
Wisconsin Legislative Council

STAFF BRIEF



STUDY COMMITTEE ON CRYPTOCURRENCY

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August 11, 2026

SB-2026-03

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This staff brief was prepared by the Wisconsin Legislative Council staff as an introduction for study committee members to the study committee's topic.

INTRODUCTION

Cryptocurrency is a type of digital asset that relies on blockchain technology to allow persons to hold and exchange the asset. Some cryptocurrencies use a proof-of-stake consensus protocol to support the cryptocurrency's infrastructure by validating transactions and adding new blocks of transactions to the cryptocurrency's blockchain. Generally, the proof-of-stake consensus protocol requires numerous network participants to engage in staking, which involves a participant operating specific software on a computer after depositing a required minimum amount of the cryptocurrency as collateral. A staking participant usually receives rewards in the form of the cryptocurrency. Staking may be performed by an individual with the required technical skills, computing equipment, and amount of cryptocurrency, and may also be performed by a third-party who stakes a person's cryptocurrency on the person's behalf, a service known as "staking-as-a-service." In some states, including Wisconsin, certain offerings of staking-as-a-service are considered a security under the respective state's securities law and thus subject to certain registration and disclosure requirements. In other states and at the federal level, similar offerings of staking-as-a-service are not considered a security.

The 2026 Legislative Council Study Committee on Cryptocurrency is directed to review the service of cryptocurrency staking, which involves the use of a third-party to commit a person's cryptocurrency in order to support the security and operations of certain blockchain protocols. In the course of this review, the study committee shall evaluate whether the state's securities laws should apply to such services or whether other requirements may be more appropriate and recommend legislation necessary to effectuate that determination.

Additionally, the study committee may also review other current and potential uses of cryptocurrency and recommend legislation regarding the use and development of cryptocurrency that encourages innovation and adequately protects the public from any risks associated with such technology.

In this staff brief:

- **Part I** discusses blockchain technology, cryptocurrency exchanges, and the various types of cryptocurrency staking. This part also discusses federal securities law as it relates to cryptocurrency staking.
- **Part II** discusses developments related to cryptocurrency in Wisconsin.
- **Part III** discusses developments related to cryptocurrency in other states.
- **Part IV** discusses federal law developments relating to cryptocurrency.

PART I: BACKGROUND

CRYPTOCURRENCY

Cryptocurrency is a type of digital asset that relies on a distributed ledger, cryptographic mechanisms, and a consensus protocol, among other components, to hold and exchange the asset.¹ In a typical transfer of cryptocurrency, a holder of cryptocurrency broadcasts transaction details to the cryptocurrency network. The transaction details include the amount of cryptocurrency being sent, the recipient's network address, the amount of any required transaction fees, and the digital signature of the sender. This transaction is validated according to the cryptocurrency's validation process, and then the transaction is grouped with other validated transactions in what is referred to as a "block." The validation process verifies the sender's ownership of sufficient assets to complete the transaction. This block of transactions is then "chained" to prior blocks of transactions according to the cryptocurrency's consensus protocol, which is often a "proof-of-work" or "proof-of-stake" method that uses cryptographic mechanisms to make it nearly impossible to change transaction details. This process is described as "blockchain technology."

Thus, at the end of this process, the original transfer has been validated and posted to the public ledger in such a way that other network participants can trust that the recipient of the transfer now owns the assets transferred by the sender.

Distributed Ledger

A distributed ledger is a public ledger where all transactions of the cryptocurrency are recorded that is open for inspection by all participants in the cryptocurrency network, and copies of the public ledger are distributed among all network participants. The transactions are recorded chronologically using cryptographic mechanisms that make it virtually impossible to alter the ledger after transactions are recorded. The public ledger enables participants in an exchange involving cryptocurrency and the cryptocurrency network to know whether the sender is the rightful owner of the asset and possesses the required balance.

Cryptographic Mechanisms

Cryptographic mechanisms are used to chain blocks of cryptocurrency transactions together on the distributed ledger and to secure a person's ownership of and ability to spend the cryptocurrency. Relevant cryptographic mechanisms include hash functions and public-key cryptography. Hash functions are used in chaining transaction blocks together and in the proof-of-work consensus protocol, which is described below. Public-key cryptography is used in creating a user's network address and in digital signatures.

A cryptographic hash function transforms information of any size into an output of a fixed size that uniquely represents the original data. Because of how the output is created by the hash function, it is computationally infeasible to determine the input from the output and it is very unlikely that two different inputs produce the same output.

