

# The Blockchain Ledger

## LINKING ASSETS INC.

A Jaisan Recovery Corp.

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**LINKING ASSETS INC.**  
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### In this Ledger



What Is Virtual Currency, Part 2



Key News & Developments Highlights

Linking Assets Inc. publishes *The Blockchain Ledger* with articles and information regarding blockchain, cryptocurrency, virtual currency, digital assets, etc. and their intersections with state unclaimed property laws. Keeping you informed of pertinent unclaimed property implications and related developments.

### What is Virtual Currency, Part 2

By [Christa DeOliveira](#) & [Ari Mizrahi](#)

States are updating unclaimed property laws to include virtual currency. In Part 2 of this article series, we provide additional definitions for virtual currency directly from two uniform acts promulgated by the Uniform Law Commission,<sup>1</sup> including the 2016 Revised Uniform Unclaimed Property Act (RUUPA). (Part 1 is available on Linking Assets' [NEWS](#) page.)

**RUUPA:** Part of the impetus for the redrafting of the Uniform Unclaimed Property Act of 1995 was to address numerous different technological and payment option advances which have fundamentally shifted how business is conducted. Some examples of changes

since the 1995 iteration of the Uniform Unclaimed Property Act included: a shift to electronic payments, the ubiquitous nature and varied uses of stored cards, along with the creation and proliferation of virtual currencies, etc.

The Revised Uniform Unclaimed Property Act (RUUPA) of 2016 defines virtual currency in §102(32) as “a digital representation of value used as a medium of exchange, unit of account, or store of value, which does not have legal tender status recognized by the United States.” With a comment after the section, noting:

“Virtual currency” - The definition in Section 102(32) of virtual currency is adapted from the current draft of the Uniform Regulation of Virtual Currency Act (URVCA). The drafting committee of that Act has not yet settled on a definition of “virtual currency.” It is thought that the two definitions should be harmonized. Under this Act, “virtual currency” is property included in the URVCA definition and the definition in this Act specifically excludes game related digital content and loyalty cards because they are excluded from this act, in order that they not be swept back in through an over broad interpretation of “virtual currency.” The same will hold true for versions of this Act that are enacted by states that elect to exclude “gift cards”. See Section 102(11).<sup>2</sup>

**RVCBA:** The 2017 Revised Uniform Virtual Currency Business Act (RVCBA)<sup>3,4</sup> was designed to give statutory framework for regulating companies engaging in virtual currency business activity; including “exchanging, transferring, or storing virtual currency...”<sup>5</sup> The Act defines virtual currency in § 102(23) as

(A) means a digital representation of value that:

<sup>1</sup> <https://www.uniformlaws.org/aboutulc/overview>

<sup>2</sup> <https://www.uniformlaws.org/viewdocument/final-act-with-comments-66?CommunityKey=4b7c796a-f158-47bc-b5b1-f3f9a6e404fa&tab=librarydocuments>

<sup>3</sup> <https://www.uniformlaws.org/viewdocument/final-act-with-comments-72?CommunityKey=e104aaa8-c10f-45a7-a34a-0423c2106778&tab=librarydocuments>

<sup>4</sup> RI adopted a version of this bill in 2019, it has been introduced in other states including CA, OK, HI,

<https://www.uniformlaws.org/committees/community-home?CommunityKey=e104aaa8-c10f-45a7-a34a-0423c2106778>

<sup>5</sup> <https://www.uniformlaws.org/committees/community-home?CommunityKey=e104aaa8-c10f-45a7-a34a-0423c2106778>

- (1) is used as a medium of exchange, unit of account, or store of value; and
  - (2) is not legal tender, whether or not denominated in legal tender; and
- (B) does not include:
- (1) a transaction in which a merchant grants, as part of an affinity or rewards program, value that cannot be taken from or exchanged with the merchant for legal tender, bank credit, or virtual currency; or
  - (2) a digital representation of value issued by or on behalf of a publisher and used solely within an online game, game platform, or family of games sold by the same publisher or offered on the same game platform.

The prefatory notes of the RUVCSA provide additional discussion and insight, specifically stating:

#### What is Virtual Currency?

Virtual currency is intangible. Its “manifestation” is in the form of lengthy computer addresses referred to as the private key and the public key. At this time, in order to transfer the value that the addresses represent, one needs to have access to both the public and private keys. The value of virtual currency is a function of what the market will bear, not a value decreed by a government or determined by an international organization. Thus, virtual-currency values are capable of fluctuations more like commodities than many government-dictated “exchange” values even if the exchange values “float.”

Transfers of virtual currency operate much like sending an electronic mail (“email”) message over the Internet. The sender sends a message to the addressee; the message contains the addresses that represent the value to be transferred. A “node” system of moving the messages that closely resembles the operation of the Internet is employed. If the virtual currency is centrally issued, the issuer may track the transfer of ownership. If the virtual currency is not centrally issued, such as with bitcoins, the address of the transferee will be added to a distributed ledger that holds records of value issued or earned and of transfers of interests in that value.

Virtual currencies currently are in one of two forms – they emanate, as described above, from a

centralized issuer or they result from the work of a person solving a puzzle with the virtual currency being “issued” as a reward for the work expended. The former are referred to as centralized; the latter are decentralized.

