

Montana Blockchain and Digital Innovation Task Force

Meeting Minutes

Date: December 15, 2025

Time: 10:00 am – 4:08 pm

Location: State Capitol, Room 137 (hybrid meeting with in-person and virtual attendance via Zoom)

Website: <https://doa.mt.gov/BDITF>

Call to Order and Recording Notice

The meeting of the Blockchain and Digital Innovation Task Force was called to order by Cochair Lammers.

Cochair Lammers noted the meeting was audio and video recorded and requested speakers use microphones, state and spell their names when presenting.

Roll Call and Attendance

Legislators Present:

- Representative Kelly Kortum
- Senator Gayle Lammers
- Senator Shane Morigeau
- Representative Curtis Schomer
- Senator Daniel Zolnikov

State Officials and/or Designees Present:

- Representing State Auditor Jim Brown:
 - Trevor Graff
 - Kirsten Madsen
- Designee for Attorney General Austin Knudsen
 - Andrew Butler

Industry & Public Members Present:

- Tanner Avery
- Mark Baker
- Bill Bickle
- Randy Chesler
- Leigh Drogen
- Julie Fredrickson
- Kevin Gilbertson

- Alex Miller
- Guillermo Perez
- Daniel Pittman
- Thad Pryor
- Sam Sill

Staff:

- Melanie Hall
- Heather Bernet

Members Excused

- Representative Brandon Ler
- James Brown
- Loren Brown

Approval of Prior Minutes

Cochair Lammers asked if members had reviewed the minutes from the last meeting. With no objections voiced, the prior meeting minutes were approved by unanimous consent.

Introductory Remarks and Member Re-Introductions

Due to some technical setup time, the Cochair Lammers invited brief in-room introductions:

- Senator Daniel Zolnikov – State Senate, Chair of Energy and Technology Committee, emphasized Montana’s openness to innovative bills and reliance on experts rather than heavy federal lobbying.
- Tanner Avery – Policy Director, Frontier Institute, interested in developing good ideas for the task force.
- Leigh Drogen – Founder and CIO of a digital assets hedge fund (Starkiller Capital) operating across the crypto space.
- Daniel Pittman – Senior blockchain and infrastructure engineer, long-time crypto and smart contract developer, aiming to advise using technical experience.
- Andrew Butler – Assistant Attorney General and supervising attorney for consumer protection.
- Mark Baker – Attorney in Helena.
- Bill Bickle – Chief Risk/Credit Officer, Stockman Bank (~7B in assets, ~6B in MT deposits).
- Sam Sill – Government affairs, Montana Bankers Association.
- Trevor Graff – Government Affairs Director, Commissioner of Securities and Insurance, attending in place of Commissioner Brown.
- Melanie Hall – State Banking Commissioner for 15 years, supervising state-chartered banks, credit unions, mortgage and consumer finance companies, escrow, and ~\$80B in depository assets.

Online introductions:

- Julie Fredrickson – Venture capitalist, Chaotic Capital, focuses on nuclear, decentralized systems, compute, and brings investor perspective as a Montanan.
- Alex Miller – CEO of a crypto blockchain labs company building infrastructure and tooling for a Bitcoin layer-2 company, focused on growing a vibrant crypto ecosystem in Montana.
- Thad Pryor – Head of product at a tokenized infrastructure company building on-chain products for banks, recently acquired, based in Bozeman, focused on job creation and bank adoption.
- Representative Kelly Kortum – Represents West Bozeman, IT professional
- Kevin Gilbertson – State CIO, interested in all state technology initiatives.
- Guillermo Perez – Policy consultant from Bozeman, focused on good legislative drafting and language.
- Randy Chesler – CEO, Glacier Bancorp, with broad Montana market presence.

Additional legislative remarks:

- Representative Schomer – Cochair, represents West Billings, wants the task force to bring education to the legislature and community and “get some good work done.”
- Senator Lammers – Cochair, noted the task force as a good opportunity to benefit tribes, agriculture, investing, and banking through digital innovation.

Presentation 1 – Overview and Practical Applications of Blockchain (Leigh Drogen)

Purpose and Structure

Objectives:

- Demonstrate live decentralized finance (DeFi) transactions (trading, lending) using a small personal wallet.
- Explain legal/regulatory issues and future promise of DeFi.
- Outline current and potential practical applications of blockchains relevant to Montana’s policy work.

