June 29, 2026

Illinois Department of Financial and Professional Regulation
Attention: Craig Cellini
320 West Washington, 2nd Floor
Springfield, IL 62786

Re: Notices of Proposed Rules for Digital Assets and Consumer Protection Act and Digital Asset Kiosks Act

Dear IDFPR,

It would be a dramatic understatement to say that crypto is a fast-growing and rapidly evolving industry. We can't put this toothpaste back in the tube, so we must ensure that consumers are protected from bad actors and predatory behavior. Woodstock Institute is glad to see IDFPR embark on the task of creating an oversight and regulatory framework for the digital assets industry, and we hope to see regulations continue to evolve in the coming years in response to lessons learned.

Woodstock Institute is a policy advocacy and research nonprofit focused on consumer financial protection and community economic development. Founded in 1973, we've been a key player in the creation of consumer protections at the state and federal levels over the years. We supported both the Digital Assets Consumer Protection Act and the Digital Assets Kiosks Act, also making a statement on the dangers of crypto kiosks at a subject matter hearing. This comment letter will proceed with some overarching general comments about the proposed rules, items specific to the stablecoin regulations, and finally comments on crypto kiosks.

The broader context of this moment is also important to highlight. At a time of broadscale deregulation at the federal level, the states must step up to protect consumers. The first Trump Administration demonstrated that we cannot always rely on the federal government to meaningfully enforce our consumer protection laws and regulations; but the second Trump Administration is showing that we can't be sure that those federal laws will even exist or have enforceable regulations. As IDFPR moves forward with this rulemaking process, they must bear in mind the absence of a safety net at the federal level to catch consumers if the crypto tightrope fails.

General Comments

IDFPR has taken the approach of exempting activities that are subject to these rules from coverage under the Uniform Money Transmission Modernization Act rules. This makes sense to avoid confusion and redundancy. However, we also urge IDFPR to consistently monitor the strength of the rules in practice to ensure that no crucial consumer protections are lost to that exemption. Open communication between agency staff assigned to money transmitters and those assigned to crypto entities will help accomplish that goal. Likewise, IDFPR should monitor how many crypto registrants also have a money transmitter license for any business they conduct that is not covered by these rules. A trend towards a larger swath of registrants without a money transmitter license could signal trouble if it reflects an attempt to avoid regulatory oversight.

There are items in the Definitions section (Sec. 1031.100) that could benefit from clarification. First, part of the definition of "digital asset" is confusing. The fourth subpoint describing what is not included as a digital asset then goes on to create an exception to the exclusion. This construction is confusing, and the regulations can instead be used to create clarity where the statutory text did not.

Second, Woodstock would like to flag a potential emerging issue with one point in the definition of "money." The proposed rule says that "'Money' means a medium of exchange that is authorized or adopted by the United States *or a foreign government* as part of its currency *and that is customarily used and accepted* as a medium of exchange in the country of issuance" (emphasis added). The government of El Salvador began recognizing Bitcoin as legal tender in 2021, but by all accounts, that did not actually translate into everyday use for regular consumers' daily transactions; the country later reversed the decision in 2025. Thus, even between 2021 and 2025, Bitcoin would not have fit both pieces of the two-pronged definition of money under these rules. However, if other countries begin officially recognizing digital assets as currency and customary usage changes, this definition may get tricky. This is something that IDFPR should monitor.

Third, the definition of "permitted payment stablecoin issuer" is awkward. It denotes "a *person formed* in the United States..." (emphasis added) because IDFPR defines the term "person" to include both individuals and corporate entities. In this case, the 1:1 substitution of "person" for "corporate entity" is extremely awkward and can be confusing if a reader does not already have the context of how IDFPR uses the term "person."

Stablecoin

Woodstock Institute appreciates the additional attention paid to stablecoins in these proposed rules. Despite their name and the philosophy behind them, some stablecoins have in practice been alarmingly unstable. Stablecoin issuers should be held accountable to the message that their digital assets are, in fact, stable.

