor Matt Mead signed sweeping legislation that made limited liability corporation (LLC) laws friendlier to blockchain companies, with the intention of attracting corporate registrations away from Delaware, a notoriously corporation-friendly state.

On February 11, 2021, Miami Mayor Francis Suarez signed a resolution and announced in a tweet the following day (with over 2.1m views to date) that he wanted to allow city employees to choose to receive all or a portion of their pay in Bitcoin, and requested the state legislature passed legislation supporting the development of the industry in Florida

⁷ <https://coinmarketcap.com/charts/>

and to investigate statutory changes that would allow the city's treasurer to invest in Bitcoin. On the same day, the oldest bank in the country, BNYMellon, announced it would provide crypto custodial services, and then on March 26, 2021, Miami-Dade County Commissioners announced a \$135M naming agreement with the crypto exchange FTX.us to rename the home court of the NBA's Miami Heat, all further illustrating how quickly crypto is moving into the mainstream.

What Can South Carolina Do?

South Carolina is not well known for opportunities in software and hardware. This issue has been well-documented in each of the State's previous Innovation Plans. "Tech companies may have a look at South Carolina, but they will see few of their own kind. While this perception is beginning to shift, there is still too much of an isolated feeling with innovation companies. ***Marketing directed at tech/innovation companies***, both inside South Carolina and beyond our state borders, will show that not only do the companies exist here, but they are profitable, they are growing, and they are hiring."

"The State has had some success recruiting large companies in this field including Google, Red Ventures and Blackbaud ***all of which received incentive packages*** for projects in the last five years. However, because companies of this type have low capital investment – requiring only computers and leased office space – traditional manufacturing incentives are not as helpful for projects with low capital investment." ⁸

The importance of attracting these revolutionary companies cannot afford to be underestimated and this importance is exemplified in a recent interview with the CEO of Kraken Jesse Powell, who stated that crypto-companies could wholly replace traditional financial institutions in a decade⁹. The cryptocurrency exchange Kraken was the first cryptocurrency exchange to receive a Wyoming state bank charter under its new Special Purpose Depository Bank (SPDI) regulations. SPDI's are specifically designed to provide custodial services of digital assets and provide traditional bank services to digital asset companies. The S.C. Dept. of Commerce has done a tremendous job attracting manufacturing companies like Boeing, Volvo, and BMW with generous incentive packages. The same can be accomplished with DLT-companies. However, attracting this industry will require a slightly different strategy.

Simply throwing marketing money at the problem is not the solution. Technology companies innovating in fintech and blockchain are setting the bar that legacy financial institutions will be forced to meet. According to Kraken CEO Jesse Powell, *"we've seen the tremendous traction that Cash App has had. PayPal, fortunately for them, they've*

⁸ [SC Commerce Innovation Plan 2017](#)

⁹ <https://www.newsbtc.com/news/kraken-boss-expects-crypto-firms-to-replace-banks-within-the-decade/>

*been on the ball. I think you're going to see more of that, and people who aren't keeping up with that, I think their days are numbered."*¹⁰

Custody of Digital Assets as a financial service, which H3495 addresses, is another area where we believe South Carolina can benefit financially. H3495 lays the groundwork for South Carolina banks to provide digital asset custody services. As intangible personal property and bearer assets, custody of digital assets takes three forms: self-custody, Exchange Wallets, and Third-Party Custodians. Third Party Custodians are service providers that store digital assets on behalf of customers using clearly defined features and controls to provide certainty over the safekeeping of the asset. Typically, this solution is designed for institutional investors and will therefore implement institutional grade security and insurance.

It is inevitable that state-chartered banks will begin offering digital asset custodial services for multiple cryptocurrencies and tokenized securities. H3495 provides basic legislation for a revenue stream to the SC Banking Commission to fund oversight of fintech startups in South Carolina. It also lays the groundwork for the new full reserve Special Purpose Depository Institution (SPDI). The bank was pioneered by Wyoming's landmark legislation to define the industry in 2018. Since enactment, the Wyoming Banking Commission has issued two new SPDI bank charters with two applications pending at the time of this report and on target to attract \$10 billion in deposits.