Centralized vs. Decentralized Exchanges

Mr. Drogen demonstrated a Coinbase account (centralized exchange) with a modest USD Coin (USDC) balance, describing:

- Centralized exchanges (e.g., Coinbase) take custody of assets, akin to a brokerage.
- Decentralized exchanges (DEXs) do not custody user assets; users hold assets in self-custody wallets and swap through smart contracts, analogous to an in-person swap market.

He noted FTX as an example of failed centralized custody and argued for clear market-structure regulation to separate exchange, custody, and other functions, similar to traditional finance.

Stablecoins, USDC, and Banking Implications

Mr. Drogen described USDC as a “compliant” stablecoin fully backed by short-term U.S. Treasuries and cash in bankruptcy-remote accounts run by Circle. He showed an example of converting dollars deposited on Coinbase into USDC stating that institutions can also mint USDC directly with Circle. He noted Coinbase paying ~3.85% APY on USDC balances, funded by Circle sharing the yield on underlying Treasuries.

Mr. Drogen discussed a recent federal stablecoin law that restricts stablecoin issuers from passing native yield directly to end holders and allows intermediaries (like exchanges) to pass yield through. The policy implication is if consumers can hold stablecoins earning near-Treasury yields while retaining payment functionality, checking accounts become less attractive, raising questions about the future of banking and deposit funding.

Self-Custody, Wallets, and Blockchain Transparency

Mr. Drogen withdrew USDC from Coinbase to a self-custody wallet (e.g., Rabby / MetaMask-style), illustrating:

- Public address (public key) as the visible “lock” that others can send assets to and view activity on.
- Use of Etherscan as a public blockchain explorer showing all transactions, blocks, and counterparties for that address.

Mr. Drogen highlighted pseudonymity; that addresses are visible but not inherently tied to real-world identities unless linked by Know Your Customer (KYC) or behavior. He raised emerging privacy concerns due to full transaction transparency and the need to balance transparency with personal privacy.

Hardware Wallets and Private Key Security

Mr. Drogen demonstrated use of a Trezor hardware wallet to secure the private key offline. Provided an analogy of a private key as a stamp; hardware wallet as a glass box over the stamp where papers (transactions) can be slid under and stamped, but the stamp (key) never leaves. He emphasized self-custody; user security (UX) remains a major problem (lost keys, scams), and hardware wallets are the current best practice despite complexity.

Blockchains and Ethereum Dominance

Mr. Drogen showed DefiLlama data to compare total value locked (TVL) across chains:

- Ethereum with ~70+ billion USD in TVL, significantly more than Solana, BNB Chain, and others.
- Layer-2 networks (Base, Arbitrum, Polygon, Optimism, etc.) roll up transactions to Ethereum to improve speed and cost.

He noted that while future winners are uncertain, Ethereum currently dominates in assets and activity, making it a practical focus for today's policy thinking.

DEX Demo – Uniswap Swap and Gas

Mr. Drogen used Uniswap on Ethereum mainnet to swap USDC for ETH. He paid a 0.25% pool fee plus a network gas fee, denominated in ETH (gas token). Mr. Drogen highlighted that network congestion can make gas fluctuate and transactions take seconds to minutes.

He described liquidity pools stating that anyone can deposit USDC/ETH into a pool and earn a share of fees as a liquidity provider (LP). An LP receives an LP token representing its share of pool assets.

DeFi Lending Demo – Aave

Mr. Drogen demonstrated Aave, a decentralized lending protocol:

- Supplied ETH to Aave and earned ~1.19% APY as a lender.
- Borrowed USDC (~\$20) against that ETH at ~4.89% APY, with automatic on-chain collateralization.

He explained: that the system is fully collateralized; loans are over-collateralized and auto-liquidated when a "health factor" reaches 1. There is no human loan officer; liquidation is governed by code (smart contracts).

