



WHY YOUR STATE SHOULD ADOPT THE SUPPLEMENTAL COMMERCIAL LAW FOR THE UNIFORM REGULATION OF VIRTUAL-CURRENCY BUSINESSES ACT

The Supplemental Commercial Law for the Uniform Regulation of Virtual-Currency Businesses Act (the “Supplemental Act”) is a follow-up to the Uniform Regulation of Virtual-Currency Businesses Act (“URVCBA”). The URVCBA establishes a regulatory framework for virtual-currency businesses to operate either by license or registration in a state and creates safeguards to protect consumers. The Supplemental Act provides commercial law rules for transactions and relationships between virtual-currency businesses and consumers. Some of the benefits of the Supplemental Act are:

- ***Provides certainty and finality to virtual currency transactions.*** The Supplemental Act provides commercial law rules using the time-tested duties and rights of securities intermediaries and their customers under the Uniform Commercial Code. Article 8 of the UCC is incorporated into the agreement made between a virtual-currency licensee or registrant and users of their services.
- ***Contains clear choice-of-law rules.*** The Supplemental Act requires that the enacting state’s choice-of-law rules incorporate UCC Article 8, and thus apply in this act. This ensures that the agreement between the licensee or registrant and the user adopts Article 8’s commercial law rules and its consumer protections.
- ***Addresses security interests in virtual currency under the control of a licensee or registrant.*** The Act’s integration of UCC Article 8 provides a clear, efficient method for granting a perfected security interest in virtual currency. This clears up confusion that exists with respect to using virtual currency as collateral under current law.
- ***Protects the licensee or registrant.*** If the licensee or registrant transfers virtual currency as instructed by the user, the licensee or registrant cannot be held liable to an adverse claimant to the virtual currency except as otherwise specified in UCC Article 8.
- ***Does not conflict with laws on income tax, securities, or commodities.*** The utilization of UCC Article 8 does not determine the characterization or treatment of virtual currency under these other laws.

Thus, virtual currency is not treated as a security, but rather as a financial asset and as investment property for UCC Article 8 and 9 purposes. For further information about the Supplemental Law, please contact Katie Robinson or Kaitlin Wolff at (312) 450-6600 or by email at krobinson@uniformlaws.org or kwolff@uniformlaws.org.