

The Blockchain Ledger

LINKING ASSETS INC.

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In this Ledger

- Arizona Introduces Legislation Defining Virtual Currency & Allowing Public Employees to be Paid with It
- Key News & Developments Highlights

Linking Assets Inc. publishes *The Blockchain Ledger* with articles and information regarding blockchain, cryptocurrency, virtual currency, digital assets, and their intersections with state unclaimed property laws. Keeping you informed of pertinent unclaimed property implications and related developments.

Arizona Introduces Legislation Defining Virtual Currency & Allowing Public Employees to be Paid with It

By [Christa DeOliveira](#) & [Ari Mizrahi](#)

On January 26, 2022, in Arizona, Senator Wendy Rogers introduced SB 1493. This proposed legislation is short and straightforward:

Be it enacted by the Legislature of the State of Arizona:

Section 1. Title 38, chapter 4, article 1, Arizona Revised Statutes, is amended by adding section 38-619, to read:

38-619. PUBLIC EMPLOYEES; SALARIES; VIRTUAL CURRENCY; DEFINITIONS

A. BEGINNING JANUARY 1, 2023, THIS STATE OR A POLITICAL SUBDIVISION OF THIS STATE MAY PAY ITS EMPLOYEES' SALARIES IN VIRTUAL CURRENCY, IF REQUESTED BY THE EMPLOYEES.

B. FOR THE PURPOSES OF THIS SECTION:

1. "POLITICAL SUBDIVISION" MEANS A CITY, TOWN, COUNTY OR SCHOOL DISTRICT.

2. "VIRTUAL CURRENCY" MEANS A DIGITAL REPRESENTATION OF VALUE, OTHER THAN A REPRESENTATION OF THE UNITED STATES DOLLAR OR A FOREIGN CURRENCY, THAT FUNCTIONS AS A UNIT OF ACCOUNT, A STORE OF VALUE OR A MEDIUM OF EXCHANGE.

While short, the bill is radical and on the forefront of its kind. Not just for allowing municipal and school district employees to opt into being paid in virtual currency; the actual definition of virtual currency is clear and concise.

Whether and how this would happen remains to be seen; the brevity of the bill does not indicate any mechanics to support the salary payment provisions. Linking Assets will continue to track this legislation and report on it if it is enacted.

Key News & Developments Highlights

CBDC- Visa is showing its optimism, by working with blockchain firm, ConsenSys, to support CBDC networks within the scope of existing payment methods. The project will incorporate its existing products with ConsenSys' Codefi CBDC sandbox. This partnership would facilitate central banks to design digital currency on ConsenSys' Quorum and then leverage Visa's infrastructure for distribution and be prepared to work with central banks, financial institutions, and fintechs to both configure and integrate CBDC payments.

New Cryptocurrency Regulator to be proposed.

Many voices still call for a single US regulator to oversee crypto; although, clear regulations would be a significant step forward. There remains a lack of clarity and tensions between what should be regulated by which regulatory body: the SEC, CFTC, Treasury, Federal Reserve, or some combination. More clarity from Congress has been long desired.

Senator Cynthia Lummis (R-WY), cryptocurrency owner and member of the Senate Banking Committee, plans to do this by introducing legislation this year. She will propose a new “regulatory body to handle crypto affairs, which would be jointly overseen by the Securities and Exchange Commission and the Commodity Futures Trading Commission.”¹

Reportedly, the legislation will “also establish how different types of crypto assets are classified for regulatory purposes, codify crypto taxation rules, outline regulations for stablecoin providers, and include consumer protections.”²

Hester Peirce, the SEC commissioner, opposes a new regulatory body, stating, “Typically in Washington, when you build another regulator, all you get is all the existing regulators plus one.” She adds, “We have an opportunity to sit down and work with people, many of whom have been very open about their willingness to come in and work with us and develop regulation. So far, we’ve really provided very little concrete regulatory progress.” said Peirce.³

Russia proposed a ban on use and mining of cryptocurrencies, Russia’s central bank proposed banning both the use and mining of cryptocurrencies on Russian territory. It cites risks to financial stability, citizens’ wellbeing, and the sovereignty of its own monetary policy. In a report the central bank likened crypto-currencies to a financial pyramid scheme.⁴

Mayors Seek Salaries in Cryptocurrency. In an emerging new microtrend, a handful of mayors are seeking to be paid their salaries in Bitcoin or other cryptocurrencies. It started with Mayor Francis Suarez of Miami, Florida. Shortly after, then Mayor-elect Eric Adams announced he would take his first three paychecks in crypto. Since then, other mayors have followed. While it is questionable that any of these mayors can be paid directly in cryptocurrencies, in the near term due to a lack of infrastructure and laws permitting it, they are pledging to convert their entire

checks to crypto. (For you and me- some payroll systems have a crypto payment option; however, there are apps such as Strike and Cash App to facilitate partial or full payroll conversions, for those interested.)

Some of the mayors have stated they are choosing crypto to hedge against inflation. There is strong speculation the mayors are striving to set themselves and their cities apart by showing their commitment to crypto and making their cities crypto hubs.

Crypto Mortgage product set to launch in early 2022; there is already a waiting list. Milo, a direct licensed lender, will qualify borrowers on crypto wealth, rather than the more traditional tax returns/FICO score. Borrowers may finance 100% of the purchase. Milo states the transactions do not trigger income taxes. Further, borrowers may add or withdraw pledged cryptocurrency and adjust their rate.

NFTs are being used in political fundraising.⁵ In December 2021, Blake Masters, AZ Senate candidate raised close to \$575,000 in 36 hours by selling several NFTs. (If Masters does not win, the donors will be refunded 50%.)⁶ Congressional candidate for CA, Shrina Kurani, raised \$6,600 also in December through selling 21 of the 2,022 tokens she put up for sale with a 72-hour time span. AZ Senator Mark Kelly sold digital tokens portraying the cover of *Zero to One*, the book he co-authored with Peter Thiel. “HODLpac, a nonpartisan political action committee focused on crypto interests, is planning a series of NFTs that would function like would be membership cards or campaign pins depending on the level of donor, PAC founder.” according to Tyler Whirty.⁷

New highs in illicit cryptocurrency activity in 2021. Crypto usage soared; transaction volume grew by to \$15.8T. This represents a year over year increase of 567%, with the usage rate increases far outpacing the criminal activity growth rate.⁸



¹ <https://decrypt.co/89258/pro-bitcoin-senator-lummis-propose-new-crypto-regulator>

² Ibid.

³ <https://www.coindesk.com/policy/2021/12/30/sec-commissioner-hester-peirce-says-washington-doesnt-need-a-new-crypto-regulator/>

⁴ <https://www.reuters.com/business/finance/russian-cbank-proposes-banning-cryptocurrencies-crypto-mining-2022-01-20/>

⁵ While the regulatory body for campaign finance, the Federal Election Commission, has issued contribution guidance for accepting cryptocurrency, some lawyers assert there is a risk that selling NFTs could result in regulations directed at investment products, particularly

if individual NFTs were sold in fractions. Previously, SEC Commissioner Hester Peirce warned the “fractionalization” of individual NFTs could trigger the agency to crack down. <https://www.politico.com/amp/news/2022/01/08/campaign-fundraising-nft-526787>

⁶ <https://qilaherald.com/senate-candidate-blake-masters-raises-nearly-575000-by-selling-nfts/>

⁷ <https://www.politico.com/amp/news/2022/01/08/campaign-fundraising-nft-526787>

⁸ <https://blog.chainalysis.com/reports/2022-crypto-crime-report-introduction/>