Toward Fractional Reserve and Credit-Based Lending

Mr. Drogen argued the broader economy relies on fractional-reserve banking and leveraged credit expansion; pure full-collateral DeFi cannot replace this alone. He discussed the early credit-based DeFi models, such as Credora/3Gene-style projects, where borrowers shared credit scores and data, signed legal documentation, and obtained under-collateralized loans from on-chain capital pools. He emphasized these efforts integrate off-chain legal recourse and identity into on-chain lending, a key future direction.

Use-Case Scope and "Casino" Critique

Mr. Drogen addressed criticism that crypto is "just a casino" stating that while today's activity is heavily based in trading and lending, that is also the core of traditional finance. He stated that even if crypto's only success were to create a more efficient global financial system (near-zero cost, instant, permissionless transactions), it would be a major win.

Payroll Streaming – Superfluid

Mr. Drogen demonstrated Superfluid, asset streaming and distribution protocol, being used for real-time payroll. Employers can set continuous USDC streams to workers' wallets at a per-second rate. Workers receive earnings as they work instead of extending a 15–30-day interest-free loan to employers. A possible policy benefit resulting in the reduction reliance on exploitative payday loans, especially for lower-income workers.

Identity, Proof of Humanity, and ZK Proofs

Mr. Drogen discussed identity challenges, bots, and AI-driven “astroturfing” of online sentiment. He provided an example of Worldcoin using iris scanning to create a unique proof-of-humanity credential. The wallet can then prove “this is a human” without revealing the person’s full identity.

Mr. Drogen discussed zero-knowledge (ZK) proofs such as proving individuals are over 18 years old or a U.S. citizen without disclosing full personal data. Potential applications include age-gated content, voting systems, and compliance checks without creating sensitive centralized databases.

Prediction Markets – Polymarket

Mr. Drogen noted the growth of decentralized prediction markets like Polymarket in which users bet with USDC on outcomes such as sports games, Fed rate decisions, and political events. Markets can serve as real-time probability indicators (e.g., “21% chance the Fed cuts rates in January”). He recognized policy risks around insider trading and public officials participating in markets tied to policy or regulatory decisions.

Merchant Payments and Stablecoin Rails

Mr. Drogen highlighted Stripe and others building infrastructure for merchants to accept stablecoin payments on custom chains, with fees potentially as low as fractions of a cent. He suggested this could materially reduce merchant card-processing costs (vs. ~3% card fees) and improve payment efficiency.

Government Records, Title, and Real-World Assets

Mr. Drogen described possible state use cases such as tokenizing real estate title as NFTs linked to blockchain records, backed by government authority. A digitized title could reduce or eliminate the need for traditional title insurance searches based on paper records in county basements. The core idea being that government records (property, licenses, etc.) on chain could lower transaction costs and increase efficiency for citizens.

Task Force Discussion

General Feedback and Education Goals

Senator Zolnikov and Thad Pryor both praised the presentation as a useful and unusually clear explanation of digital assets and decentralized finance. Members generally agreed that building a common baseline understanding would be essential before the task force attempts to recommend specific legislation or policy proposals.

Question – Gas Fees and Volatility

A member asked why gas fees fluctuated in Mr. Drogen’s demonstration and what drives the changes. Mr. Drogen redirected the technical explanation to Alex Miller, who explained that gas

prices are driven by demand for block space; when more users submit transactions, they bid higher gas to be included quickly. Ethereum's fee mechanism (EIP-1559-style) dynamically adjusts base fees, leading to variable costs even minute-to-minute.

Question – Price Volatility and Collateral Risk

A question was raised on how DeFi lending systems handle sharp drops in collateral value (e.g., ETH “tanking overnight”). Mr. Drogen and other members stated that the protocols use automatic liquidation via health-factor thresholds. If collateral value falls relative to debt, positions are liquidated to protect the pool. This reduces but does not eliminate market risk; borrowers must manage leverage carefully.

Question – Tether and Stablecoin Safety

A member asked about Tether, its lack of clear headquarters, and concerns about billions in customer funds held offshore. Mr. Drogen noted that Tether is the largest stablecoin but has historically offered less transparency than USDC. The new federal stablecoin framework imposes stronger reserve, disclosure, and risk requirements on fully regulated dollar-backed stablecoins, which may favor more transparent issuers over time.