In public-key cryptography, a pair of cryptographically related keys are created, one public and one private. A key is a long string of alphanumeric characters. First, a private key is generated by an algorithm that picks a random number in such a way that it is virtually impossible for any

¹ For more detail on these topics, see Paul Tierno, Cong. Rsch. Serv., R47425, [Cryptocurrency: Selected Policy Issues](#) (2023).

other person to pick that number. Second, the public key is generated by putting the private key through a mathematical operation. A feature of this operation is that it is not reversible in that you cannot determine a person's private key by knowing the person's public key.

Consensus Protocols

A consensus protocol is the method by which cryptocurrency network participants come to an agreement on the current version of the public ledger, which involves determining which network participant adds a block of transactions to the public ledger. The participant who adds a block of transactions to the public ledger often receives a payment or reward in the form of the cryptocurrency. The two main consensus protocols are proof-of-work, which is used by Bitcoin, and proof-of-stake, which is used by Ethereum.²

Proof-of-Work

In a proof-of-work protocol, the network participant who adds a block of transactions to the public ledger is determined by a competition that is won by the network participant who is the first to solve a computationally demanding puzzle. The network participants who participate in this competition are often referred to as “miners” because, when the puzzle is solved, the winner credits the winner's account with newly created cryptocurrency. The reward amount is predetermined by the cryptocurrency's protocol rules.

As mentioned above, a hash function is used in the proof-of-work protocol. Specifically, solving the computationally demanding puzzle involves inputting into a hash function the following information: a miner-selected number, the list of transactions in the pending block, the hash of the previous block, and a timestamp. A miner solves the puzzle and wins the competition when the output of the hash function starts with a certain number of zeros. Miners, through trial and error, repeat the hash function with a new miner-selected number until someone on the network wins the competition. For Bitcoin, the number of zeros, and consequently how difficult the puzzle is to solve, is adjusted so that a new block is added approximately every ten minutes.

Proof-of-Stake

In a proof-of-stake protocol, the network participant who adds a block of transactions to the public ledger is determined by randomly selecting a validator. To be considered a validator, and thus have a chance of adding a new block to the public ledger, a participant must run specific pieces of software on a computer called a “validator node” and must deposit a certain amount of the cryptocurrency in a deposit contract, which serves as collateral against bad behavior.³ The chosen validator receives a portion of the transaction fees for the transactions that are included in the newly proposed block. Validators who were not selected to propose a new block are required to review the transactions in the proposed block for validity. Also, validators are recurrently asked to attest to the state of the public ledger and may receive small rewards for participating.

² Bitcoin and Ethereum are two of the most popular cryptocurrencies among numerous cryptocurrencies that exist.

³ For Ethereum, the required deposit amount is 32 ETH, which is equivalent to approximately \$60,000 at the time of this writing.

Cryptocurrency Exchanges

Transactions involving cryptocurrency may occur “on-chain” using the blockchain technology described above and may also occur “off-chain” through a cryptocurrency exchange platform. A cryptocurrency exchange provides users with accounts, sometimes referred to as a “wallet” from which they can buy, sell, and trade various cryptocurrencies. The exchange operates as an intermediary for the transactions by either matching transacting parties or by satisfying the transaction request from the exchange’s own assets. The exchange maintains a private ledger of all transactions, and the user’s account balance and transactions are typically not represented on-chain until a user closes the user’s account.⁴

As discussed in the next section, some cryptocurrency exchanges also offer rewards to users who allow their assets to be used in staking for the cryptocurrencies that use the proof-of-stake consensus protocol.

Staking Options

Owners of cryptocurrencies that rely on the proof-of-stake consensus protocol can stake their assets through a few different staking options to support the cryptocurrency network and earn rewards in the process.⁵ The staking options available to an owner depend on whether the owner has the minimum required amount of the cryptocurrency and the technical expertise to run a validator node. The reward amount often differs among the staking options, depending on how involved the owner is in the staking process.

An owner with the required amount of cryptocurrency and the technical expertise may choose to run the owner’s own validator node on the cryptocurrency network. This is sometimes called “home” or “solo” staking. In this option, an owner has the responsibilities and reward potential of a validator in the proof-of-stake protocol described above. If an owner has the technical expertise but not the minimum required amount of the cryptocurrency, then that owner may choose to operate a validator node after pooling assets with other owners up to the minimum required amount. This option is another type of “home” staking.

