

Delaware Law Changes Method to Record Stockholders

By **[Christina M. Kuta](#)**, Associate

Delaware is known for being a trailblazer in the area of corporate law. In keeping with tradition, Delaware is the first state to formally recognize the ability of a corporation to record stockholder transactions using distributed ledger or “blockchain” technology. Effective August 1, 2017, through an amendment to Title 8 of the Delaware General Corporation Law ([found here](#)), corporations formed under the laws of the State of Delaware can maintain a ledger of stockholders using an electronic method. Prior to the amendment, Delaware corporations were not assured that using this technology to maintain stockholder records was compliant with Delaware law and relied instead on traditional methods to record stockholder activity.

Blockchain technology is an electronic series of records, each time and date-stamped, that documents transactions between parties in a manner allowing users to verify the legal status of each transaction. Due to the manner in which this information is stored and transmitted, blockchain technology is resistant to modification and possesses limited security concerns. Blockchain technology allows the recording of person-to-person transactions without having to rely on third-party intermediaries who otherwise would process and record these transactions.

There are many potential benefits to using this method of recording stockholder information. The recognition of blockchain technology under Delaware law is expected to decrease administrative burdens and minimize recording errors. As blockchain technology houses a complete and permanent record of all stockholder information and transfers in one record, parties have immediate access to up-to-date stockholder records. Eliminating the need to rely on third parties to facilitate and verify these transactions also reduces administrative costs.

Although this technology is newly applicable in this context, there are some anticipated drawbacks. As blockchains are not modifiable, it may be difficult to correct recording errors. Also, blockchains provide full ownership transparency, which may not be welcome by some stockholders. Even though the use of blockchain technology over time likely will reduce costs, corporations will need to make an upfront investment to participate in this platform.

Please contact any of the listed attorneys in the Roetzel **[Corporate, Tax and Transactional](#)** group to evaluate how this change in Delaware law may affect your business.

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