

1 S.269

2 Introduced by Senator Clarkson

3 Referred to Committee on Economic Development, Housing and General
4 Affairs

5 Date: January 3, 2018

6 Subject: Commerce and trade; finance; financial technology and regulation

7 Statement of purpose of bill as introduced: This bill proposes to implement
8 strategies relating to blockchain, cryptocurrency, and financial technology in
9 order to: promote regulatory efficiency; enable business organizational and
10 governance structures that may expand opportunities in financial technology;
11 and promote education and adoption of financial technology in the public and
12 private sectors.

13 ~~An act relating to blockchain, cryptocurrency, and financial technology~~

An act relating to blockchain business development

14 It is hereby enacted by the General Assembly of the State of Vermont:

15 ~~*** Regulatory Update and Efficiency ***~~

16 Sec. 1. CONSUMER PROTECTION AND FINANCIAL TECHNOLOGY;

17 STATUTORY REVIEW REPORT

18 (a) The Department of Financial Regulation and the Attorney General, in
19 consultation with the Office of Legislative Council, the Center for Legal
20 Innovation at Vermont Law School, and other interested stakeholders, shall

1 conduct a comprehensive review of Vermont's statutory and regulatory
2 consumer protection framework in light of evolving risks and opportunities
3 raised by evolving financial technology and shall consider statutory or
4 regulatory proposals necessary to ensure Vermont's statutes and rules are
5 modern and effective.

6 (b) On or before January 15, 2019, the Department shall submit a report of
7 its findings and recommendations to the House Committee on Commerce and
8 Economic Development and the Senate Committee on Economic
9 Development, Housing and General Affairs.

10 Sec. 2. REGULATORY TECHNOLOGY; STUDY; REPORT

11 (a) The Agency of Administration, in coordination with those agencies and
12 departments with specific regulatory authority, shall review areas for potential
13 adoption of regulatory technology in the oversight of Vermont businesses and
14 professionals, including how such technology may employ the power of
15 computation and digital communication to embed regulatory processes in
16 software.

17 (b) On or before January 15, 2019, the Agency shall submit a report of its
18 findings and recommendations to the House Committee on Commerce and
19 Economic Development and the Senate Committee on Economic
20 Development, Housing and General Affairs.

21 * * * Enabling Provisions for FinTech and Blockchain Approaches * * *

1 ~~Sec. 9. 11 V.S.A. chapter 25, subchapter 12 is added to read.~~

2 Subchapter 12. Digital Currency Limited Liability Companies

3 § 4171. ELECTION

4 A limited liability company organized pursuant to this title for the purpose
5 of operating a digital currency system may elect to be a digital currency
6 limited liability company by:

7 (1) specifying in its articles of organization that it elects to be a digital
8 currency limited liability company; and

9 (2) meeting the requirements in subdivision 4172(2) and section 4173 of
10 this title.

11 § 4172. AUTHORITY; REQUIREMENTS

12 Notwithstanding any provision of this chapter to the contrary:

13 (1) A digital currency limited liability company may provide for its
14 governance, in whole or in part, through the technological architecture of the
15 system.

16 (2) A digital currency limited liability company shall:

17 (A) adopt procedures to respond to necessary innovation and
18 changes in the system architecture;

19 (B) adopt protocols to respond to system security breaches or other
20 unauthorized actions that affect the system;

21 ~~(C) specify how the company designates the participants within the~~

~~system, including nodes and miners, as members or managers, or both;~~

(D) specify the scope and extent to which limited liability and agency authority apply to a participant or class of participants in the system;

(E) specify participants' access to information and protocols to ensure transparency;

(F) specify the fiduciary duties of core developers;

(G) adopt rules concerning hard forks; and

(H) adopt rules governing the responsible use of computing power by mining pool operators.

§ 4173. PHYSICAL PRESENCE TAXATION; EXEMPTION

(a) A digital currency limited liability company shall maintain a physical presence within this State or conduct some or all of its activities within this State, or both.