Regulatory Fit, Montana Law, and Commissioner Hall's Comments

Banking Commissioner Melanie Hall briefly described the scope of her office's supervision, noting that the Division oversees state-chartered banks and credit unions, mortgage brokers and lenders, consumer finance companies, escrow companies, and a substantial volume of depository assets in Montana. She explained that her role is not to make policy, but to administer and enforce the laws currently in place, even where those laws were written for older financial models and may not fit well with digital asset activity.

Commissioner Hall noted that Montana does not regulate money transmission in the same way many other states do, which creates a different starting point for evaluating crypto exchanges and similar businesses. She stated that if an entity is merely moving money from one point to another, Montana law may not directly address that activity, but if an entity is taking fiat deposits and doing something with them, that begins to implicate the business of banking under existing Montana law. She said this raises threshold questions about whether certain tokens or digital assets should be treated as money, deposits, property, or something else for regulatory purposes.

She further stated that some activities discussed during the meeting highlighted areas where Montana statutes may need to be updated or clarified. In particular, she said that if individuals or entities are pooling funds, holding money on deposit, or facilitating lending activity, existing laws could potentially apply in ways that were not originally intended for decentralized finance models. She noted that these issues are not limited to commercial entities and, depending on how activity is structured, could potentially implicate individuals as well.

Commissioner Hall distinguished between exchanges or platforms that merely move value and those that take custody of funds or function in ways that resemble depository institutions. She said that where customer funds are effectively held on deposit, current banking laws were written to require authorization because consumers expect safety, oversight, and insured accounts. She noted that Montana may eventually need to clarify whether lending crypto assets should be treated as lending money, but she also cautioned that such a simple answer may not be legally or practically correct. She characterized the issue as one of the more difficult areas requiring further statutory thought.

Commissioner Hall also addressed potential applications of blockchain-based payment systems and digital asset products for banks. She said Montana banks are exploring what options may make sense in this space and that, as their primary regulator, she is supportive of banks exploring lawful products and services that meet customer needs. She noted that there are open questions around banks issuing stablecoins or participating in stablecoin arrangements and emphasized that there is an important distinction between stablecoins and tokenized deposits, which she said is still being worked out.

Commissioner Hall emphasized that Montana banks are conservative institutions by nature and linked that conservatism to the state's strong banking performance during the 2008 financial crisis. She said Montana banks will likely continue exploring developments in digital assets, but not necessarily from a "first mover" posture. She suggested that innovation in this area is possible, but likely to occur gradually and with caution.

She also raised a broader policy concern about liquidity leaving the regulated banking sector. Commissioner Hall cautioned that if deposits or funds move out of banks and into digital asset systems, this could affect access to capital in Montana's Main Street communities. She specifically referenced farmers, ranchers, and small businesses that are accustomed to seeking capital from local banks and suggested that these communities may not have practical access to decentralized lending markets or alternative crypto-based sources of funding.

Commissioner Hall's overall comments highlighted the need for the Task Force to consider whether Montana's existing statutes adequately address custody, deposits, lending, disclosures, and other core regulatory concepts in the digital asset space. She indicated that many of the relevant legal frameworks were written for traditional financial services and may require modernization if the Legislature wants to provide clearer pathways for innovation while preserving appropriate consumer and prudential protections.

Concerns – Prediction Markets and Insider Risk

Guillermo Perez raised concerns about Polymarket-type betting markets and "insider betting" by public officials on policy outcomes (e.g., rate decisions, regulatory actions). He suggested a dedicated discussion on rules to protect Montanans from exploitative or insider-driven

prediction markets and specific restrictions on government officials' participation in markets linked to their duties.

Public Comment

Eric Peterson, Senior Manager for Policy and Government Relations, Americas for Kraken Digital Assets Exchange, provided comment to the task force. Mr. Peterson thanked the task force and praised Montana's bipartisan work on digital assets. He reviewed recent state actions, including:

- Senate Bill 178 (2023): Clarified cryptocurrency laws, ensured fair utility rates for miners, limited local restrictions, prohibited discriminatory taxation, and recognized digital assets as personal property.
- Senate Bill 265: Established the Financial Freedom and Innovation Act, the first law defining "network tokens," influencing national policy discussions.

