



February 28, 2018

The Honorable Michael Sirotkin
Chair, Senate Committee on Economic Development, Housing and General Affairs
Vermont State House
115 State Street
Montpelier, VT 05633-5301

Re: Concerns with S. 269 – relating to blockchain, cryptocurrency and financial technology

Dear Chair Sirotkin:

The undersigned associations represent hundreds of the country's leading technology companies in high-tech manufacturing, computer networking and information technology, clean energy, life sciences, internet media, e-commerce, education and sharing economy sectors. Our member companies are committed to advancing public policies and private sector initiatives that make the U.S. the most innovative country in the world.

We support creating a positive environment for innovation where financial technology can be used to help better the lives of small businesses and consumers including those that are underserved. However, S. 269 is not the right vehicle for creating that positive environment. If S. 269 were to become law, it would create an unfriendly regulatory environment for innovation, which would ultimately harm a market which is not yet mature. As such, the below signed organizations recommend that the Committee hold off on passing this legislation until a robust dialogue can be had with the companies and industry in which it would regulate. Our organizations pledge to work with you to help address any issues that this bill is trying to solve in a constructive and informative manner.

Over the past few years, Vermont has been a leader in enacting privacy and technology centric legislation, but blockchain and cryptocurrency are still nascent concepts. Accordingly, public policies regulating them must be undertaken as deliberately and holistically as possible to avoid undue impacts on other businesses and the technology ecosystem generally. While we acknowledge the extensive work that has been undertaken by the Center for Legal Innovation in the development of the Financial Technology Report issued last December, we have several concerns with the bill under consideration by the Committee.

We are concerned that the bill as introduced, while intended to address blockchain, strays from that narrow intent to create regulations that may impact nearly every business

transaction in the state. For example, § 2451 defines “personal identity” as “the identity of a particular natural person.” This is so broadly crafted that it would apply to a neighborhood phone book with ads or to girl-scout cookie purchase orders. This definition of personal identity combined with the requirements in § 2452 and 2453 creating a personal identity trust are so broad that it would turn every girl-scout collecting cookie orders into a “personal trust company” required to obtain a certificate from the state. Nearly every business transaction where the business receives the customer’s name. We cannot imagine that was the legislative intent of this proposal.

Additionally, § 2456 allows the Department of Financial Regulation to impose annual fees on “personal identity trust companies.” Given the broad nature of this bill to cover nearly all business transactions, § 2456 would grant the Department unprecedented, unilateral power to impose new fees on nearly every Vermont business.

S. 269 also includes a requirement in Section 1 that the Attorney General investigate and report on the existing consumer protection framework. Until this work is completed, the legislature should avoid imposing regulations with unintended consequences on Vermont businesses and residents at large. Rather, this legislation should be carefully examined and narrowed to address only those entities that are focused on blockchain and cryptocurrency.

We understand that additional bill amendments are also under consideration, so we caution against moving forward until a more thorough review has been concluded. As has already been demonstrated in legislation passed in prior years, Vermont is committed to creating an environment that provides opportunities for companies and individuals involved in blockchain and cryptocurrency transactions to do business in the state. We support this intent and would be pleased to work with the legislature on a tailored regulatory process which enables blockchain businesses to flourish without undue adverse effects on other business transactions in the state.

Thank you for your consideration of these concerns.

Sincerely,

Computing Technology Industry Association (CompTIA)
Electronic Transactions Association (ETA)
NetChoice
TechNet