(b) A digital currency limited liability company shall remit to the State in the form of its digital currency a transaction tax equivalent to \$0.01, at the then current exchange rate for the currency with the U.S. dollar, per transaction for:

(1) each unit of currency mined or otherwise created; and

(2) each sale or other transfer of one or more units of currency.

(c) A digital currency limited liability company is exempt from taxes otherwise applicable under Title 32 of the Vermont Statutes Annotated.

§ 4174. MULTIPLE ROLES OF MEMBERS AND MANAGERS

(a) A member or manager of a digital currency limited liability company may interact with the company in multiple roles, including as a node or miner in the network or as a trader and holder of the currency in its own account and for the account of others.

(b) A member or manager who interacts with the company in multiple roles does not violate a fiduciary duty solely because of those interactions if the member or manager acts in good faith with respect to the company.

(c) The activities of a member or manager who interacts with the company through multiple roles are not deemed to take place in Vermont solely because of the location of the digital currency limited liability company in Vermont.

§ 4175. CONSENSUS FORMATION ALGORITHMS

In its governance, a digital currency limited liability company may adopt any reasonable algorithmic means for accomplishing the consensus process for validating records of the holders of its currency, and may, in accordance with any procedure specified pursuant with section 4172 of this title, provide for the modification of this consensus process or the substitution of a new process that complies with the requirements of law and the governance provisions of the digital currency limited liability company.

§ 4176. SCOPE OF SUBCHAPTER; OTHER LAW

Except as expressly provided otherwise, this subchapter does not exempt a

1 ~~digital currency limited liability company from any other judicial, statutory, or~~
2 regulatory provision of Vermont law.

3 Sec. 4. E-RESIDENCY; STUDY; REPORT

4 (a) The Agency of Commerce and Community Development, in
5 collaboration with the Department of Financial Regulation, shall review the e-
6 residency program established in the country of Estonia and consider areas for
7 potential adoption of a comparable program or regulatory changes within
8 Vermont.

9 (b) On or before January 15, 2019, the Agency shall submit a report of its
10 findings and recommendations to the House Committee on Commerce and
11 Economic Development and the Senate Committee on Economic
12 Development, Housing and General Affairs.

13 * * * Enabling Provisions of FinTech Activities and Business Sectors;
14 Personal Identity and Information Trust Companies;
15 Financial Trustee Safe Harbor * * *

16 Sec. 5. 8 V.S.A. chapter 78 is added to read:

17 CHAPTER 78. PERSONAL IDENTITY AND INFORMATION TRUST
18 COMPANIES

19 § 2451. DEFINITIONS

20 As used in this section:

21 ~~(1) "Personal identity" means the identity of a particular natural person.~~

1 ~~(2) "Personal identity-related information" means data relating to the~~
2 identity of a natural person that includes data such as gender identification,
3 birth information, marital status, citizenship and nationality, government
4 identification designations, and personal, educational, and financial histories.

5 § 2452. PERSONAL INFORMATION AS THE SUBJECT OF A
6 FIDUCIARY RELATIONSHIP

7 (a) Personal identity and personal identity-related information may be held
8 under a trust relationship in accordance with the terms of this chapter.

9 (b) A person who holds personal identity or personal identity-related
10 information has a fiduciary responsibility to the individual whose identity is in
11 question over the maintenance and release of personal identity and personal
12 identity-related information.

13 (c) Personal identity and personal identity-related information held
14 pursuant to this section creates a personal identity trust.

15 § 2453. QUALIFIED PERSONAL IDENTITY TRUST COMPANY

16 (a) The trustee of a personal identity trust shall qualify to conduct its
17 business under the terms of this chapter and applicable rules adopted by the
18 Department.

19 (b) A person shall not engage in business as a personal identity trust
20 company in this State without first obtaining a certificate of authority from the
21 Department.