The distributed ledger (or asset registry) that records the issuance or earning of virtual currencies and the transfers of interests can be public or private. These ledgers are often called “blockchains” because of the algorithms employed and the manner in which changes are recorded, as additions to the earlier blocks of information stored by the ledger. In centralized systems, a single operator manages the issuance and transfers. In decentralized systems, a group of managers work to maintain the integrity of the registry. In Bitcoin, the form of virtual currency created by “Satoshi Nakamoto,” the group of problem-solver managers are known as “miners.” Centralized issuers of virtual currencies do not require miners to help create units or record their transfers.

Virtual currencies are a subset of cryptocurrencies. As media of exchange, they offer a communications technology that facilitates peer-to-peer (P2P) transactions that is the equivalent of paying cash – irreversible and not dependent on a third-party (*i.e.*, a bank) to carry out the transaction. That does not mean, however, that users do not use third party custodians or intermediaries to perform transaction execution or facilitate storage of virtual-currency assets.

A key feature of some virtual currencies is that peer-to-peer transactions operate through pseudonyms or the addresses mentioned above. It is possible to reconstruct a series of transfers affecting one unit of value, but not necessarily to identify the person owning the unit or initiating the transfer.

In both Parts 1 and 2 (Part 1 is can be found [here](#)) of this series the definitions presented have largely centered on virtual currencies where value that may be stored, transferred, or exchanged. As our next articles expands into how virtual currencies are viewed by the IRS and SEC the definitions expand beyond this construct.

More to come, please look forward to future articles in this series and other upcoming articles on blockchain, cryptocurrency, virtual currency, digital assets, etc. and

their intersections with state unclaimed property laws. If you seek more information on virtual currency and unclaimed property, contact the authors of this article series, [Christa DeOliveira](#) or [Ari Mizrahi](#).



## Key News & Developments Highlights

With the proliferation of events and news in this sector, this section simply seeks to contain a few relevant highlights. We also include information on our [NEWS](#) page and [LinkedIn](#) and invite you to follow us.

**OCC Issues Interpretive Letter 1174** authorizing National Banks and Federal Savings Associations to use independent node verification networks (INVN) to store, transfer, transmit, and exchange stablecoin. Thereby, significantly expanding the tools for applicable banks to act as financial intermediaries. The letter cites a distributed ledger as an INVN and defines it as “a shared electronic database where copies of the same information are stored on multiple computers.” The INVN participants are the nodes and “validate transactions, store transaction history, and

Allowing for a new means “to facilitate payments, support financial transactions... to carry out their traditional functions.”<sup>6</sup> Further, using stable coins for payments has the potential to combine “the efficiency and speed of digital currencies with the stability of existing currencies.”<sup>7</sup> Naturally, a bank must continue to conform with consumer protection and anti-money laundering laws and regulations.

**FinCEN is seeking comments on the proposal to require both banks and money service businesses to comply with Bank Secrecy Act (BSA)** requirements as published in the Federal Register on 12/23/2020.<sup>8</sup> This would include submitting reports, keeping records, and

verifying the identity of customers for transactions involving convertible virtual currency (CVC) or digital assets with legal tender (LTDA) status that are held in unhosted wallets, or are held in wallets hosted in a jurisdiction identified by FinCEN. FinCEN is not proposing to change the definition of “monetary instruments”<sup>9</sup> or change BSA requirements; although, FinCEN is proposing to include CVC and LTDA are monetary instruments for purposes of the BSA. Separately, Coinbase and many others asked for FinCEN to extend the comment period.<sup>10</sup>

**Elliptic has published an open letter to FinCEN** asserting the proposed rules as unnecessary, ineffective, and counterproductive and lengthen of the comment period.<sup>11</sup>

**The SEC filed an action against Ripple Labs Inc.** and two of its executives. The complaint alleges Ripple raised over \$1.3 billion through an unregistered and ongoing digital asset securities offering.<sup>12</sup>

**Ukraine moves forward on Central Bank Digital Currencies**<sup>13</sup> (CBDC). Choosing the stablecoin route German bank, Bankhaus von der Heydt, has announced it has collaborated with the blockchain technology provider Bitbond in launching a Euro stablecoin on the Stellar network.<sup>14</sup>

**Two Governments move forward with accepting Bitcoin as payment:** a trend that is expected to grow. The state of Ohio and Seminole County, FL,<sup>15</sup> allowing residents and businesses to use cryptocurrencies to pay for taxes and licensing fees.



<sup>6</sup> <https://www2.occ.gov/news-issuances/news-releases/2021/nr-occ-2021-2a.pdf>

<sup>7</sup> Ibid

<sup>8</sup> <https://public-inspection.federalregister.gov/2020-28437.pdf>

<sup>9</sup> 18 U.S.C. 1956(c)(5) the term “monetary instruments” means (i) coin or currency of the United States or of any other country, travelers’ checks, personal checks, bank checks, and money orders, or (ii) investment securities or negotiable instruments, in bearer form or otherwise in such form that title thereto passes upon delivery

<sup>10</sup> <https://cryptopotato.com/coinbase-asks-fincen-to-prolong-feedback-deadline-on-proposed-crypto-regulations/>

<sup>11</sup> <https://www.elliptic.co/blog/us-treasury-unhosted-wallet-proposal-unnecessary-ineffective-counterproductive-says-elliptic>

<sup>12</sup> <https://www.sec.gov/news/press-release/2020-338>

<sup>13</sup> <https://www.coindesk.com/ukraine-government-picks-stellar-to-help-build-national-digital-currency>

<sup>14</sup> <https://coinmarketcap.com/nl/headlines/news/germany-launches-a-euro-stablecoin-on-stellar/>

<sup>15</sup> <https://www.govtech.com/policy/Two-Governments-Charge-Ahead-with-Bitcoin-Payments.html>