



THE UNIFORM REGULATION OF VIRTUAL-CURRENCY BUSINESSES ACT

- A Summary -

The Uniform Regulation of Virtual-Currency Businesses Act (URVCBA) provides a statutory framework for the regulation of companies engaging in “virtual-currency business activity.” Virtual-currency business activity means exchanging, transferring, or storing virtual currency; holding electronic precious metals or certificates of electronic precious metals; or exchanging digital representations of value within online games for virtual currency or legal tender. The URVCBA does not apply to non-fungible tokens, also known as “NFTs.”

Under the URVCBA, “virtual currency” is a digital representation of value that is used as a medium of exchange, unit of account, or store of value and is not legal tender. This technology-neutral definition encompasses as many types of virtual currency as possible. The definition excludes merchants’ rewards programs or equivalent types of values on online game platforms.

The URVCBA is unique because it offers a three-tiered structure. Tier one represents persons that are exempt from regulation under the Act. Tier two is for providers that must register with the state. The registration tier is for providers with virtual-currency business activity levels between \$5,000 and \$35,000 annually. The registration tier functions as a “regulatory sandbox” because it allows companies to focus on innovation and experimentation while they are in the early stage of business development. Businesses in the registration tier may operate as registrants for up to two years, so long as they remain under the \$35,000 threshold. Tier three, the full licensure tier, is for companies with virtual-currency business activity levels greater than \$35,000 annually.

An application for a license under the URVCBA must include information such as: (1) a description of the applicant’s current business; (2) a description of the applicant’s business for the previous five years; (3) a list of the money transmission licenses the applicant holds in other states; and (4) lawsuit and bankruptcy history of the applicant and the applicant’s executive officers.

The URVCBA creates two methods for an enacting state to authorize reciprocal licensing under the Act. Either the enacting state can choose to participate in the Nationwide Multistate Licensing System and Registry or the state can authorize reciprocity on a bilateral or multi-lateral basis.

The Act also exempts some forms of businesses already regulated by the federal government or by the states from licensure and supervision under the URVCBA.

The URVCBA is the result of two years of drafting work and collaboration with representatives from the virtual currency industry, state and federal government, trade associations, financial services providers, and academia, among others.

For more information about the URVCBA, please contact Legislative Program Director Kaitlin Wolff at (312) 450-6615 or kwolff@uniformlaws.org.