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Bankers group VP defends opposition to crypto staking bill

Posted on Thursday, Feb 26, 2026

A speaker from the Wisconsin Bankers Association defended the group's opposition to digital asset staking legislation, challenging federal guidance on how the technology should be classified.

The bill, from Sen. Rachael Cabral-Guevara, R-Fox Crossing, and Rep. Adam Neylon, R-Pewaukee, would specify that digital asset staking and services enabling staking are not considered securities under state law.

Staking allows owners of digital assets such as cryptocurrencies to lock in their virtual tokens to a blockchain, a decentralized transaction record that underpins these technologies. By committing their assets to the blockchain for a certain period, owners can receive rewards for helping to secure the network.

The bill's supporters argue Wisconsin is falling behind by currently classifying staking as a security, pointing to recent SEC guidance that clashes with state law.

In testimony before the Senate Committee on Utilities, Technology and Tourism yesterday, WBA Vice President of Government Relations Lorenzo Cruz urged lawmakers to oppose SB 885.

He said the bill raises concerns about consumer protection and regulatory certainty, noting staking involves third-party service providers, monetary transactions and expectations of return — all characteristics of other systems subject to financial market regulations.

"This looks to us like a security," Cruz said.

When asked by committee chair Sen. Julian Bradley, R-New Berlin, to elaborate on the conflict with SEC guidance, Cruz pointed to "division" between commissioners at the federal agency.

"I think there are folks that still believe that this is and should be treated as a security, so while there may be guidance out there at the federal level that views

this as a service, we support the department's position here under the state law that treats digital asset staking as a security," he said.

Meanwhile, Neylon repeated earlier claims that state residents have missed out on $4 million in staking rewards due to how the state classifies the practice.

"This is earned income that we are losing out on," he said. "The SEC has said specifically through guidance that this is an IT service, it should not be treated like a security. And we are one of only four states in the country that is treating this as a security."

The Assembly version of SB 885 cleared that chamber on a voice vote last week.

Several other speakers yesterday lined up in favor of the bill, including a member of the state policy team for Coinbase, the largest U.S.-based crypto exchange. Ashley Gunn argued the legislation would keep the state competitive in the digital economy without weakening consumer protections.

Others who urged support for the legislation include: Michael Anton Adam, CEO of Milwaukee-based ADAM Aerospace; Spencer X. Smith, founder of Madison-based AmpliPhi Digital; Tiara Nicole, an artist and founding member of the Wisconsin Blockchain Business Council; and Russ Frum, president and co-founder of WayFi Wireless in Madison.

See an earlier story on the legislation from State Affairs.