



# ILLINOIS BLOCKCHAIN ASSOCIATION

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## **IBA's Perspective on the Illinois Digital Assets and Consumer Protection Act HB1797 – DACPA**

The Illinois Blockchain Association (IBA) supports commonsense regulation of the blockcrypto industry that (1) is narrowly tailored to address risks to consumers posed by centralized entities holding customer funds; and (2) does not squelch innovation and jobs in Illinois. You can find our full thoughts on DACPA [here](#).

This fact sheet outlines two key reasons why DACPA, in its current form, is wrong for Illinois: (1) federal law will likely preempt it; and (2) it is constructed with the same structural flaws that have made similar bills, principally New York's BitLicense, a failure.

### **FEDERAL PREEMPTION**

In his recent executive order, President Trump announced that the current administration intends to pursue a federal regulatory framework to govern "the issuance and operation of digital assets, including stablecoins, in the United States," ordering a newly-constituted Presidential Working Group to propose legislation. The leading market structure framework is the Financial Innovation and Technology for the 21st Century Act (FIT21), which passed the House in May of 2024 with broad bipartisan support. FIT21 contains clear and comprehensive federal preemption, giving the CFTC exclusive jurisdiction to regulate brokers and exchanges registered under the law. Similarly, the GENIUS Act, introduced earlier this month to regulate stablecoin issuers, would give the Comptroller of the Currency exclusive jurisdiction to regulate payment stablecoin issuers. We expect any law passed in Congress to preempt substantially all tenets of DACPA.

Cryptocurrency transactions cross state and international lines, and most crypto businesses and custodians that serve Illinois customers are national (or international) in scope. Centralized regulation by Congress will make these crypto-related activities safer, more secure, and more efficient, as opposed to creating a patchwork of state laws, which are likely to be preempted in the coming months. In addition, federal and state agencies already have significant anti-fraud jurisdiction over bad actors that use crypto to defraud Illinois consumers, including the AG, DOJ, SEC, CFTC, and FTC. It is unclear what aims the bill is trying to achieve, or what gaps it would fill.

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## FAILURES OF STATE REGULATIONS IN OTHER STATES

Rather than learning from mistakes made by other states, DACPA repeats them. New York's BitLicense regime is widely considered to be a failure. Illinois would be the first state to essentially replicate it.

- New York has granted only 34 licenses in the 10 years BitLicense has been in place.
- Costs: The total cost of securing a BitLicense is projected to be at least \$100,000, which includes time allocation, legal fees, and compliance costs.[1] The application itself can take thousands of man hours to complete. This is cost-prohibitive for many small businesses and startups, which is why most of the recipients of the BitLicenses are multi-billion-dollar firms.
- Time: Applications are supposed to be approved or denied within a 90-day timeframe, but the law provides for the possibility of extensions. In practice, getting licensed takes months.
- It is impossible to calculate the number of businesses that have been driven from New York; anecdotally, numerous startups have left the state or started elsewhere.

DACPA and BitLicense are strikingly similar. Both are comprehensive licensing regimes, with significant application costs, numerous specific and exclusionary requirements, and comprehensive state oversight for every aspect of a licensee. The same onerous requirements would apply to bank-like centralized exchanges that custody residents' assets (which we agree should be regulated) and an artist who wants to sell NFTs of his artwork to supplement his income (which should not). IBA is concerned that importing a similar regime to Illinois could depress our state's burgeoning crypto industry.

**The Illinois General Assembly should let Congress lead on a comprehensive regulatory framework, then pass purpose-built state legislation that makes Illinois the friendliest state for blockchain and crypto innovation.**

[1] Source: [The Real Cost of Applying for a New York BitLicense](#)