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## **City of Berkeley Looks to Cryptocurrency to Raise Funds.**

- **California city is mulling applying blockchain to public debt**
- **Investors could buy either a digital coin or municipal bond**

In what might be a first for the \$3.8 trillion municipal bond market, Berkeley, California is mulling a proposal to apply blockchain technology to public finance as a way to raise funds for community projects.

Under the initiative, the city would go to market with a public initial coin offering, allowing investors a chance to purchase either monetized digital tokens or municipal bonds issued in U.S. dollars. Coupon payments would be the same for those buying the bonds as those investors who want the digital currency instead.

The city is still working out the details, such as figuring out if voter approval would be needed to borrow the money and what kind of projects should be financed. City councilman Ben Bartlett said funds could be used to help pay for affordable housing, a critical issue for the expensive San Francisco region.

“We thought we’d get creative and figure out a way to finance our needs to take care of our people,” Bartlett said in a telephone interview.

The municipal-bond market isn’t often associated with cutting edge technology. With a vast number of issuers and no central exchange, it has long been considered opaque in comparison to more easily traded investments like corporate debt and equities.

### **Lower Costs**

Berkeley is working with Neighborly Corp., an online startup that says it raises money for civic projects through municipal bonds, as well as the UC Berkeley Blockchain Lab, a research center for cryptocurrency technology.

Applying blockchain — a platform that uses so-called distributed ledgers to allow digital assets to be traded securely — could lower costs for municipal borrowers, as well as make it cheaper and easier for local residents to invest, said John Crossman, principal at Neighborly Securities, the San Francisco-based company’s underwriting arm.

For investors, they can buy the Berkeley coin directly and with less risk of mark-ups from middlemen, he said. For municipalities, savings could come from needing less from lawyers and advisers and achieving standardized documents, he said.

Since the securities would be issued and paid out in U.S. dollars, volatility in cryptocurrencies would have little impact on them, and network fees would be minimal as well, he said.

“If we can deliver on our mission, this will be a very attractive alternative for other cities and states and counties,” Crossman said.

The Municipal Securities Rulemaking Board, which oversees the muni market, would have a role making sure regulations are followed in such offerings that involve market professionals such as financial advisers and underwriters, said executive director Lynnette Kelly by telephone.

“It’s certainly novel, innovative and creative,” she said of the initiative.

## **Bloomberg Technology**

By Romy Varghese

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