We appreciate the affirmative obligation for issuers to right-size or rebalance reserves at close of business each day as needed (Sec. 1031.210(a)), as well as the obligation to retain a CPA to conduct monthly checks of the appropriateness of reserve levels (Sec. 1031.240). The proposed rules say that the issuer is responsible for making the CPA's reports available to the public. That responsibility should also require the reports to be usable and accessible for the general public, not just available in theory for those who know how to find them. Alternatively, IDFPR could maintain a public repository of those CPA reports.

Sec. 1031.210(d) states that the Secretary can allow for stablecoin redemptions to take more than the two-business-day standard defined as timely to prevent runs. In such a case, would the issuer also be investigated for any potential negligence that created a scenario necessitating slower redemptions? Consumers could suffer by not being able to access their funds tied up in that stablecoin; would the issuer be similarly penalized?

The proposed rules require that issuers provide advance disclosure and notification of any fees to be charged to the consumer (Sec. 1031.210(a)), but they do not create any requirements regarding the reasonableness of those fees. For an industry that has been notoriously wealth-extractive, high fees are a key concern. IDFPR should monitor the reasonableness of the fees that stablecoin issuers impose on consumers.

In pursuit of stability, Woodstock also appreciates that the proposed rules require stablecoin issuers to park their reserves in certified depository institutions or approved custodians (Sec. 1031.230(a)). The proposed rules mention the possibility of percent-of-reserves or absolute-dollar-value caps on an issuer's deposits at any one particular financial institution. These kinds of caps would be wise, but IDFPR does not specify them here. When or how does IDFPR propose to specify those caps? Such caps would also help limit any negative impact on the banks holding these assets, which can be volatile. Runs on the stablecoin could harm the bank(s) holding their reserves as well. Silicon Valley Bank is an oft-cited cautionary tale in this area.

Woodstock also values the proposal's requirement that a CPA verify annually that a stablecoin issuer's risk mitigation policies are sufficient. Federal regulators have instead been weakening risk mitigation requirements, particularly for banks and other financial service providers; IDFPR must hold stablecoin issuers to a high standard on this front and treat federal requirements as a floor.

The proposal sets a daily late fee for the issuer's delays in providing the annual CPA report but caps the fee at three months. This comes out to a cap of $4,650 in late fees, which is essentially couch cushion change for companies engaged in financial services. Is there another, stronger penalty that kicks in at that three-month threshold? For example, a revocation of registration and of permission to do business in Illinois, or a limit on the ability to acquire a new registration. There is also no comparable late fee outlined for the monthly CPA reports. What incentive would stablecoin issuers have under these rules to provide their monthly reports on time?

Digital Asset Kiosks

Woodstock Institute urges IDFPR to make the kiosk address list available to the public in as expeditious a manner as possible, and it should be updated at a regular cadence as needed. As raised in our 2024 subject matter hearing testimony, crypto kiosk fraud is rampant, and fees have historically been extremely high. Consumer protection advocates and regulators should closely monitor whether additional protections beyond registration are necessary. Our neighbor Indiana—not typically a bastion of consumer protection law—recently banned crypto kiosks outright, in part due to fraud that targets the elderly and vulnerable consumers. Illinois should monitor the progress of other states in regulating crypto kiosks to learn about regulatory best practices that should be implemented here.

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Woodstock Institute thanks IDFPR for the opportunity to provide comments on these rules. Vigilance is key in consumer protection, especially when it comes to emerging or fast-growing markets like crypto and digital assets. The current moment, where our federal government is slashing consumer protections at every turn, illustrates why the states and advocates alike must stay vigilant and do all we can to protect consumers in the short-term and long-term. We are grateful to IDFPR for continuing their work protecting consumers in the new frontier of cryptocurrency and digital assets.

Should you have any questions about our comments, please contact Senior Regulatory Policy Associate Jane Doyle (jdoyle@woodstockinst.org).