As SC H3495 is written, \$10 billion in cryptocurrency deposited in a state chartered bank as a custodian would generate \$2 million in fee revenue. This revenue would offset the cost of overseeing and administering a fintech innovation sandbox. South Carolina could enter the regulatory race with Nebraska, where the legislature just approved a framework for digital asset banks,¹¹ and pioneer guidelines for decentralized digital asset exchanges or explore emerging opportunities in insurtech, healthtech, or any industry sector with similar regulatory scrutiny.

Once established by follow-on legislation, the regulatory sandbox would then generate additional revenue through licensing. While this was proposed in the 2019 version of the bill, it was omitted from the current bill in order to expedite its review and early adoption.

Digital Identity: What Is Our Identity?

Our personal identity is everything we do in our daily life, both in the physical world and online. But our identity data records are locked in banks, big corporations, hospitals, governments, and other third parties where we must ask permission from a third party to use our own Personal Identity Information (PII) and Person Health Information (PHI). We

¹⁰ IBID

¹¹ <https://www.coindesk.com/nebraska-legislature-approves-framework-for-digital-asset-banks>

rely on these third-party centralized organizations to prove **Who We Are** and **What We Own** — but we do not control them.

Incidents of identity theft and identity fraud continue to rise in the United States. More than 164,000,000 consumer records containing personally identifiable information were breached in 2019 alone, increasing the total number of data breaches by 17 percent from the previous year¹².

The lack of an easy, affordable, and reliable way for organizations, businesses, and government agencies to identify and verify whether an individual is who they claim to be online creates an attack vector that is widely exploited by adversaries in cyberspace and precludes many high-value transactions from being available online. Contemporary personal digital identity consists of shards of digital loose ends that are without any facility to act on their own. They lay around, vulnerable to all those that happen upon the bits and bytes and opt to exploit the unprotected treasure.

Having laws such as the European Union’s General Data Protection Regulation (GDPR)¹³ and California Consumer Protection Act (CCPA)¹⁴ to govern such use are indeed vital and the state of Wyoming has begun to update its existing laws on identity from the physical world to the digital through the Digital Identity Act of 2021 defining “personal digital identity [as] the intangible digital representation of, by and for a natural person, over which he has dominion and through which he intentionally communicates or acts.”¹⁵ Similarly, in September of 2020 HR 8215 was introduced to the 116th US Congress as the “Improving Digital Identity Act of 2020”¹⁶ in order to:

(a) Establish in the Executive Office of the President a task force to be known as the “Improving Digital Identity Task Force”; and

(b) The purpose of the Task Force is to establish a government-wide effort to develop secure methods for Federal, State, and local agencies to validate identity attributes to protect the privacy and security of individuals and support reliable, interoperable digital identity verification in the public and private sectors.”

Dr. Gordon Jones is an adjunct professor at the University of South Carolina where he teaches Blockchain in Information Sciences. He is the co-founder and CEO of Validide Corporation, a SC startup working to secure, through cryptography and other novel methods, the personal identity information of the individual who owns it and provides them

¹² [Market Watch Story Data Breaches](#)

¹³ <https://gdpr-info.eu/>

¹⁴ <https://oag.ca.gov/privacy/ccpa>

¹⁵ <https://www.wyoleg.gov/2021/Introduced/SF0039.pdf>

¹⁶ [H.R.8215 - Improving Digital Identity Act of 2020](#)

dominion and control over their PII and PHI. Dr. Jones is also a task force member of the Linux Foundations' Trust Over IP Foundation and Sovrin Foundation where they are working to create open standards for international interoperability of personal identity Verifiable Credentials. One specific identity project is the Good Health Pass, which is the international collaboration of nations, corporations, and NGOs to illustrate health status, including COVID, for cross border and international travel without releasing too much PII and PHI the receiver does not need. He is also Co-founder of PalmettoChain Inc. and SCETA, Inc., working to educate the citizens of South Carolina about blockchain and other emerging technologies. In a statement for this brief, he wrote:

"On a practical basis, there needs to be a means of implementing a dynamic and responsive environment for our digital identity and not leave it simply, motionless, and highly vulnerable to abuse and fraud. This can only be done through AI and cryptography.