If an owner does not have the technical expertise, or otherwise does not want to operate a validator node, but has the minimum required amount, then that owner may choose to engage a “staking-as-a-service” provider. In this option, the owner deposits the minimum required amount with the service provider while the service provider runs the validator node and passes a share of the rewards to the depositor.

If an owner does not have the technical expertise, or otherwise does not want to operate a validator node, and does not have the minimum required amount, then that owner may choose to engage a third-party that pools assets of multiple owners and operates validator nodes. This is sometimes referred to as “pooled staking” and is a service often offered by cryptocurrency exchanges.

⁴ Paul Tierno, Cong. Rsch. Serv., R47425, [Cryptocurrency: Selected Policy Issues](#) (2023).

⁵ *Earn rewards while securing Ethereum*, Ethereum, <https://ethereum.org/staking/> (last updated Feb. 12, 2025).

Other Uses of Cryptocurrency and Blockchain Technology

Cryptocurrency and the underlying blockchain technology also support other cryptocurrency-related applications and uses.⁶ One such example is the use of “smart contracts,” in which a software program self-executes when a participant interacting with it meets certain predetermined criteria. Generally, smart contracts have an address on the cryptocurrency network, and a typical contract-triggering interaction is when a certain amount of cryptocurrency is sent to the address of the smart contract.⁷

FEDERAL SECURITIES LAW RELATED TO CRYPTOCURRENCY STAKING

Financial regulations generally support promoting market integrity and efficiency, consumer and investment protection, and financial stability, among other goals. Securities law is one category of financial regulations. Federal securities law exists alongside state securities law, and they both generally include registration and disclosure requirements and anti-fraud provisions.

Under federal securities law, the definition of “security” includes both specific assets, such as notes, stocks, and bonds, and a more general category of “investment contract.” Courts have evaluated “[n]ovel, uncommon, or irregular” arrangements for whether they are investment contracts using the “*Howey* test,” which was established in the U.S. Supreme Court case *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946). This test considers the economic realities of a transaction and focuses on the substance of arrangement with little regard for form. If an arrangement is considered an investment contract, then it is subject to federal securities law, which includes registering the security with the Securities and Exchange Commission (SEC) and making certain information disclosures.

An arrangement is an investment contract under the *Howey* test if it is a contract, transaction, or scheme whereby a person invests money in a common enterprise with a reasonable expectation of profit derived from the entrepreneurial or managerial efforts of others. Courts have interpreted the “efforts of others” requirement to include “undeniably significant” efforts that affect the “failure or success of the enterprise.” Additionally, efforts that are administrative or ministerial in nature have been found to not meet the “efforts of others” requirement. [*United Housing Foundation, Inc. v. Forman*, 421 U.S. 837, 852 (1975); *SEC v. Glenn W. Turner Enterprises, Inc.*, 474 F.2d 476, 482 (9th Cir. 1973); *First Fin. Fed. Sav. & Loan Assn. v. E.F. Hutton Mortg. Corp.*, 834 F.2d 685, 689 (8th Cir. 1987).]

Prior to 2025, the SEC engaged in certain enforcement actions that relied on the view that staking-as-a-service, under certain circumstances, could be considered a security.⁸ In one example, a company advertised staking services to investors, which provided the investors the opportunity to transfer cryptocurrency assets to the company for the purpose of staking in exchange for investment returns. At the time, the SEC viewed this activity as an investment contract that required registering with the SEC and making the necessary disclosures.

⁶ These other applications and uses are generally beyond the scope of this staff brief.

⁷ For more information on smart contracts, see *Introduction to smart contracts*, Ethereum, <https://ethereum.org/developers/docs/smart-contracts/> (last updated Feb. 25, 2026). For more information on smart contracts and other decentralized finance applications, see Paul Tierno, Cong. Rsch. Serv., R48883, *An Overview of Decentralized Finance (DeFi)* (2026).

⁸ Press Release, SEC, Kraken to Discontinue Unregistered Offer and Sale of Crypto Asset Staking-As-A-Service Program and Pay \$30 Million to Settle SEC Charges (Feb. 9, 2023), <https://www.sec.gov/newsroom/press-releases/2023-25>.