1 ~~(c) A personal identity trust company may be:~~

2 ~~(1) a company empowered to do financial trust business under the~~
3 ~~provisions of chapter 77 or 204 of this title, or otherwise, that meets the~~
4 ~~requirements of this chapter and applicable rules adopted by the~~
5 ~~Department; or~~

6 ~~(2) an independent personal identity trust company formed for the~~
7 ~~purpose of being a personal identity trust company that meets the requirements~~
8 ~~of this chapter and applicable rules adopted by the Department.~~

9 ~~(A) An independent personal identity trust company shall be~~
10 ~~organized under the laws of this State as a business corporation, a benefit~~
11 ~~corporation, a limited liability company, a low-profit limited liability company,~~
12 ~~a partnership, a limited partnership, a nonprofit corporation, a consumer~~
13 ~~cooperative, a mutual benefit enterprise, or a business trust.~~

14 ~~(B) An independent personal identity trust company shall:~~

15 ~~(i) maintain its principal place of business in this State;~~

16 ~~(ii) appoint a registered agent to accept service of process and to~~
17 ~~otherwise act on its behalf in this State, provided that whenever the registered~~
18 ~~agent cannot with reasonable diligence be found at the Vermont registered~~
19 ~~office of the company, the Secretary of State shall be an agent of the company~~
20 ~~upon whom any process, notice, or demand may be served;~~

21 ~~(iii) hold at least one meeting of its governing body in this State~~

1 ~~each year, and~~

2 (iv) have at least one Vermont resident as a member of its
3 governing body.

4 § 2454. NAME; OFFICE

5 (a)(1) An independent personal identity trust company shall file with the
6 Department of Financial Regulation a name it proposes to use in connection
7 with a trust business or establishing a principal office or trust office in this
8 State pursuant to this chapter.

9 (2) The Department shall not approve a proposed name if it determines
10 that the name may be misleading or likely to confuse the public, or deceptively
11 similar to any name in use in this State.

12 (b) A personal identity trust company organized or regulated under this
13 chapter may petition the Commissioner for permission to establish and
14 maintain new or additional offices for the transaction of its personal identity
15 trust company business.

16 (c) An independent personal identity trust company shall maintain at least
17 one physical office in this State that meets the requirements for location and
18 operation as the Department establishes by rule.

19 § 2455. CONDUCT OF BUSINESS

20 (a) A personal identity trust company:

21 ~~(1) may operate through remote interaction with the individuals~~

~~entrusting personal identity and personal identity information to the company;~~

and there shall be no requirement of Vermont residency or other contact for
any such individual to establish such a relationship with the company; and

(2) may, subject to applicable fiduciary duties, the terms of any
agreement with the individual involved, and any applicable statutory or
regulatory provision:

(A) provide elements of personal identity-related information to third
parties with which the individual seeks to have a transaction, a service
relationship, or other particular purpose interaction;

(B) provide certification or validation concerning personal identity-
related information; and

(C) receive compensation for acting in these capacities.

(b) An authorization for providing personal identity-related information
may be either particular or general, provided it meets the terms of any
agreement with the individual involved and any regulatory requirements set by
the Department.

§ 2456. REPORTS; FEES; AUTHORITY OF DEPARTMENT

(a) The Department of Financial Regulation shall prescribe by rule the
timing and manner of reports by a personal identity trust company to the State,
that, for an independent personal identity trust company, shall reflect the

~~approach mandated under section 2405 of this title.~~

1 ~~(b) The Department shall have the authority to assess an annual fee for a~~
2 ~~personal identity trust company, on a basis to be determined from time to time~~
3 ~~by the Department, which may be linked to the revenues or transaction~~
4 ~~frequency of the company, based on other metrics, or assessed on a flat-fee~~
5 ~~basis.~~

6 ~~(c) In addition to other powers conferred by this chapter, the Department~~
7 ~~may exercise, with respect to a personal identity trust company, all of the~~
8 ~~powers granted to the Commissioner under section 2410 of this title with~~
9 ~~respect to oversight of an independent trust company.~~

10 § 2457. RULES

11 The Department of Financial Regulation shall adopt rules to govern other
12 aspects of the business of a personal identity trust company that shall address,
13 among other topics, issues of the winding up of a company and the transfer of
14 the personal identity-related information it holds.

15 Sec. 6. INSURANCE; E-BANKING; DFR STUDY; REPORT

16 (a) The Department of Financial Regulation shall review the potential
17 application of blockchain technology to the provision of insurance and e-
18 banking and consider areas for potential adoption of a comparable program or
19 regulatory changes within Vermont.

