Wisconsin Legislative Council

MINUTES

STUDY COMMITTEE ON CRYPTOCURRENCY

Room 412 East, State Capitol
Madison, WI
August 18, 2026
10:00 a.m. – 1:35 p.m.

CALL TO ORDER AND ROLL CALL

Chair Stafsholt called the meeting to order and it was determined that a quorum was present.

COMMITTEE MEMBERS PRESENT:	Sen. Rob Stafsholt, Chair; Rep. Nate Gustafson, Vice Chair; Sen. Dora Drake; Rep. Sequanna Taylor; and Public Members Michael Bezoian, Jeni Brantner, Ryan Kamphuis, and Adam Swanda.
COMMITTEE MEMBERS EXCUSED:	Public Members Michael Adam and Phil Suckow.
COUNCIL STAFF PRESENT:	Anne Sappenfield, Director; and Patrick Ward and Thomas Koss, Senior Staff Attorneys.
APPEARANCES:	Jeffrey M. Glazer, Clinical Professor, University of Wisconsin Law & Entrepreneurship Clinic; Michael Gavigan, Assistant Chief Legal Counsel, Office of the Secretary, and Robin Jacobs, Attorney Supervisor, Enforcement Bureau, Division of Securities, Department of Financial Institutions; Dave Groshek, Vice President of Advocacy, The Wisconsin Credit Union League, and Heather Ristow, Senior Vice President and Chief Experience Officer, and Ryan McMillan, Technology Services Director, Corporate Central Credit Union; and Chris Borgerding, Vice President, Government Relations, Wisconsin Bankers Association.

OPENING REMARKS FROM ANNE SAPPENFIELD, DIRECTOR, LEGISLATIVE COUNCIL STAFF

Chair Stafsholt welcomed committee members and introduced Anne Sappenfield, Director, Legislative Council staff. Ms. Sappenfield described the Joint Legislative Council, the process used to establish study committees, and the benefits of the study committee process. She also generally described the role of the Legislative Council staff in supporting the Legislature.

INTRODUCTION OF COMMITTEE MEMBERS AND ASSIGNMENT

At Chair Stafsholt's invitation, committee members introduced themselves and briefly explained their backgrounds and interest in the committee's topic.

Description of Distributed Materials

Patrick Ward, Senior Staff Attorney, briefly described material provided in Legislative Council, *Study Committee on Cryptocurrency*, Staff Brief 2026-03 (Aug. 2026), including recent developments related to cryptocurrency in Wisconsin and at the federal level.

Presentation by Jeffrey M. Glazer, Clinical Professor, University of Wisconsin Law & Entrepreneurship Clinic

The committee heard a presentation by Jeffrey M. Glazer, Clinical Professor, University of Wisconsin Law & Entrepreneurship Clinic, relating to cryptocurrency and exchanges. Mr. Glazer's presentation covered the basic infrastructure of and definitions relevant to cryptocurrency, described how a cryptocurrency's ledger is created and secured, and explored the economics of validating and staking.

In covering the basic infrastructure of and definitions relevant to cryptocurrency, Mr. Glazer noted that cryptocurrency relies on a secured, decentralized, and publicly available ledger. He explained the two main protocols used by cryptocurrencies to secure the network, proof-of-work and proof-of-stake, and he defined the terms "node" and "wallet," among others. Mr. Glazer also explained the difference between a cryptocurrency wallet and an account on a cryptocurrency exchange and described how a cryptocurrency's ledger operates by explaining blockchain technology.

Next, Mr. Glazer provided small-scale and large-scale examples of nodes and explained the role of a node in both types of protocols. Then, he explained the qualifications to become a validator and the tasks validators must complete in the proof-of-stake protocol, including the consequences of not completing assigned tasks. He also discussed the distinct concepts of funding a validator node and operating a validator node and noted that funding and operating can be performed by the same person or can be performed by separate parties, with funders providing capital and operators performing the risk-and-reward-related activity.

Finally, Mr. Glazer discussed the economics of staking. He noted that there are very few persons with the minimum required asset to run a validator on the Ethereum network and projected that a person running the person's own node would lose money. He then provided estimates for the break-even amount of ETH in dollars that staking-as-a-service providers need to have staked in order to make a profit.

In response to a question from Senator Drake about how cryptocurrency ledgers may be audited, Mr. Glazer explained that anyone may obtain a ledger for examination but that the ledgers are somewhat difficult to examine because of how large the text files are. In response to a question from Representative Taylor about why failures may occur, Mr. Glazer noted that most failures with respect to validating transactions are accidental because the public nature of the ledger discourages intentional manipulation. Mr. Glazer went on to note that issues arise more frequently in transactions involving cryptocurrencies in private contracts, which are inherently less visible. Finally, in response to a question from Public Member Swanda, Mr. Glazer clarified that his presentation's focus was on the proof-of-stake protocol and how it relates to pooled staking, rather than the proof-of-work protocol and the concept of "mining."