In May of 2025, the SEC issued the “Statement on Certain Protocol Staking Activities,” which provided that certain staking activities are not considered investment contracts and thus do not need to be registered as a federal security.⁹ The SEC statement generally applies to all the variations of staking discussed in the above section. According to the SEC’s statement, operating a validator node on behalf of someone else or acting as a person’s agent in selecting a validator node does not meet the “efforts of others” requirement because these activities are administrative or ministerial in nature and do not involve managerial or entrepreneurial efforts. Thus, the various forms of staking discussed are not subject to federal securities law.

⁹ Statement, SEC, Statement on Certain Protocol Staking Activities (May 29, 2025), <https://www.sec.gov/newsroom/speeches-statements/statement-certain-protocol-staking-activities-052925>.

PART II: DEVELOPMENTS RELATED TO CRYPTOCURRENCY IN WISCONSIN

In the 2025-26 session, the Legislature enacted legislation relating to the operation of virtual currency kiosks. The new law requires a person engaged in the business of operating virtual currency kiosks to be licensed as a money transmitter, and it requires certain consumer warnings on virtual currency kiosks, among other changes.

Three other cryptocurrency bills were introduced but failed to pass before the end of the 2025-26 session. One bill placed cryptocurrency “staking” and “staking as a service” outside the scope of the state’s securities law. A second bill addressed the same staking issue, plus it excluded cryptocurrency entities from regulation as money transmitters and prohibited certain restrictions on digital assets. A third bill would have created the Office of Financial Technology Innovation in DFI and a cryptocurrency pilot project within that office.

2025 WISCONSIN ACT 226 (VIRTUAL CURRENCY KIOSKS)

Background

State law requires the Department of Financial Institutions (DFI) to license and regulate money transmitters as specified in ch. 217, Stats. The statutes require an applicant for a money transmitter license to satisfy certain requirements related to the applicant’s financial, corporate, and criminal history and to provide proof of a surety bond or other form of security, among other requirements.

2025 Wisconsin Act 226

[2025 Wisconsin Act 226](#), relating to virtual currency kiosks, took effect on April 10, 2026. The act requires a person engaged in the business of operating virtual currency kiosks in Wisconsin to be licensed as a money transmitter under state law.¹⁰ A “virtual currency kiosk” is an electronic terminal or retail location, in this state, from which a person may exchange fiat currency for virtual currency or virtual currency for fiat currency or other virtual currency, including by connecting to a separate virtual currency exchange.

Act 226 also requires certain consumer warnings on virtual currency kiosks, imposes certain restrictions on the location of a kiosk, and requires certain fraud detection and prevention practices, live customer service, and physical and electronic receipts for each transaction.

OTHER PROPOSALS RELATED TO CRYPTOCURRENCY

Background (DFI Enforcement Action)

Under current law, a person may not offer or sell any security in this state unless the security is registered with DFI, the security or transaction is exempt from registration, or the security is a federal covered security. On June 6, 2023, DFI, together with the securities regulators of nine other states and the SEC, issued an administrative action against Coinbase, Inc., a U.S.-based cryptocurrency exchange platform that allows users to buy, sell, transfer, and store digital

¹⁰ “Virtual currency” means a digital representation of value used as a medium of exchange, unit of account, or store of value that does not have legal tender status recognized by the United States, and the term does not include the software or protocols governing the transfer of the digital representation of value, game-related digital content, a loyalty card, a gift card, or a financial organization loyalty card. [s. 177.01 (16), Stats.]

assets.¹¹ DFI alleged that Coinbase’s staking rewards program amounted to “selling securities in this state that were not registered and were not exempt from registration” in violation of s. 551.301, Stats.¹² Wisconsin was one of several states in which the action included a cease-and-desist order prohibiting the company from staking new assets for users. In response, Coinbase announced that retail customers in these states, including Wisconsin, will be unable to pledge new cryptocurrency to its staking rewards program.

Coinbase’s staking rewards program allows persons to place cryptocurrency assets in Coinbase’s custody for a designated period, and Coinbase credits the person’s Coinbase account with rewards. Allegedly, the rewards were advertised as being worth up to 6 percent annual percentage yield, and Coinbase would use the cryptocurrency assets to earn revenue by verifying transactions by operating validator nodes on the blockchain.

On February 27, 2025, the SEC announced that it would drop the federal enforcement action relating to Coinbase’s staking rewards program and permanently dismissed the case so that it cannot be refiled. Several states that brought parallel cases with the SEC have also dropped their actions against Coinbase relating to cryptocurrency staking, including Kentucky, Vermont, South Carolina, and Illinois. Currently, Coinbase allows third-party staking through its platform in 45 states and it restricts access to the platform in Wisconsin and four other states.

