

May 11, 2023

The Honorable Mark L. Walker
Illinois House of Representatives
200-8S Stratton Office Building
Springfield, IL 62706

The Honorable Laura Ellman
Illinois State Senate
Section C, Room D Stratton Office Building
Springfield, IL 62706

RE: HB 3479, the Fintech-Digital Asset Bill

Representative Walker and Senator Ellman:

The Crypto Council for Innovation (CCI) writes to note our concern with HB 3479, the Fintech-Digital Asset Bill. We are grateful for the progress that has been made since the bill's introduction, but we remain concerned about the impact the legislation could have on the burgeoning web3 industry in Illinois.

CCI is a global alliance of industry leaders in the digital asset and Web3 sectors that serves to educate consumers and policymakers and advocate for policy that spurs responsible innovation. We believe that trusted partnership between government and business stakeholders is key to crafting inclusive policy that benefits consumers and industry alike.

We appreciate your and the Department of Financial and Professional Regulation's (IDFPR) efforts to address feedback from industry on HB 3479. These efforts include amendments to expand conditional licensing, limit the scope of the digital asset business activity definition, narrow compliance requirements, and increase certain transition periods. However, additional amendments are necessary to ensure Illinois remains a hub of responsible innovation for digital assets and blockchain technology development.

Given the rapid pace of innovation in the industry and the need for regulatory certainty for applicants and licensees, HB 3479 should include a clear definition and specific criteria for "material business changes." A transparent roadmap would mutually benefit IDFPR and potential licensees by ensuring better communication and a closer alignment of expectations. The concept and definition of "conflict of interest" currently included in the bill is also overly broad and should be amended.

Additionally, complex reporting criteria for covered exchanges, short turnaround times, prohibitive surety bond obligations, and unclear capital and liquidity requirements go beyond what is traditionally expected of financial services institutions, including by the NY virtual currency licensing regime. These requirements can impose especially steep barriers to entry for small businesses and startups. We continue to encourage IDFPR and the legislature to consider exemptions for smaller digital asset businesses, including safe harbor alternatives such as regulatory sandboxes or threshold tiers.

Lastly, the proposed ban on algorithmic stablecoins unnecessarily paints all algorithmic stablecoins with a broad brush and ignores the complexity in this space. Risks posed by these stablecoins are better attributed to the design of their collateralization than their use of algorithms.¹ Transparent standards in this regard could eliminate the risk of systemic harm without hindering innovation. A blanket ban on

¹ [CCI Comment Letter: Consultations on the International Regulation of Crypto-Asset Activities: a Proposed Framework - questions for consultation \(Oct. 11, 2022\)](#)

stablecoins may also result in other unintended consequences, such as disrupting financial markets and causing significant user losses.

Thank you again for the progress that has been made on this legislation, and we look forward to continuing to work with you and IDFPR to foster digital assets and blockchain technology innovation in Illinois.

Sincerely,

A handwritten signature in black ink, appearing to be 'S' followed by a long horizontal flourish.

Sheila Warren
Chief Executive Officer
Crypto Council for Innovation