Mr. Peterson highlighted policy areas where other states are advancing and Montana may consider updates:

- Unclaimed digital assets: Other states (e.g., Arizona, California) now hold unclaimed crypto in native form before liquidation to preserve value; Montana currently mandates immediate liquidation.
- State digital asset reserves: States like New Hampshire, Texas, and Arizona have created reserve funds investing in digital assets through various models (state-funded, capped-percentage, or linked to unclaimed assets).
- Stablecoin initiatives: Florida, North Carolina, Wyoming, and North Dakota are developing frameworks or state-backed stablecoins. Wyoming's was launched in 2025 with Kraken's support; North Dakota's Bank of North Dakota is piloting its own.
- Blockchain-based government bonds: The City of Quincy, MA issued a \$10 million bond via blockchain in 2024, signaling future public financing opportunities.

Mr. Peterson also discussed federal developments:

- Banking regulation: The OCC has updated guidance allowing federally chartered banks to provide digital asset custody and transaction services; state banks are pursuing parity.
- Federal taxation: Senator Steve Daines is leading efforts to clarify tax treatment of digital assets, including de minimis exemptions and staking rewards.

Mr. Peterson concluded by praising Montana's leadership in blockchain legislation and expressed optimism that the task force's work will position the state strongly for the 2027 legislative session.

Lunch Break

The task force recessed for lunch.

Presentation 2 – Nationwide Survey of Blockchain Law (Alex Miller)

Purpose and Framing

Mr. Miller stated this presentations primary focus is to see how governments, especially U.S. states, are responding to crypto and blockchain, identify patterns of regulation vs. isolated “one-off” bills, and identifying policy domains where Montana can lead, emphasizing implementation and execution over hype.

Montana’s Starting Position

Mr. Miller noted Montana has already accomplished several key steps by:

- Protecting digital asset mining from discriminatory rates.
- Recognizing digital assets and property rights, including updating the UCC (Article 12) to handle digital assets and secured transactions.
- Enacting the Financial Freedom and Innovation Act and SB 330, which created this task force and encourages public-sector exploration of blockchain.

He contrasted Montana’s lower-profile but substantive progress with Wyoming, which often gets national attention but follows similar themes.

Key Regulatory Domains

Mr. Miller organized state-level crypto policy into five broad categories:

1. Legal Recognition and Definitions
 - Ensuring smart contracts are recognized as valid contracts.
 - Treating blockchain records as legally valid records.
 - Clarifying the status of digital assets as personal property.
2. Commercial Law and Custody
 - Updating the UCC (Article 12) for digital assets, perfection, and priority rules.
 - Defining custodial obligations and standards for intermediaries.
3. Business Regulation and Licensing
 - Deciding when special crypto licenses are needed vs. using existing money-transmitter or securities frameworks.
 - Avoiding over-broad “bitlicense”-style regimes that freeze out smaller innovators.
4. Taxation and Economic Incentives
 - Treating digital mining, data centers, and digital asset activity consistently with other industries.
 - Considering targeted, transparent incentives where appropriate while maintaining neutrality.
5. Government Adoption and Pilots

- Exploring internal state use cases (records, notarization, supply-chain tracking, credentialing).
- Structuring real pilots rather than symbolic “blockchain projects.”

Lessons from Other States and Federal Context

Mr. Miller stated that early state laws (Arizona, Tennessee, Nevada) focused on declaring smart contracts and blockchain records legally valid around 2017. That some jurisdictions implemented heavy, bespoke licensing regimes (e.g., New York “BitLicense”), which raised compliance costs and legal fees dramatically (crypto-specialist lawyers often charge \$1,500–\$2,000 per hour) and deterred smaller startups and drove activity to more permissive states.

Mr. Miller stressed clarity over hype; we need to provide clear, stable rules reducing legal costs and attracting legitimate businesses and that over-regulation is hard to unwind and can permanently shift ecosystems elsewhere.

Banking Integration and Local Institutions

Mr. Miller stated that one of the biggest opportunities is banking integration by helping Montana banks and credit unions get comfortable offering compliant services to crypto-related businesses and customers. That Montana needs to create clear, high-standard custody options and potential digital asset trust charters or specialized bank charters. Examples of this are joint accounts bridging crypto and fiat and secured lending products using digital assets as collateral under clear risk policies.