Status of enforcement action: DFI has not taken steps to advance the state enforcement action against Coinbase, but it also has not dismissed it.

2025 Assembly Bill 892 and 2025 Senate Bill 885 (Digital Asset Staking and the State’s Securities Laws)

Representative Neylon and Senator Cabral-Guevara introduced companion bills 2025 Assembly Bill 892 ([AB 892](#)) and 2025 Senate Bill 885 ([SB 885](#)), relating to digital asset staking and the state’s securities laws. The proposal would have effectively nullified DFI’s enforcement stance with regard to staking rewards programs. Specifically, it excluded “staking” and “staking as a service” from the definition of “security,” thereby placing those activities outside the scope of the state’s securities laws.

Under the proposal, “staking” means the act of committing or locking a digital asset to support the security and operations of a blockchain protocol that uses a proof-of-stake consensus mechanism by either operating a validator node or delegating the digital asset to a validator. “Staking as a service” means the provision of technical solutions by a third-party service provider to token owners to enable their participation in staking.

Status of legislation: The proposal received a public hearing and standing committee recommendation in each house. With regard to SB 885, the Senate took no further action on the proposal. On February 19, 2026, the Assembly passed AB 892 and messaged it to the Senate, but the Senate failed to concur in it.

¹¹ Press Release, SEC, SEC Charges Coinbase for Operating as an Unregistered Securities Exchange, Broker, and Clearing Agency (June 6, 2023), <https://www.sec.gov/newsroom/press-releases/2023-102>; News Release, DFI, DFI Issues Action Against Coinbase Alleging Staking Rewards Program Violates Securities Law (June 9, 2023), <https://dfi.wi.gov/Pages/About/NewsEvents/NewsReleases/20230609Coinbase.aspx>.

¹² See Coinbase, Inc., [No. S-246912](#), at 7 (DFI June 6, 2023).

2025 Assembly Bill 471 and 2025 Senate Bill 535 (Regulation of Digital Assets)

Representative Neylon and Senator Testin introduced companion bills 2025 Assembly Bill 471 ([AB 471](#)) and 2025 Senate Bill 535 ([SB 535](#)), relating to regulation of digital assets. The proposal would have made numerous state law changes relating to cryptocurrency.

First, the proposal also would have nullified DFI's enforcement stance against staking rewards programs. But instead of changing the definition of "security," as under the other proposal described above, it created a new transaction exemption related to digital asset staking. The proposal specifically exempted a person from various securities-related requirements for providing technical solutions by third-party service providers to allow token owners to earn rewards through staking, not including returns other than rewards paid by the network.

Second, the proposal created an exclusion from DFI's regulation of money transmitters under ch. 217, Stats., for persons engaged in digital asset mining or staking or engaging in a digital asset mining business. It also excluded persons operating a node or a series of nodes on a blockchain, effectuating exchanges of digital assets, or developing software on a blockchain.

Third, the proposal prohibited any state agency or local governmental unit from restricting a person from accepting digital assets as payment or taking custody of digital assets as specified in the proposal. It clarified that a person in this state may do any of the following:

- Operate a node for the purpose of connecting to a blockchain protocol and participating in the blockchain protocol's operations.
- Develop software on a blockchain protocol.
- Transfer digital assets to another person utilizing a blockchain protocol.
- Participate in staking on a blockchain protocol.

The proposal created new statutory definitions to effectuate the foregoing provisions.

Status of legislation: AB 471 received a public hearing in the Assembly committee, but the Assembly took no further action on the proposal. With regard to SB 535, neither the standing committee nor the Senate took any action.

2025 Senate Bill 951 (Creating the Office of Financial Technology Innovation in DFI and a Cryptocurrency Pilot Project)

Senator Drake introduced 2025 Senate Bill 951 ([SB 951](#)), relating to creating the Office of Financial Technology Innovation (OFTI) in DFI and a cryptocurrency pilot project. The proposal would have created a state office, the OFTI in DFI, to support businesses and the public with the use of cryptocurrencies and other emerging financial technologies. The OFTI's duties included assisting Wisconsin residents in establishing or expanding businesses offering innovative financial products as specified in the proposal. However, the proposal directed the OFTI to consider any risk to the public or consumer protection concern that may be associated with the proposed innovative financial product.