Presentation by Michael Gavigan, Assistant Chief Legal Counsel, Office of the Secretary, and Robin Jacobs, Attorney Supervisor, Enforcement Bureau, Division of Securities, Department of Financial Institutions

The committee heard a presentation from Michael Gavigan, Assistant Chief Legal Counsel, Office of the Secretary, and Robin Jacobs, Attorney Supervisor, Enforcement Bureau, Division of Securities, Department of Financial Institutions (DFI). Ms. Jacobs began the presentation by describing the mission and organizational structure of DFI and the goal of the Division of Securities. Ms. Jacobs then explained the concept of a security under Wisconsin law with a focus on the definition of an investment contract, which is a type of security. Ms. Jacobs also discussed the definition of a security under federal law. Next, Ms. Jacobs described the roles of the Professional Registration and Compliance Bureau and the Enforcement Bureau in DFI, and detailed potential remedies to violations of the state securities law.

Ms. Jacobs also discussed the current state of investment scams and noted that cryptocurrency is often preferred for scams because transactions are irreversible, immediate, and generally anonymous. Ms. Jacobs provided federal and state data on the volume of investment scams and discussed common types of cryptocurrency scams. Ms. Jacobs also informed the committee of DFI's online Investment Scam Tracker.

Next, Mr. Gavigan noted that DFI is generally concerned about efforts to diminish existing protections for Wisconsin investors. Mr. Gavigan provided additional context regarding how common fraud and other illicit activities are in the cryptocurrency industry and provided a comparison of the cryptocurrency industry to the broader financial services industry.

Mr. Gavigan provided general comments on a few items of interest to the committee, including any potential carve-out for cryptocurrency from the state's securities law, the possibility of a cryptocurrency-related entrepreneurial or liaison office and pilot projects, and potential federal legislation. With respect to a carve-out for cryptocurrency, Mr. Gavigan noted that a carve-out based on the novelty or complexity of a product or technology is not consistent with the goals, history, or spirit of financial regulation, and, given the heightened risks of cryptocurrency, DFI sees no reason to remove existing protections. With respect to an entrepreneurial or liaison office and pilot projects, DFI notes that these could be useful but that other states efforts in this area have been underutilized.

Next, Mr. Gavigan discussed different varieties of staking services and noted that there is no prohibition on staking in Wisconsin, just a prohibition on offering a security that is unregistered and not exempt. Mr. Gavigan also listed various ways that staking services differ from solo or home staking. Following that discussion, Mr. Gavigan explained the concept of maximum extractable value, which involves persons who order cryptocurrency transactions seeking rewards beyond the standard rewards associated with staking techniques, and discussed how concentration of control in staking service offerings interacts with entities seeking the maximum extractable value. Finally, Mr. Gavigan noted relevant court cases that support the conclusion that third-party staking should be considered a security.

In response to a question from Chair Stafsholt, Mr. Gavigan clarified that some of the data represents worldwide activity. Mr. Gavigan also answered a question from Senator Drake regarding the third parties that engage in scamming activities, and Mr. Gavigan noted that one possible consequence of excluding cryptocurrency from the definition of a security could be that DFI is prevented from investigating potential third-party bad actors. In response to a question from Chair Stafsholt about how the scale of cryptocurrency-related scams relates to other scams involving cash, Ms. Jacobs described cryptocurrency-related scams as off the charts compared to the other.

Mr. Gavigan answered a question from Public Member Bezoian regarding the meaning of "High yield Investment/Trading" as it appeared in the presentation on a chart showing cryptocurrency scam revenue by subclass. Public Member Swanda asked about whether certain cryptocurrencies are more often used in the scams cited in the presentation. In response, Mr. Gavigan and Ms. Jacobs noted that they have seen a recent trend toward a preference for stablecoins rather than Bitcoin or Ethereum.

In response to a question from Public Member Brantner about who ultimately suffers the financial loss of the cryptocurrency-related scam, Ms. Jacobs noted that consumers experience the loss and also noted that one question to consider is who is experiencing the profits of scamming activity other than the scammers themselves. Ms. Jacobs also verified for Chair Stafsholt that there is no state law that would impose liability or responsibility on a Wisconsin financial institution for facilitating a transaction that ultimately led to a consumer being scammed and suffering a financial loss.

Presentation by Dave Groshek, Vice President of Advocacy, The Wisconsin Credit Union League, and Heather Ristow, Senior Vice President and Chief Experience Officer, and Ryan McMillan, Technology Services Director, Corporate Central Credit Union

The committee heard a presentation from Dave Groshek, Vice President of Advocacy, The Wisconsin Credit Union League, and Heather Ristow, Senior Vice President and Chief Experience Officer, and Ryan McMillan, Technology Services Director, Corporate Central Credit Union. Mr. Groshek explained the charge of Wisconsin's state-chartered credit unions and noted that developments in federal law relating to cryptocurrency make now an appropriate time to consider the state's role in the area of digital assets. Mr. Groshek encouraged the committee to keep Wisconsin's credit unions in mind as a trusted financial partner as the committee considers the various uses of cryptocurrencies. Mr. Groshek provided general guidelines on any legislation considered by the committee, including legislation that would create protections for credit union members from bad actors who commit financial fraud and the ability for credit unions to offer members digital currency services.