Envision, if you will, a decentralized cryptographic wallet system that holds all of your verified and immutable PII and PHI securely where an AI-based autonomous system that sheaths your personal digital identity effectively acting as your agent, your power of attorney, to ascertain and attempt to monitor and control where our digital identity goes and how it is used. This AI would be persistently working on a 24/7 basis to find ways to ensure that your personal digital identity is not misused, and even attempt to discover ways you could leverage your digital identity to your personal advantage.

South Carolina must consider how its current laws relative to identity management may be amended to better define our digital identity as we become more intimate with and defined as digital entities."

NFT's (Non-Fungible Tokens): You've Probably Heard of Them.

On March 11, 2021, Christie's auction house announced the closing price of \$69.3M for the first digital art, a non-fungible token or "NFT" — essentially a one-of-a-kind computer file created on a blockchain. Think of an NFT as the "original". For example, there are many replicas of the Mona Lisa but there is only *one* original, with the original being the *most* valuable. The artist behind this NFT, Mike Winkelman, aka "Beeple", is a resident of Ladson, SC. The NFT market is a newly developing, rapidly expanding arena in the cryptocurrency world.

Dr. Gerald P. Dwyer is a professor and BB&T Scholar at Clemson University where he teaches a course on cryptocurrencies and blockchains. He was the founding director of the Center for Financial Innovation and Stability, a vice president at the Federal Reserve

Bank of Atlanta, and is a resource we highly recommend for the Clemson seat of the Regional Advisory Committee Members to the South Carolina Board of Economic Advisors. Dr. Dwyer is a member of PalmettoChain, Inc. and is on the Advisory Board of the recently formed SC Emerging Tech Association. In a March 25, 2021 Post & Courier OpEd, Dr. Dwyer opined on the advent of NFT's and the emerging market for digital art, questioned the long-term viability for the valuation of NFT's, and raised further questions on their treatment under existing law when he stated the following:

“Digital assets on blockchains are a new type of asset, the application of existing law is uncertain. What does it mean to certify that this particular file is the original one? The creator of the non-fungible tokens retains other copies, and they’re all indistinguishable. What care should the creators take that the certified copy is the original one? What if they don’t? Does it matter? This might seem unimportant, particularly if NFTs end up as nothing more than a fad.

But digital assets are not a passing fad. Blockchains are a natural way to record ownership. Blockchains are immutable digital ledgers. Their legal status as signifiers of ownership is not so clear, though, in law in general or in South Carolina law. In a court case, a judge would have to interpret how to apply existing case law and statutory law. The applicable laws give no thought to digital assets, which did not exist when these laws were written.”

Conclusion

Over the last four years, Wyoming has paved the way for sweeping legislation to define the cryptocurrency industry in the United States. Together with Colorado and Utah, they are forming a fertile crescent for digital asset development as the digital economy develops worldwide. South Florida is pushing the Florida legislature to modify money transmitter statutes so that the City of Miami can invest a portion of its treasury in Bitcoin. High-level recognition and adoption of the industry in South Carolina will provide the state the unique opportunity to be an early mover in this new frontier.

Recognizing that Emerging Technologies will challenge existing business models and existing legal definitions in the state is the first step. For example, the growth of fintech firms and their entrepreneurial spirit is changing the world of payments and financial services. However, this is currently monitored solely under the Money Service Licensing division of the SCAGs office with no other legislative oversight or guidance.

Backed by bipartisan support, blockchain legislation filed in the SC House by Representative Stewart Jones is designed to create a framework that would:

- Establish the state as an incubator for tech industries seeking to develop innovation by using blockchain technology;
- Define the role of virtual currencies, their use, and utility within the state's own transition to a digital economy;
- Provide an opt-in framework for state chartered banks to provide custodial services for digital assets;
- Modify the state's Uniform Commercial Code (UCC) to ensure the proper treatment of digital assets as bearer assets;
- Create a legislative task force to study blockchain technologies with a specific purpose of understanding the benefits of utilizing blockchain technology to enhance voting integrity in the state;
- Extend First Amendment protections to programmers and coders by providing limitations on criminal liability for digital expression; and
- Promote the adoption of virtual currencies by allowing political candidates statewide to accept digital currencies as campaign contributions.

