Wisconsin Bankers ASSOCIATION

Wisconsin Bankers Association
Legislative Council Study Committee on Cryptocurrency
August 18, 2026

Chair Stafsholt, Vice-Chair Gustafson, and members of the Committee:

Thank you for the opportunity to appear before you today and for your interest and attention to this matter. I am Chris Borgerding, Vice-President of Government Relations for the Wisconsin Bankers Association. WBA represents 96% of banks in Wisconsin and their 30,000 employees, serving customers in every county in this state.

Because no legislation is before you, I want to offer a distinction and five principles we would ask the Committee to use to test any eventual recommendation.

The distinction that matters most

Two very different activities both go by the name staking, and much of the discussion and potential work this Committee will encounter traces back to the difference between them.

In the first, a person who owns cryptocurrency commits it to help operate a blockchain network while keeping control of their own assets throughout. Nobody else holds anything of theirs. This is closer to operating equipment than purchasing a financial product.

In the second, a person hands their assets to a company. That company decides how the assets are used, sets the terms for retrieving them, takes a fee, and advertises a return. The customer's outcome depends on that company's honesty and solvency.

The Committee's charge describes the second arrangement. Our concerns are confined to it, and everything I say today should be understood with that context.

Five principles we ask the Committee to consider

Principle 1. Regulate the relationship, not the technology.

Wisconsin's financial laws have never turned on what form an asset takes. They turn on what one party has undertaken to do for another. When a business holds someone else's money and promises a return, a familiar set of obligations follows: tell the customer the truth, disclose the risks, keep their property separate from your own, and answer to someone if you fail.

Those duties attach because of the relationship, not the recording medium. A test written around a technology will quickly go out of date, and it invites structuring around it.

Principle 2. If existing protections are removed, something should replace them.

Your charge asks whether the state's securities laws should apply or whether other requirements may be more appropriate. We take the phrase "other requirements" seriously, and we encourage the Committee to do the same.

A meaningful difference exists between deciding that a different framework fits better and deciding that no framework applies. WBA could engage constructively with the first. We would oppose the second. If securities law is an imperfect fit, the natural next question is what does fit, and we would ask that the answer not be nothing.

Principle 3. Whatever else changes, preserve the state's authority to address fraud.

This is the principle we would most urge the Committee to hold onto, and it is as much a drafting matter as a policy one.

Exempting an activity from registration is one thing. Declaring that it falls entirely outside a body of law is another, because the anti-fraud provisions go with it. Drafted that way, a defrauded Wisconsin resident would have no remedy under that law, and state authorities would have no basis to pursue a platform that lied to them.

We do not believe anyone would intend that result, but it can follow from how a provision is structured rather than from what anyone wanted. Whatever this Committee recommends, we would ask that the state's ability to act against fraud survive it.

Principle 4. A consumer should be told what they are getting into.

The risks in a third-party staking arrangement are specific, and a consumer is unlikely to learn about them from an advertisement:

- Assets may be locked for days or weeks, so a customer may be unable to exit while prices are falling.
- Network penalties can destroy part of a customer's holdings because of the provider's conduct rather than the customer's.

- The provider may lend or pledge customer assets for its own purposes, which is what turned several platform failures into total customer losses.

- None of it carries federal deposit insurance. If the provider fails, the customer is an unsecured creditor.

When a bank in Wisconsin sells an investment product, we must tell the customer plainly that it is not a deposit, is not insured, and may lose money. A platform advertising a comparable yield operates under no such requirement. We would ask whether any recommendation narrows that gap or widens it.

This Legislature acted this year on a related problem in the law addressing cryptocurrency kiosks. The same fraud patterns reach these platforms, and our members see the consequences, because a banker is often the last person with a chance to intervene before a customer's money is gone.

Principle 5. Watch the federal timeline before writing something permanent.

The Committee will hear that federal authorities have resolved these questions. The picture is less settled than that. What exists is staff-level guidance that reversed the agency's earlier position and can be revised again. It is not a rule and not a statute. Meanwhile, Congress is working on legislation to govern this market, and the drafts under discussion draw considerably narrower lines than some state proposals have.

What WBA is not asking for

We are not asking this Committee to recommend prohibiting anything. Nothing in current law prevents a Wisconsin resident from acquiring cryptocurrency, holding it, or staking assets they control themselves, and we are not seeking to change that.

We are also not opposed to this technology. Our members are interested in it. We know that this technology is not going away, so we are looking for responsible ways to adapt to it while protecting your constituents and our customers.

Conclusion

The question before this Committee is not whether Wisconsinites should be able to participate in this technology. They can today. It is whether a business that holds a Wisconsin consumer's assets and promises them a return should have to answer to somebody.

Wisconsin has answered yes for as long as it has regulated financial services, regardless of the form the asset takes. We would ask the Committee to keep that answer intact, whatever framework it recommends.

WBA would welcome the opportunity to work with the Committee and Legislative Council staff as this study proceeds. Thank you.

Respectfully submitted,

Chris Borgerding
Vice-President, Government Relations
Wisconsin Bankers Association