

Bitcoin and Blockchain: Certain U.S. Regulatory Considerations for Investment Managers

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As the rapid appreciation of the trading values of Bitcoin, Ether, other virtual currencies and digital assets have garnered the attention of investors (big and small) and technology-focused individuals, we have been drawn into the conversation by our clients, fellow lawyers and our own curiosity.

We have spent hundreds of hours speaking to experienced operators in the investment, custody and trading areas of these asset classes. We have also met with clients developing technologies and applications that utilize distributed ledger technologies and we have held discussions with regulators and spent countless hours researching these technologies and new applications. In many of these conversations, we have spent significant time at the crossroads where these new technologies intersect existing securities, commodities and other regulatory rules and statutes.

Needless to say, we have learned plenty. In this vortex of new technologies, investor interest and uncertain legal and regulatory application, we believe it is important to share what we have learned with those engaged in, considering or curious about blockchain or investing in these virtual currencies and digital assets, existing or forthcoming.

While this News Alert is largely addressed to investment managers, the sectional organization of the News Alert makes it applicable for anyone interested in these new technologies and digital assets.

We are engaged with our clients already involved in the space and continue to work with new clients developing technologies utilizing blockchain or willing to provide capital to those that are operating and developing these technologies.

In summary:

- Understand what you are investing in and how to hold it.
- Some of these assets are securities, others are not; in all cases, existing laws (state, federal and foreign) will always apply. The identification of applicable laws is of paramount importance.
- If you are an investment adviser, your fiduciary duty requires you to apply professional due diligence and make sure the assets you acquire for your clients are kept safe.

Article I. [READ MORE](#)

Content Overview:

- **SECTION 1:** What is blockchain or distributed ledger technology? What is Bitcoin and what is Ethereum? What are ICOs?
- **SECTION 2:** How can an investment manager obtain exposure to virtual currencies and digital assets? How are virtual currencies and other digital assets traded?
- **SECTION 3:** How are exchanges, trading platforms and custodians regulated in the U.S.? How are virtual currencies and other digital assets regulated in the U.S.? What is the U.S. federal income tax treatment of virtual currencies?
- **SECTION 4:** What steps should an investment manager consider taking before a private investment fund or other client acquires exposure to virtual currencies or other digital assets?

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