



NORTH CAROLINA

State Board of Elections & Ethics Enforcement

Mailing Address:
P.O. Box 27255
Raleigh, NC 27611-7255

Phone: (919) 814-0700
Fax: (919) 715-0135

July 20, 2018

Mr. Emmanuel J. Wilder
4211 Grace Park Drive
Morrisville, NC 27560

Re: **Request for Advisory Opinion under N.C.G.S. § 163A-1441 Regarding a Political Committee's Acceptance of Cryptocurrency as a Campaign Contribution**

Dear Mr. Wilder:

You have contacted the State Board of Elections and Ethics Enforcement office ("State Board Office") to request an advisory opinion pursuant to N.C.G.S. § 163A-1441 on a political committee's acceptance of cryptocurrency as a campaign contribution. Specifically, you seek a written "opinion on the acceptance of cryptocurrency as political donations." We do not approve the use of cryptocurrencies to make donations to political committees in North Carolina.

North Carolina's campaign finance laws are written with a number of monetary limits that are expressed in U.S. dollars. *See, e.g.*, N.C.G.S. § 163A-1421(a) (exempting some candidates from certain reporting requirements if they receive and spend no more than \$1,000 in a campaign); N.C.G.S. § 163A-1428(b) (contributions of over \$50 must not be in cash form); N.C.G.S. § 163A-1425(a) (limiting contributions to \$5,200 per candidate per election). Campaign contributions also cannot be made anonymously. N.C.G.S. § 163A-1428(a). It is important that the State Board Office be able to monitor campaign contributions and expenditures and react appropriately to those do not comply with North Carolina law.

Currently, market participants currently have great difficulty in establishing reliable valuations of cryptocurrencies.¹ Cryptocurrency exchanges, while developing in sophistication, do not provide

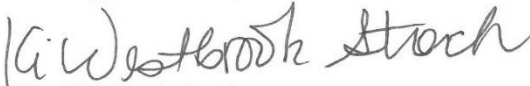
¹ See Dean Curnutt, *Cryptocurrencies Steal Volatility Away From Stocks*, Bloomberg (Jan. 11, 2018) ("What makes cryptocurrencies different? There are no earnings and there is no consensus valuation framework."); Ted Knutson, *Valuing Cryptocurrency Assets Warned as Thorny for Financial Advisors*, Forbes (April 16, 2018) (Volatility makes the valuation issues of when cryptocurrencies and other cryptoassets were sold even more problematic); Arjun Kharpal, *After the cryptocurrency bubble bursts, we may see a legitimate valuation for some coins*, CNBC (Dec. 25, 2017) ("It's hard to say bitcoin has an inherent value beyond the belief of the people trading it."); Samantha Chang, *Federal Reserve Governor: We're Monitoring 'Extreme Volatility' of Cryptocurrencies*, CCN (April 4, 2018) ("One area that the Federal Reserve is monitoring is the extreme volatility evidenced by some cryptocurrencies").

the stability to ensure reliable valuations and are not subject to the same regulatory scrutiny as, say, equity stock exchanges.²

Given that lack of certainty, we do not have confidence that we could adequately regulate contributions to a political campaign in North Carolina in the form of cryptocurrency. We do not view a contribution of cryptocurrency as an in-kind contribution that would be appropriate under N.C.G.S. § 163A-1411(13). Typical in-kind contributions of, say, a desk or a laptop computer, will be subject to rational valuations that could be sworn to by affidavit and other credible evidence. At this point, we do not view the valuation of cryptocurrency in the same light. Of course, a contributor could convert cryptocurrency to U.S. dollars and then make a contribution in those dollars.

This opinion will be filed with the Codifier of Rules to be published unedited in the North Carolina Register and the North Carolina Administrative Code.

Sincerely,

A handwritten signature in dark ink, reading "Kim Westbrook Strach". The signature is fluid and cursive, with the first name "Kim" and last name "Strach" being more prominent than the middle name "Westbrook".

Kim Westbrook Strach
Executive Director

cc: Molly Masich, Codifier of Rules

² *Statement on Potentially Unlawful Online Platforms for Trading Digital Assets, Securities and Exchange Commission Divisions of Enforcement and Trading and Markets* (Mar. 7, 2019) (“[M]any of these [cryptocurrency] platforms give the impression that they perform exchange-like functions by offering order books with updated bid and ask pricing and data about executions on the system, but there is no reason to believe that such information has the same integrity as that provided by national securities exchanges.”); John Reed Stark & David Fontaine, *Attention All Cryptocurrency Exchanges: Beware the Ides of March*, *Law360* (Mar. 11, 2018) (“[C]ryptocurrency exchanges . . . currently operate unfettered, unmonitored and essentially free from regulatory oversight.”).
