

**Before the Pennsylvania House
Commerce Committee
Informational Meeting to Discuss HB 2081
*The Digital Asset Regulation Act***

Good morning, Chairman Conklin, Chairman Emrick and members of the House Commerce Committee. I am Robin Cook, Legislative Counsel at Coinbase, the largest digital asset exchange in the United States. Coinbase has been a public company since April 2021. We have embraced regulation since we were founded over a decade ago, and we have extensive experience implementing robust consumer protection controls, prudent risk management, and industry-leading security practices. Coinbase has 45 state money transmission licenses, a BitLicense and state trust charter from the New York Department of Financial Services, and a Louisiana Virtual Currency Business Activity License. We are a licensed designated contract market (DCM) and a futures commission merchant (FCM) regulated by the Commodity Futures Trading Commission, and Coinbase Asset Management is a registered investment advisor under the Securities Exchange Commission.

Coinbase strives to be the market leader when it comes to consumer protection. We hold our customer assets 1:1 at all times, which means we do not lend or rehypothecate/reuse customer assets without customer direction to do so. We safeguard customer assets using bank-level security standards. At all times, we also appropriately ledger, properly segregate, and diligently maintain separate accounts for our corporate crypto assets and customers' crypto assets.

Given that context, we understand the goals of HB 2081. Consumers deserve to be protected in crypto. This is why Coinbase strongly supports Federal legislation that would set a national standard that would pave the way for this technology to be developed throughout the United States, including here in Pennsylvania. *Nevertheless, we have concerns with the bill as drafted and urge the Committee and its members to consider some of the potential for unintended consequences of individual state action and with certain provisions contained within HB 2081.*

- **Conflation of Lending Activity and Money Transmission Activity:** The bill is focused on lending, yet the key definition appears to cover money transmission activity generally. Digital asset exchanges and custodians should not be considered lenders unless they are actually lending. Money transmission should be regulated by Pennsylvania's well-established regulatory regime, not by characterizing it as lending or through some other scheme.
- **Held in "Trust":** This requirement creates significant uncertainty. Other crypto-specific laws, such as New York, Louisiana, and the Virtual Currency section of the Money Transmission Modernization Act (MTMA) (adopted by Minnesota and North Dakota), require exchanges like Coinbase to maintain control of each type of virtual currency sufficient to satisfy the aggregate entitlements of the persons to the type of virtual currency. Alaska, Florida, North Carolina, Nevada, Rhode Island, South Dakota, Vermont, and Washington also have this requirement outside of the MTMA. We suggest Pennsylvania do the same.

- **Need for Specifics on Segregation of Funds Requirements:** We suggest that the bill provide more specific requirements, such as those from the Commodities Exchange Act or New York Department of Financial Services, related to segregation of funds. Due to operational issues with trade execution, it is critical that this language works.
- **Need for National Uniformity:** This is a truly global marketplace. We support efforts to harmonize state regulatory requirements across the country, such as through the MTMA. Ultimately, the best course is a national framework that protects Pennsylvania consumers, and all Americans wherever they are.

Thank you for the opportunity to share Coinbase's views on this important issue.

Respectfully submitted,

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