



MD|DC
Credit Union Association

Delegate Kriselda Valderrama
231 Taylor House Office Building
Annapolis, Maryland 21401

Re: HB859 - Digital Assets – Staking and Regulation of Activities
Organization – MD|DC Credit Union Association
Position – Favorable with Amendments

The MD|DC Credit Union Association, on behalf of the 65 Credit Unions and their 2.3 million members that we represent in the State of Maryland, appreciates the opportunity to testify in support of this legislation. Credit Unions are member-owned, not-for-profit financial cooperatives that prioritize the financial well-being of their members.

The MD|DC Credit Union Association supports responsible innovation in financial technology, including blockchain and digital assets. We agree with the bill's objective to provide regulatory clarity and avoid overly-broad restrictions that could stifle legitimate technological development. However, as drafted, HB 859 creates consumer protection gaps and competitive imbalances that warrant amendment before enactment.

What Is Staking?

Staking is when you lock up your cryptocurrency for a period of time so it can help run and secure a blockchain network, and in return you're usually paid rewards in that same cryptocurrency, similar to earning interest on a savings account. Many platforms now offer "staking as a service," where they pool customer funds, manage the technical details, and distribute rewards, a structure that resembles traditional pooled investment products.

Our Consumer Protection Concerns

1. Overly-Broad Staking Carve-Out

The bill declares that "staking as a service" is categorically not an investment contract or security under the Maryland Securities Act and is exempt from registration and filing requirements (§12-1303). In reality, many consumer-facing staking programs pool customer funds, lock them for extended periods, promise returns, and expose customers to significant risk of loss, characteristics that meet the definition of an investment product. By creating a blanket exemption, HB 859 removes important investor protections, disclosure requirements, and regulatory oversight from products that function economically like investment contracts.

2. Risk of Fraud and Retail Losses

Digital asset markets have been characterized by high volatility, platform failures, and outright fraud. Maryland, along with California, Wisconsin, and New Jersey, has taken a proactive stance in evaluating whether staking offerings meet the legal definition of securities and protecting state residents accordingly. HB 859's broad preemption of state and local regulation of digital asset activities (§12-1302) could prevent timely, targeted

enforcement actions when bad actors misrepresent products or fail to provide mandated disclosures.

3. **Lack of Disclosure and Accountability**

Credit unions and other state-regulated financial institutions are subject to comprehensive consumer protection, disclosure, and examination requirements. Staking-as-a-service providers under HB 859, as drafted, would operate with minimal oversight and no mandate to disclose custodial arrangements, validator identity, early-withdrawal penalties, loss-sharing terms, or reward calculations. Consumers deserve transparent, standardized disclosures regardless of the technology used to offer an investment-like product.

Competitive Fairness

HB 859 creates an unlevel playing field by exempting digital asset staking services from securities regulation and preempting state and local oversight, while credit unions and banks offering structurally similar deposit or investment products remain subject to robust state and federal regulation, examination, capital requirements, and consumer protection standards. If the goal is innovation, the regulatory framework should be product-neutral and risk-proportional, not tilted to favor certain technologies or business models over others.

Recommended Amendments

To balance innovation with consumer protection and competitive fairness, we respectfully recommend the following amendments:

1. **Narrow the Staking Exemption:** Limit the carve-out in §12-1303 to non-custodial, self-staking activities (where the consumer retains full control of private keys and assets) and exclude pooled, yield-bearing, consumer-facing staking programs from the categorical exemption. Pooled staking services should remain subject to existing securities analysis and appropriate disclosure requirements.
2. **Preserve State Consumer Protection Authority:** Amend §12-1302 to make clear that the preemption does not apply to Maryland's consumer protection laws, including the Maryland Consumer Protection Act and Maryland Securities Act anti-fraud provisions, so that state regulators retain the ability to act against deceptive practices and unregistered securities offerings.
3. **Mandate Minimum Disclosures for Staking Services:** Require platforms offering staking as a service to provide clear, written disclosures to Maryland consumers regarding custody terms, validator identity and role, reward calculation methodology, risks of loss (including slashing and market risk), early-withdrawal terms and penalties, and the absence of FDIC or NCUA insurance.



Conclusion

Maryland credit unions welcome thoughtful digital asset legislation that promotes innovation while safeguarding consumers and maintaining fair competition. With the amendments outlined above, HB 859 can accomplish these goals. Without them, the bill risks creating a regulatory blind spot that exposes Maryland consumers to preventable losses and places state-regulated financial institutions at a structural disadvantage.

For these reasons, the MD|DC Credit Union Association respectfully urges a favorable report on House Bill 859 with amendments. We appreciate the Committee's consideration and stand ready to work with the sponsor, the Committee, and stakeholders to refine this legislation.

Please do not hesitate to contact me at 443-325-0774 or jbratsakis@mddccua.org, should you have any questions. Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "John Bratsakis". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John Bratsakis
President/CEO
MD|DC Credit Union Association