



Credit Union Legislative Priorities

Top Line Message:

Not for profit credit unions provide their members with the best products and services to improve their financial well-being.

Virginia's 105 member owned credit unions returned \$1,781,069,085 in financial benefits to their over 18 million members, creating \$26.1 billion in economic impact for Virginia. Virginia's credit unions total \$240 billion in assets, provide over \$167 billion in loans and leases, and employ over 34,000 citizens.

Core Message:

HB1727 - Credit unions; virtual currency custody services – Delegate Chris Head (R-17th)

Passed House Commerce and Energy Committee on 1/12/2023 (22-Y 0-N)

- This bill would give credit unions the ability to be a custodian for their member's digital assets.
- The General Assembly passed a bill in 2022 to give this power to banks. This bill gives the same power to credit unions.
- Custody of digital assets would work similarly to a virtual safety deposit box – members would control the private keys to their digital wallets, and the credit union as custodian would secure them.
- Financial institutions can offer security and reliability
 - Currently, if consumers keep their virtual currency on a centralized exchange, they do not control the private keys to their digital wallet. The exchange controls the keys. If the exchange goes insolvent, consumers can be locked out of their accounts unable to withdraw their assets. This happened most notably with FTX.
 - Alternatively, consumers can self-custody their own virtual currencies. This involves keeping a hardware wallet and securing their private keys or recovery phrase themselves. If this information is lost or stolen, they may not be able to access their assets.
 - Credit unions acting as a custodian can serve as a middle ground third option. Members would not have to keep their private keys themselves and would not have to trust the solvency and security of a centralized exchange.
- The bill contains internal control requirements – credit unions must conduct risk assessments, have adequate insurance in place, and conduct due diligence if they work with any third-party vendors to offer this service.
- This bill does not allow credit unions to invest in crypto or hold cryptocurrencies on their balance sheet.
- Recent estimates are that 46 million Americans own some amount of bitcoin. Everyday credit union members move funds from their accounts to exchanges to buy virtual currencies. This bill allows credit unions to play a role in keeping these assets secure.