The proposal also required DFI to conduct a cryptocurrency pilot project ending on July 1, 2030. The goals of the project included educating the public on cryptocurrency and educating and assisting the state's business community in implementing cryptocurrency as an accepted method of payment for goods and in establishing or growing cryptocurrency-related businesses. The pilot project also would have awarded grants to promote the purposes specified above.

The proposal provided for the creation of seven full-time equivalent (FTE) positions to carry out the OFTI's functions, together with a \$700,000 increase in the DFI's annual spending authority for general program operations to cover the OFTI's operating costs. It authorized five FTE positions and appropriated \$2 million annually for purposes of the pilot project.

Status of legislation: SB 951 received a public hearing in the Senate committee, but the Senate took no further action on the proposal.

PART III: DEVELOPMENTS RELATED TO CRYPTOCURRENCY IN OTHER STATES

In recent years, several states have enacted laws relating to staking, over half of states have enacted cryptocurrency-related changes to the Uniform Commercial Code, and various states have legislated on other cryptocurrency-related issues.¹³ A summary of this legislation is provided below. It is intended to provide examples of potential legislation that may be of interest to the committee and is not a comprehensive list of enacted legislation.

LEGISLATION RELATED TO CRYPTOCURRENCY STAKING

Some states have enacted legislation specifically addressing cryptocurrency staking.¹⁴ For example, Kentucky enacted legislation in 2025 clarifying that the activities of staking and staking-as-a-service are not considered the offering or selling of a security for purposes of the state's securities law. In addition, Kentucky's new law defines terms relating to blockchain technology; provides that an individual shall not be prohibited from accepting digital assets for payment for legal goods or services or the use of a wallet; and provides that digital assets and their use as a method of payment shall not be subject to additional taxes, withholdings, assessments, or charges. [See description of "H 701" under Kentucky in NCSL's [2025](#) summary.]

Montana enacted legislation in 2025 clarifying that a business that offers to provide staking-as-a-service for individuals or to other businesses may not be considered as offering a security or investment contract pursuant to the state's securities law. Montana's new law permits the use of digital assets and blockchain protocols and provides certification requirements for issuers of network tokens. [See description of "S 265" under Montana in NCSL's [2025](#) summary.]

Oklahoma enacted legislation in 2024 providing that anyone engaged in digital asset mining, operating a node or series of nodes on a blockchain network, or providing digital asset mining or staking-as-a-service for individuals or other businesses, shall not be liable for a transaction merely because they validated it. Oklahoma's new law also provides that anyone engaged in home digital asset mining, or digital asset mining business, staking, or staking as a service, shall not be required to obtain a state money transmitter license. [See description of "H 3594" under Oklahoma in NCSL's [2024](#) summary].

Utah enacted legislation in 2025 that specifically authorizes a person to participate in staking on a blockchain protocol. The new law does not specifically clarify the status of staking under the state's securities law. Utah's new law also authorizes investment of public funds in certain digital assets, prohibits certain entities from restricting the acceptance or custody of digital assets, and creates exemptions from money transmitter licensing requirements for cryptocurrency-related activities. [See description of "H 230" under Utah in NCSL's [2025](#) summary.]

¹³ On its website, the National Conference of State Legislatures (NCSL) provides an overview of the cryptocurrency-related state legislation introduced in calendar years [2023](#), [2024](#), [2025](#), and [2026](#).

¹⁴ Other developments relating to the regulation of cryptocurrency staking have occurred through administrative enforcement or related action by federal and state agencies. As described above, the SEC dropped the federal enforcement action relating to Coinbase's staking rewards program, and several other states dropped their actions against Coinbase relating to cryptocurrency staking.

CHANGES TO UNIFORM COMMERCIAL CODE

Background

The Uniform Commercial Code (UCC) is a comprehensive set of model laws governing commercial transactions, such as the sale of goods, leases, secured transactions, and banking. The UCC is drafted and sponsored by two nongovernmental, nonpartisan legal organizations: the American Law Institute (ALI) and the Uniform Law Commission (ULC). Because the UCC is a model code, it becomes enforceable law in an individual state only after the state's legislature had voted to adopt it. While most states adopt the model text closely, some jurisdictions may alter certain provisions to fit their state.¹⁵

In 2022, the ULC and ALI recommended comprehensive updates to the UCC to govern digital assets like cryptocurrency.¹⁶ The update recognizes a new asset class known as “controllable electronic records” (CERs), which include virtual currencies, nonfungible tokens, and other digital assets.

