

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

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This article offers a number of U.S. regulatory considerations and preliminary observations for investment managers exploring or entering the cryptocurrency space.

We first provide a basic introduction to blockchain or distributed ledger technologies, looking at the examples of the virtual currencies Bitcoin and Ether, as well as virtual tokens and coins, the offering of which is now under tighter U.S. regulatory scrutiny. We then look at opportunities to acquire assets in these technologies, which vary from trading virtual currencies directly, participating in token launches structured to comply with regulatory requirements or secondary trading of such tokens, acquiring exposure through equity vehicles and derivatives, making more traditional venture capital or other investments in companies building the infrastructure to use the new technology (such as protocols or trading platforms), or participating in blockchain networks and pursuing opportunities in specific sectors. Third, this article provides a brief overview of the emergent state of U.S. regulation of these virtual currencies and other digital assets, and our preliminary observations on the impact of this regulation on investment managers. Fourth, we seek to address the steps an investment manager should consider before a private investment fund acquires exposure to virtual currencies or other digital assets. Among other things, we note that great caution should be exercised in preparing to advise clients on investments in virtual currencies and other digital assets. Significant due diligence should be undertaken and investment managers should be prepared to provide clients with additional counseling and disclosures with respect to the significant risks facing these technologies. [READ FULL ARTICLE](#)

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