Consumer Protection

Mr. Miller emphasized building a consumer-protection playbook that targets scams and fraud aggressively but avoids raising barriers to entry so high that only the largest incumbents can comply. We would need clear guidance from the State Auditor/CSI and Attorney General on what is allowed and what is high-risk and pattern-based enforcement focused on misrepresentation, unregistered offerings, and deceptive practices.

Government Pilots – Criteria for Success

Mr. Miller proposed the criteria for selecting and running state blockchain pilots is a clearly identified agency owner who wants the project and will champion it. They will need a defined budget and specific and measurable success metrics that are limited scope and duration (time-boxed pilots rather than open-ended commitments). He suggested Montana start by asking agency heads where they see a real need, rather than imposing a specific technology from above.

Example Pilot Areas

Mr. Miller identified potential pilot areas being:

- Digitized notarization and document verification.
- Supply-chain provenance (e.g., agriculture products).

- Education and professional credentialing.
- Government record-keeping and archival integrity.

Financial Inclusion and Risk Baselines

Mr. Miller suggested convening banks, credit unions, Securities and Insurance Commissioner, and the Attorney General with the goal to define acceptable risk baselines for working with crypto businesses and consumers. He proposed developing a standardized due-diligence checklist for crypto businesses operating in Montana to streamline banking relationships. Mr. Miller also encourages pilot programs in secured lending and compliant custody—with strong consumer safeguards—to expand financial inclusion.

Task Force Discussion

Quantum Computing Risk

A member asked if quantum computing be able to break public-key cryptography and thus compromise blockchain security? Mr. Miller responded that the rollout of quantum-resistant cryptography is a known priority and blockchains may migrate to quantum-safe schemes over time; the risk is real but being actively researched in both academia and industry.

AML/KYC and Privacy Tensions

Mr. Drogen noted that many current anti-money-laundering (AML) and KYC frameworks assume centralized intermediaries and do not map neatly onto fully decentralized protocols.

He stated that we will not be able to simply impose old frameworks on new global, permissionless systems. New approaches leveraging identity proofs, ZK-proofs, and layered controls will be needed, while recognizing governments cannot fully “turn off” certain decentralized technologies.

Energy, Data Centers, and Local Benefits

In broader discussion around economic incentives, Mr. Miller emphasized that crypto mining and data centers (including AI) are capital-intensive and energy-intensive. If they are not structured well, their benefits can bypass local communities and create friction. He stressed designing policies so communities hosting infrastructure see tangible benefits and collaboration rather than tension.

Action Items and Areas for Further Work

The discussion reflected several likely areas for continued task force work and interagency coordination. Topics included legal and regulatory guidance, banking and custody integration, consumer protection, prediction markets, education and outreach, and identification of possible state pilot projects.

Develop Legal and Regulatory Guidance

Potential work includes drafting clear public guidance regarding when digital asset activities may require securities, money-transmitter, lending, custody, or other regulatory treatment; clarifying expectations and timelines for state review or approval processes; and summarizing existing Montana law, including digital asset definitions, property status, and UCC Article 12 updates, in plain language for businesses and the public.

Banking and Custody Integration

Potential work includes convening banks, credit unions, CSI, the Attorney General's Office, and other stakeholders to define acceptable risk baselines for serving digital asset businesses and customers; exploring trust or specialized charter pathways; and developing due-diligence tools that could support compliant banking relationships.

Consumer Protection and Prediction Markets

Potential work includes evaluating legal tools for addressing scams, fraud, deceptive practices, and potentially exploitative prediction markets; considering whether restrictions on public officials' participation in policy-related prediction markets are warranted; and developing better disclosures and educational materials for consumers.

Government Pilot Identification and Scoping

Potential work includes surveying agencies for self-identified blockchain pilot opportunities and, for any selected pilots, defining an agency owner, budget, success metrics, scope, and duration before implementation.

Education and Outreach

Potential work includes compiling educational materials based on the presentations and making them available to legislators and the public so that future task force discussions can build on a shared understanding of blockchain, DeFi, self-custody, and Montana's existing legal framework.

Adjournment

With no further business or public comment, Cochair Lammers thanked members and presenters and adjourned the meeting.