Controllable Electronic Records

The 2022 changes to the UCC include the creation of a new Article 12 to establish rules relating to CERs. One of the cornerstones of Article 12 is the requirement that digital assets be subject to “control” to be considered CERs. A person establishes control over a CER if the person can be readily identified as its holder by name or account number or through a cryptographic key or digital wallet. Control over a CER is the functional equivalent of possession of a tangible asset and a necessary condition for protection as the qualifying purchaser of the CER.

Perfection of CER Interests

Article 9 of the UCC includes protections for lenders that have a “security interest” in property in certain cases, but lenders may be required to “perfect” their security interest, which traditionally involves filing a financing statement with DFI.¹⁷ The 2022 changes to the UCC allow lenders to perfect a security interest over a CER by exercising control over it, without needing to meet more formal filing requirements.

Take-Free Rule

The 2022 changes to the UCC include a new “take-free” rule applicable to digital assets. Under the rule, qualifying purchasers who acquire control of a CER in good faith may take it free of competing property claims, similar to when payment is accepted in cash in good faith.

¹⁵ The 2022 changes to the UCC have been enacted in 36 states (Alabama, Alaska, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Utah, Vermont, Virginia, Washington) and the District of Columbia. Bills have been introduced in four other states (Maryland, Massachusetts, Mississippi, South Carolina). No action has been taken in 10 states (Arizona, Indiana, Kansas, Michigan, Missouri, New Jersey, Texas, West Virginia, Wisconsin, Wyoming) or Puerto Rico or the U.S. Virgin Islands. The ULC tracks the status of the enactment of the 2022 changes in each jurisdiction on its [website](#).

¹⁶ To see the ULC's overview documents describing the 2022 changes to the UCC, visit the [ULC's website](#).

¹⁷ DFI provides information on its [website](#) regarding the traditional procedures for the filing of UCC financing statements to perfect security interests in property.

Controllable Accounts

The 2022 changes to the UCC create rules for “controllable accounts” and “controllable payment intangibles,” which are CERs that provide evidence of a right to receive payments. Under the new framework, being the holder of a controllable account or controllable payment intangible is similar to being the holder of a promissory note.

Money and Chattel Paper

The 2022 changes to the UCC update the definition of “money” in Article 1 of the UCC to clarify that governmentally created forms of money may be tangible or electronic and that private cryptocurrencies are not “money” for purposes of the UCC. Private cryptocurrencies are therefore either categorized as general intangibles or, after 2022, CERs.

OTHER CRYPTOCURRENCY LEGISLATION

Decentralized Autonomous Organizations

New Hampshire, Utah, and Wyoming have enacted legislation to establish legal frameworks and operational guidelines for decentralized autonomous organizations (DAOs) in each state, granting DAOs legal status similar to a limited liability company. Generally, DAOs are internet-based groups with no central leadership that use transparent rules written into blockchain code to coordinate actions. [See descriptions of “H 375” under Utah and “S 75” under Wyoming in NCSL’s [2023](#) summary and “H 645” under New Hampshire, “H 318” under Utah, and “S 50” under Wyoming in NCSL’s [2024](#) summary.]

Protection for Private Cryptographic Keys

Utah and Wyoming have enacted legislation to safeguard information stored on private cryptographic keys and to provide protection to a person from being compelled to provide access to such information against the person’s wishes. [See descriptions of “H 86” under Wyoming in NCSL’s [2023](#) summary and “H 118” under Utah in NCSL’s [2024](#) summary.]

Stablecoins

Stablecoins are a type of cryptocurrency designed with their price tied to a real-world asset, usually a government currency such as the U.S. dollar. Wyoming enacted legislation in 2023 to create the Wyoming Stable Token Commission and to authorize the commission to issue Wyoming stable tokens as provided under the federal GENIUS Act (described in Part IV, below). The law requires the commission to maintain, invest, and reinvest the funds received for issuing stable tokens and any earnings from those investments in accordance with certain investment policies. The legislation has been amended numerous times. [See descriptions of “S 127,” “S 52,” “H 137,” and “S 21” under Wyoming in NCSL’s [2023](#), [2024](#), [2025](#), and [2026](#) summaries, respectively.]