20 (b) On or before January 15, 2019, the Department shall submit a report of
21 its findings and recommendations to the House Committee on Commerce and

1 Economic Development and the Senate Committee on Economic

2 Development, Housing and General Affairs.

3 Sec. 7. 8 V.S.A. § 14107(c) is amended to read:

4 (c)(1) Notwithstanding any other provision of law to the contrary, a
5 financial institution may invest its funds, operate a business, manage or deal in
6 property, or take any other action over whatever period of time may
7 reasonably be necessary to avoid loss on an investment or loan previously
8 made or an obligation created in good faith.

9 (2) A Vermont financial institution's investments, whether for its own
10 account or as a fiduciary, may include assets represented through financial
11 technology, provided such assets otherwise meet the applicable standards for
12 investment by the financial institution.

13 Sec. 8. 8 V.S.A. § 14410 is amended to read:

14 § 14410. FIDUCIARY INVESTMENTS

15 (a)(1) In the absence of an express prohibition in the instrument, judgment,
16 decree, power, order, or other writing creating a trust or other fiduciary
17 relationship, a financial institution acting as fiduciary may invest and reinvest
18 funds held by it in a fiduciary capacity in the securities of an open end or
19 closed-end investment company or investment trust registered under 15 U.S.C.
20 §§ 80a-1 to 80a-64 (Investment Company Act of 1940), as that act exists now
21 ~~or as amended in the future.~~

1 ~~(2) A financial institution's investments may include assets represented~~
2 ~~through financial technology, provided such assets otherwise meet the~~
3 ~~applicable standards for investment by the financial institution.~~

4 (b) The investments authorized in subsection (a) of this section may be
5 made even if the financial institution, or an affiliate thereof, is providing
6 services to the investment company and is receiving reasonable compensation
7 for such services as an advisor, manager, sponsor, administrator, broker,
8 distributor, custodian, shareholder servicing agent, transfer agent, registrar, or
9 any related services. At least annually, the financial institution shall disclose
10 in a clear and conspicuous manner to the principal of each fiduciary account
11 the fees it has charged or received from the investment company, or an affiliate
12 thereof, for such services and the basis upon which compensation is calculated,
13 expressed either in a specific amount or as a percentage of asset value.

14 Sec. 9. 14A V.S.A. § 804 is amended to read:

15 § 804. PRUDENT ADMINISTRATION

16 (a) A trustee shall administer the trust as a prudent person would, by
17 considering the purposes, terms, distributional requirements, and other
18 circumstances of the trust. In satisfying this standard, the trustee shall exercise
19 reasonable care, skill, and caution.

20 (b) A trustee's investments may include assets represented through
21 ~~financial technology, provided such assets otherwise meet the applicable~~

1 ~~standards for investment by the trustee.~~

2 Sec. 10. 14A V.S.A. § 902(e) is amended to read:

3 (e) A trustee may invest in any kind of property or type of investment
4 consistent with the standards of this chapter, including assets represented
5 through financial technology.

6 Sec. 11. 11A V.S.A., chapter 22 is added to read:

7 CHAPTER 22. AUTONOMOUS AGENT CORPORATIONS

8 § 22.01. DEFINITION

9 As used in this title, an “autonomous agent” is an artificial decision-capable
10 agent operating without the interference of a human being.

11 § 22.02. AUTHORITY; PURPOSE

12 (a) A corporation may be established for the purposes of providing legal
13 recognition of an autonomous agent and shall be known as an “autonomous
14 agent corporation.”

15 (b) An autonomous agent corporation may cover the activities of only one
16 autonomous agent.

17 § 22.03. STANDARD OF CARE

18 The standard of care necessary to rely on the limitation of liability for
19 officers, directors, and shareholders of a corporation as provided in section
20 6.22 and subsection 8.30(d) of this title is met by a corporation that does each
21 of the following.