These are just the first steps for unleashing South Carolina's entrepreneurial resources on these new business models, driving creative legislative solutions that recognize new business entities like Decentralized Autonomous Organizations (DAOs) and AI as the intelligence in this new era of business.

Without a sense of urgency to have working legislation on all four bills with a high priority on H3495, we will lose this race. We can continue to throw money at the problem or we can take an intellectual approach, understand the needs of new technology sectors, and attract the cryptocurrency industry to domicile in South Carolina. Wyoming's success demonstrates that as we move at breakneck speed into a digital economy, a clearly defined legislative agenda that recognizes new business models and promotes innovation will attract an industry best defined as an entirely new asset class and technology of money.

Software companies in emerging technologies have different needs than manufacturing companies. The state must add a technology initiative that is driven by favorable legislation if it wants to attract this industry. The S.C. Dept. of Commerce should work to attract these crypto-companies with incentive packages similar, but different, to the packages offered to the likes of Boeing, Volvo, and BMW. These same incentives could spur more innovation within these established SC manufacturers.

Our proposal is to clarify the messaging behind *It's A Great Day In South Carolina for Cryptocurrencies* and send a message to the industry at large saying we understand you, we want you here, and we're building out our broadband needs in the most rural areas of the state to support our education and telehealth needs made acutely apparent by the pandemic. This investment in critical infrastructure could also attract computer coders and programmers working in the gig economy and supporting emerging tech development to locate further from the urban hubs where they are currently concentrated.

South Carolina can and should be a hub for emerging technology incubation and take steps to move swiftly in this direction. Representative Stewart Jones has requested an ad hoc committee to educate members of the legislature regarding the crypto technology field. The private sector of South Carolina's blockchain initiative stands ready to provide further information and education to the legislature to help move this critical policy issue to propel emerging technology initiatives forward for the future success of our State.

Appendix

Revenue chart

- State goals for custodial fees
\$10B @ .002 = \$2,000,000 to fund oversight and fintech sandbox
- License fees -Goal 100 start ups by 2023
100 @ \$500 = \$50,000
Economic impact ~100x
- Data center per location capital investment excluding land acquisition
\$25- 40M, exclusive of land
Economic impact ~10X
Greatest need to facilitate competitive electric rates at less than \$.04/kwh, and ideally located within an Opportunity Zone
- ***Missed opportunity: PalmettoCoin: A Case for a Statewide Payment System Project proposal: April 17, 2019 Letter to Governor Henry McMaster, State issued Stablecoin projected revenue: \$100m***
- See 2019 [Memorandum](#), [Letter to Governor McMaster](#) and [Illustration](#) presented to SC Dept of Commerce

Business filings	Blockchain	Crypto	Total listings	Earliest reference	Population Estimate July 1, 2018	2018 Est. GDP / capita	GDP estimate 2018	Education Rank
South Carolina	7	22	29	1998	5,084,127	37,063	\$188,433	42
Wyoming	106	144	250	2012	577,767	58,821	\$33,985	24
Colorado	102	211	313	2000	5,695,564	63,882	\$363,844	5
Utah	32	84	116	unknown	3,161,105	44,636	\$141,099	9

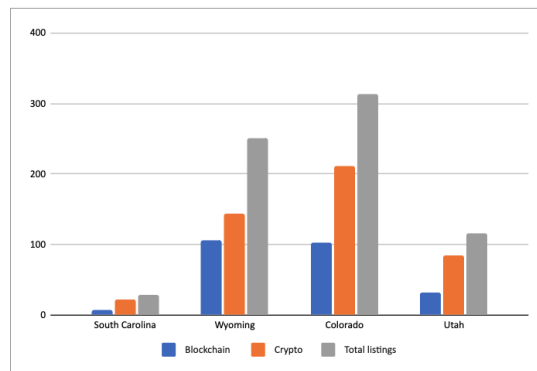


Table . 2019-2020 Business Registrations containing "crypto or blockchain in the filing"