Miscellaneous

California enacted legislation in 2024 that prohibits a person from engaging in digital financial asset business activity with, or on behalf of, a resident, unless the person is licensed with the Department of Financial Protection and Innovation or has submitted an application for such license, among other requirements. [See description of “A 1934” under California in NCSL’s [2024](#) summary.]

Virginia enacted legislation in 2023 that authorizes a credit union to provide its customers with virtual currency custody services so long as the credit union has specified protocols to effectively manage risks and comply with applicable laws. [See description of “H 1727” under Virginia in NCSL’s [2023](#) summary.]

Wyoming enacted legislation in 2023 that provides for the registration of digital assets with the secretary of state and provides that the Chancery Court shall have jurisdiction to hear and decide certain actions for money recovery, including disputes concerning registered digital assets. [See description of “S 76” under Wyoming in NCSL’s [2023](#) summary.]

Wyoming also enacted legislation in 2025 that repeals a supervision fee for banks providing digital asset custodial services. [See description of “S 95” under Wyoming in NCSL’s [2025](#) summary.]

PART IV: FEDERAL LAW DEVELOPMENTS RELATING TO CRYPTOCURRENCY

Last year, Congress passed, and President Trump signed, the Guiding and Establishing National Innovation for U.S. Stablecoins Act (or GENIUS Act), which established a regulatory framework for payment stablecoins. More recently, Congress has debated additional cryptocurrency legislation, known as the Digital Asset Market Clarity Act (or CLARITY Act), which would create a regulatory framework for all digital assets. The CLARITY Act has been passed in the House of Representatives but not in the Senate. The President has indicated that if the Senate does pass the CLARITY Act, he will sign it.

THE GENIUS ACT

As mentioned above, stablecoins are a type of cryptocurrency designed with their price tied to a real-world asset, usually a government currency such as the U.S. dollar. On July 18, 2025, the President signed the [GENIUS Act](#) into law, which established the first comprehensive federal regulatory framework for payment stablecoins. [P.L. 119-27.]

The GENIUS Act creates requirements for issuers of stablecoins, including a reserve backing mandate. Specifically, the GENIUS Act requires issuers to maintain 100 percent reserve backing using ultra-liquid assets like U.S. dollars or short-term Treasury bills. Issuers must make monthly disclosures of their reserve compositions and comply with routine audits.

Under the GENIUS Act, states may charter stablecoin issuers, but state regimes must be certified as “substantially similar” to federal standards. The GENIUS Act creates the Stablecoin Certification Review Committee, which is chaired by the secretary of the treasury, to approve state regulatory frameworks. State-regulated issuers may generally handle issuance up to \$10 billion, while issuers with larger totals generally require direct federal registration or oversight.

If stablecoin transactions comply with legal rules, the GENIUS Act explicitly excludes them from being considered “securities” or “commodities” transactions under federal law. Permitted issuers are classified as financial institutions under the Bank Secrecy Act and must enforce strict sanctions programs. Issuers face bans on deceptive advertising, including false claims of federal deposit insurance or government backing.

THE CLARITY ACT

The legislation that would create the CLARITY Act, which was passed by the House on July 17, 2025, with a 294-134 bipartisan vote, is designed to create a federal regulatory framework for digital assets generally.

The CLARITY Act would establish a decentralization-based “mature blockchain” test to exempt mature network tokens from strict SEC registration rules. The CLARITY Act would also establish a new category of assets that rely on a blockchain for value, known as “digital commodities,” with registration requirements applicable to digital commodity exchanges, brokers, dealers, and custodians. Oversight of digital assets would be divided between the Commodity Futures Trading Commission (for decentralized commodities existing on networks) and the SEC (for digital assets behaving like traditional securities).

The CLARITY Act would prohibit Federal Reserve banks from offering retail financial products or services directly to individuals and formally ban the use of a central bank digital currency for setting monetary policy. The CLARITY Act also includes provisions to protect users from fraud, ensure proper custody of assets, and regulate vertical integration in cryptocurrency firms.

Based on news reports, as of July 2026, the Senate was still debating potential changes to the CLARITY Act. Apparently, Senate republicans released a new version of the legislation that includes a provision banning federal officials from issuing or sponsoring digital assets during their service, with such ban sunseting in 2029.¹⁸

¹⁸ See, e.g., Sarah Wynn, [*Senate releases latest version of Clarity Act including software developer protections and ethics provision with ‘sunset’ date in 2029*](#), The Block, July 22, 2026.