

insights

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Wyoming signs cryptocurrency bills into law

In March 2018, the state of Wyoming signaled its fervent support for the growth and development of blockchain and cryptocurrency by enacting into law a flurry of legislation intended to make the state a haven for certain types of ICOs and blockchain-related businesses. Of the five bills recently signed into law by Governor Mead, three relax the state's regulatory framework for cryptocurrency and two amend the state's corporations code so as to better facilitate the development of blockchain and cryptocurrency businesses.

HB 19: The "Virtual Currency Exemption" exempts cryptocurrency from the Wyoming Money Transmitter Act, which regulates the licensure of professionals and businesses involved with electronic money transfers or transmittals. A 2015 interpretation of the existing law made the cost of exchanging cryptocurrency in the state skyrocket, forcing exchanges like Coinbase to suspend operations in the state. The enactment of HB 19 will permit exchanges to resume operations in the state.

HB 70: The "Utility Token Bill" tackles the ambiguity surrounding the definition of a "utility token" by exempting them from the state's securities regulations, so long as they satisfy three requirements:

- Issuers do not market them as investments.
- They are currently redeemable for a product or service (this would imply that the tokens are issued in connection with an operational product or service).
- Issuers do not actively support the development of a secondary market for such tokens.

This framework provides blockchain startups with greater clarity on how to structure ICOs and token generation events (TGEs) so as to avoid being deemed unregistered securities offerings in the state of Wyoming. (Note: issuers must still comply with federal securities regulations on sales and trading.)

SF 111: The "Crypto Property Tax Exemption Bill" provides that virtual currency is not subject to taxation as "property" in Wyoming. Under the state's prior regulatory framework, conventional financial assets such as cash, bank balances and precious metals are exempt from property tax requirements. SF 111 amends the law to include virtual currency on the list of property exempt from property taxes in the state.

HB 101: The "Blockchain Filings Bill" updates the Wyoming Business Corporations Act to authorize the creation and use of blockchain technology for (i) the purpose of storing records, (ii) the use of a network address to identify a corporation's shareholder, and (iii) the acceptance of shareholder votes signed by network signatures. HB 101 signals to blockchain developers that the state not only invites them to build their business within its borders, but that it also embraces the technology by incorporating it into its own administrative offices. Delaware has enacted similar amendments to its corporate code.

HB 126: The "Series LLC Bill" amends the Wyoming Business Corporations Act to permit the creation of "series LLCs." Series LLCs are an entity structure that enables issuers to establish a compartmentalized series of members and managers holding distinct assets and providing for segregated distributions to members.

Wyoming's inexpensive and stable electrical grid—which allows crypto-miners to operate at substantially less overhead cost—and the fact that there is no state income tax or franchise tax, give it a competitive advantage in the nascent blockchain industry. By relaxing the regulatory framework and signaling that Wyoming is open for crypto business, it may be aiming to be the Silicon Valley of blockchain. Nonetheless, blockchain companies, ICO issuers, and owners and traders of cryptocurrencies must still address and abide by applicable federal regulations—even if they set up shop in Wyoming.

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