

Crypto Council for Innovation

March 3, 2023

The Honorable Nellie Pou
Senator
New Jersey State Senate
100 Hamilton Plaza, Suite 1405
Paterson, NJ 07505

The Honorable Andrew Zwicker
Senator
New Jersey State Senate
2 Clerico Lane, Building 1
Hillsborough, NJ 08844

The Honorable Yvonne Lopez
Assemblywoman
New Jersey State Assembly
211 Front Street
Perth Amboy, NJ 08861

RE: *Digital Asset and Blockchain Technology Act (A2371/S1756)*

Senators Pou, Zwicker, and Assemblywoman Lopez,

Thank you for the opportunity to provide feedback on the *Digital Asset and Blockchain Technology Act (A2371/S1756)*. As the legislation develops, we write to request several amendments that will provide increased clarity for future licensees and allow New Jersey to continue fostering innovation in the digital asset space.

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. Our members include Andreessen Horowitz, Block, Coinbase, Electric Capital, Fidelity Digital Assets, Gemini, OpenSea, Paradigm, and Ribbit Capital. We believe that trusted partnership between government and business stakeholders is key to crafting inclusive policy that benefits consumers and industry alike.

Digital assets and blockchain applications more generally are significant and evolving technological innovations with many use cases developed under a variety of business models. These innovations have the potential to bring increased transparency, security, efficiency, and inclusion not only to financial services, but to other sectors as well. As you consider legislation to promote responsible innovation in cryptocurrencies and other digital assets, CCI respectfully submits that the policies should be guided by key principles, including:

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- Legislation and regulation should be tailored to address the unique characteristics of digital assets – and carefully consider the nuances within the space.
- Legislation should take a strategic and forward-looking approach.
- Legislation and regulation should create a level playing field for all who want to be in the industry.
- Legislation and regulation should promote responsible innovation while putting in place appropriate protections for consumers and investors.
- Legislation should take a deliberate and thoughtful approach to definitions and categorization.

With these principles in mind, CCI requests that you provide increased clarity in the following areas before advancing A2371/S1756:

Section 3 - Definitions

Section 3 grants broad discretion to the Chief of the Bureau of Securities to determine what constitutes “digital asset business activities,” and includes activities such as “transmitting digital assets.” This overly broad authority and definition would capture validators, software developers, NFT artists, NFT owners and traders, and almost any other non-financial/business ecosystem participant. Unintentionally capturing virtually every developer, coder, and digital artist in New Jersey could lead to devastating consequences for the ecosystem and its users, including small businesses, entrepreneurs, and artists throughout the state. The bill should be amended to clarify that the scope of “digital asset business activities” is limited to business activities that directly engage a significant number of New Jersey state residents, and should acknowledge the unique aspects of this technology class.

Section 3 - Pending Licenses

The bill has been amended to prevent companies from engaging in “digital asset business activity” until their license is approved. Previous versions of the bill stated that a company only needed to have “filed a pending license.” The current version requires full approval. Section 3 should provide flexibility for companies undergoing the licensing process to operate during their review.

Section 5 - Timelines

Section 5 provides that the Bureau of Securities has 120 days to accept or reject an application once it is deemed complete. Section 5 should provide clear guidance on: what constitutes a complete application; when the timeline begins; and whether the process is measured in business or calendar days. If the Bureau fails to make a determination within 120 days, applications should be approved by default.

Section 6 - Material Change

Given the rapid pace of innovation in the industry and the need for regulatory certainty among licensed entities, Section 6 should be amended to provide a clear definition of “material change.” Defining the concept would mutually benefit the New Jersey Bureau of Securities and licensees by ensuring better communication and a closer alignment of expectations.

Section 7.1 - Public Interest

The term “public interest” should be clarified with regard to the denial, suspension, or revocation of a digital asset business license.

Section 11 - Investigations

This section grants broad discretion to the Chief of the Bureau of Securities to conduct long arm investigations. The legislation should provide guardrails to prevent overreach in this area.

We appreciate the opportunity to provide input on this important legislation.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Warren', with a long horizontal flourish extending to the right.

Sheila Warren, Esq.
Chief Executive Officer
Crypto Council for Innovation

cc: Governor Phil Murphy