

Custodial Accounts for Digital Assets in Wisconsin

The Issue

Wisconsinites are increasingly engaging with digital assets such as cryptocurrencies and tokenized assets. Right now, most must rely on out-of-state or unregulated providers. This creates risk for consumers and leaves Wisconsin's financial institutions unable to meet member and customer demand.

What the proposed legislation would do:

- Authorizes state-chartered banks and credit unions to provide virtual currency custody services.
 - Credit unions may offer custody services alone or through a Credit Union Service Organization (CUSO).
 - Must file a notice and plan with the Office of Credit Unions or Division of Banking at DFI at least 60 days before launching services.
- The credit union or bank may provide virtual currency custody services in a fiduciary or custodial capacity for the purpose of safekeeping or administration of virtual currency to the same extent they may lawfully hold or safeguard other assets.
- Permitted Services:
 - Digital asset key creation, secure storage, and backup-recovery
 - Blockchain transfers (inbound/outbound)
 - Conversion between digital assets and fiat through registered partners
 - Collateralization of member assets regulated under the CFTC
- Without clear rules, credit unions can't serve members in the fastest-growing area of finance. This isn't trend-chasing, it's about letting members manage dollars and digital assets safely in the institutions they already trust.

Why It Matters

Consumer Protection

- Wisconsinites' digital assets are often held on exchanges without strong safeguards.
- Allowing banks and credit unions to custody these assets ensure protection under Wisconsin's regulated financial framework and reduces risks of fraud, hacking, or loss.

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Member America's Credit Unions

Level Playing Field

- Other states, including Wyoming, Texas, Minnesota and New York, have moved forward with frameworks for digital asset custody. See Minnesota [S. F. 3794](#) or [H.F. 3709](#) as reasonable frameworks.
- Wisconsin risks losing competitiveness if local institutions cannot offer the same services as large national banks and fintechs. National banks are already positioning themselves in custody and tokenization. Without state-level clarity, Wisconsin institutions are handcuffed while out-of-state competitors win the market.
- If trends continue and community depository financial institutions shrink or disappear completely, decision-making authority leaves local communities, resulting in fewer small-business loans, less personalized service, and reduced financial inclusion.

Trust & Accessibility

- Consumers already trust their credit unions. Providing custodial services through local financial institutions gives Wisconsin residents safe, simple access to the digital economy.

Regulatory Clarity

- State-level legislation can set clear expectations for oversight, risk management, and capital requirements.
- Without this, consumers remain exposed to unregulated, out-of-state companies.

Economic & Innovation Benefits

- There is already over \$4T in digital assets globally. These assets already represent a massive parallel economy, growing faster than traditional finance. Digital asset custody services can help Wisconsin institutions attract and retain younger generations.
- Keeping innovation and deposits local strengthens Wisconsin's financial services sector and signals the state's support for responsible modernization.