Next, Ms. Ristow stated that Corporate Central Credit Union's members are credit unions and that the services provided are related to a credit union's operations, including payment services. Ms. Ristow noted that Corporate Central Credit Union moves a significant amount of money in the financial ecosystem and is active in learning about developments in the payment space of the financial system, including recent developments related to stablecoins. Ms. Ristow explained that credit unions are interested in the cryptocurrency topic because around four out of ten Corporate Central Credit Union's individual members are interacting with cryptocurrency, with interactions likely occurring outside traditional financial institutions, and credit unions are concerned about potential fraud that may occur. Ms. Ristow noted a desire to have a safe, transparent, and efficient payment platform that can be offered to Corporate Central Credit Union's members.

Mr. McMillan further described how Corporate Central Credit Union supports its members in the various ways money is moved in the financial system. He noted that the development of digital assets could be considered an evolution of how money moves through the financial system rather than a separate asset class. He explained the goals of Corporate Central Credit Union in considering and developing new technologies and in educating its members about emerging technologies. With respect to what cryptocurrency-related topics Corporate Central Credit Union's members are focusing on, Mr. McMillan indicated that its members are more focused on payment, settlement, and member service use cases rather than staking; however, the state's treatment of the staking question will signal how the state may treat cryptocurrency and digital assets more generally.

In response to a question from Chair Stafsholt on whether the state or DFI should be aware of anything particular about the settlement process of a large purchase, Ms. Ristow acknowledged that there is always a risk of fraud and that if there is insurance and the opportunity for mitigation, then the transaction should be fine. Ms. Ristow also noted that an interesting use case for a tokenized deposit is the funding of a loan for a large purchase because the transaction is on chain and could be more secure than a check. Mr. Groshek noted that other states have provided certainty through statutory changes that allow for custodial accounts of digital assets at an insured bank or credit union and that the statutory change was important for enabling this activity.

Presentation by Chris Borgerding, Vice President, Government Relations, Wisconsin Bankers Association

The committee heard a presentation from Chris Borgerding, Vice President, Government Relations, Wisconsin Bankers Association (WBA). Mr. Borgerding began his presentation by noting the distinction between two different types of staking and stated that his comments should be understood as addressing concerns with staking-as-a-service. Next, Mr. Borgerding provided the committee with five principles to consider when evaluating potential recommendations. The first principle is to regulate the relationship and not the technology because financial laws traditionally are focused not on the form of the financial asset but the type of relationship. The second principle follows from Mr. Borgerding's emphasis of the "other requirements" that may be more appropriate for staking-as-a-service, as mentioned in the study committee's scope. This principle is that if an existing protection is removed, then some other protection should be put in place instead.

The third principle is that any legislative change should preserve the ability of the state to address fraud. The fourth principle is that a consumer should be informed about the nature of the third-party staking arrangement, including how long the consumer's assets must be locked, potential penalties that create risks for the consumer's assets, and that the consumer's assets are not protected by federal deposit insurance. The fifth principle is to consider how permanent federal policy developments are before enacting something at the state level. Mr. Borgerding noted that changes at the federal level have been staff-level guidance and not administrative rule or statute and noted that there is legislation currently under consideration by Congress.

Mr. Borgerding finished his presentation by explaining that WBA is not recommending that the committee prohibit any staking-related activity and that WBA is not opposed to the technology and is seeking responsible ways to adapt to the technology while protecting the public.

Roundtable on Members' Priorities for the Committee

Chair Stafsholt offered his view that potential legislation should seek to avoid unintended consequences, such as unintentionally making a situation worse or inadvertently picking winners and losers in an area. He noted that technology often outpaces regulations and government oversight and that the committee should determine whether legislation is needed to catch up before making any recommendations. He explained that his goals as chair of the committee are to find out what legislation, if any, the committee should advance and focus on how to avoid unintended consequences.

Mr. Ward noted that the committee could also indicate whether any topics are of interest to help inform what speakers to have at the next meeting.

Chair Stafsholt provided his view of the two currently scheduled meetings, stating that he viewed the first meeting as being about information gathering on the topic of cryptocurrency and the second meeting as being for idea generation. Mr. Ward also noted that the committee could hear testimony about the federal framework for stablecoins and the potential role of the state in that area. Chair Stafsholt also noted the potential federal changes through the CLARITY Act that may occur before the committee's next meeting. In closing, Chair Stafsholt invited members of the committee and members of the public to reach out about specific topics or speakers for the committee to consider.

Plans for Future Meetings: October 15, 2026, in Room 411 South, State Capitol

Chair Stafsholt announced that the next meeting of the study committee is scheduled for October 15, 2026.

Adjournment

The meeting adjourned at 1:35 p.m.

PW:jm