- 1 ~~(1) exercises reasonable care in the creation or procurement of the~~
2 ~~hardware and software embodying the autonomous agent;~~
3 ~~(2) exercises reasonable care in the deployment and supervision of the~~
4 ~~autonomous agent;~~
5 ~~(3) maintains, and when necessary exercises, the ability to turn off the~~
6 ~~autonomous agent; and~~
7 ~~(4) gathers and maintains reasonable records of the operation and~~
8 ~~maintenance of the autonomous agent.~~

9 § 22.04. IDENTIFICATION

10 An autonomous agent shall have a unique identifier included in the name of
11 its autonomous agent corporation and shall be registered with a Legal Entity
12 Identifier process.

13 § 22.05. FEE

14 The Secretary of State's office shall collect an annual fee of \$200.00 from
15 an autonomous agent corporation in addition to the normal franchise and
16 business taxes with respect to each autonomous agent.

17 Sec. 12. AUTONOMOUS AGENT CORPORATIONS; REGULATORY
18 STRUCTURE; RECOMMENDATIONS

19 (a)(1) The Department of Financial Regulation shall develop and
20 recommend an overall regulatory structure for the activities of autonomous
21 agency corporations and of autonomous agents in the State of Vermont.

1 ~~(2) In developing this structure, the Department shall coordinate with~~
2 ~~other departments with jurisdiction over particular activities, including the~~
3 ~~Agency of Transportation for autonomous vehicles.~~

4 ~~(b) On or before January 15, 2019, the Department shall submit a report of~~
5 ~~its findings and recommendations to the House Committee on Commerce and~~
6 ~~Economic Development and the Senate Committee on Economic~~
7 ~~Development, Housing and General Affairs.~~

8 * * * Adoption of Blockchain, Cryptocurrency, and FinTech in Vermont * * *

9 Sec. 13. UPDATE; STUDY AND REPORT; BLOCKCHAIN

10 TECHNOLOGY

11 ~~(a) The Secretary of State, the Commissioner of Financial Regulation, and~~
12 ~~the Attorney General, in consultation with one or more Vermont delegates to~~
13 ~~the National Conference of Commissioners on Uniform State Laws and with~~
14 ~~the Center for Legal Innovation at Vermont Law School, shall review and~~
15 ~~update the findings and conclusions of the report to the General Assembly~~
16 ~~directed in 2015 Acts and Resolves No. 51, Sec. A.3 concerning the potential~~
17 ~~opportunities and risks of adopting blockchain technology in the operations of~~
18 ~~Vermont State government.~~

19 ~~(b) On or before January 15, 2019, the Secretary shall submit a report of its~~
20 ~~findings and recommendations to the House Committee on Commerce and~~
21 ~~Economic Development and the Senate Committee on Economic~~

1 ~~Development, Housing and General Affairs~~

2 Sec. 14. FINTECH SUMMIT

3 (a) The Agency of Commerce and Community Development, in
4 collaboration with the Department of Financial Regulation, the University of
5 Vermont, the Vermont State Colleges, Norwich University, Vermont Law
6 School, the Agency of Education, regional CTE centers, and in consultation
7 with private sector practitioners, shall organize and hold a FinTech Summit to:

8 (1) explore legal and regulatory mechanisms to promote the adoption of
9 financial technology in State government;

10 (2) explore opportunities to promote financial technology and economic
11 development in the private sector, including in the areas of banking, insurance,
12 retail and service businesses, and cryptocurrency providers and
13 proponents; and

14 (3) explore opportunities to integrate financial technology into
15 secondary and postsecondary education in Vermont.

16 (b) In fiscal year 2019, the amount of \$25,000.00 is appropriated from the
17 General Fund to the Agency of Commerce and Community Development to
18 implement this section.

19 * * * Effective Date * * *

20 Sec. 15. EFFECTIVE DATE

21 ~~This act shall take effect on July 1, 2018.~~

~~Sec. 1-8 V.S.A. chapter 78 is added to read:~~

~~CHAPTER 78. PERSONAL INFORMATION TRUST COMPANIES~~

~~§ 2451. DEFINITIONS~~

~~*As used in this section:*~~

~~(1) *“Personal information” means data capable of being associated with a particular natural person, including gender identification, birth information, marital status, citizenship and nationality, government identification designations, and personal, educational, and financial histories.*~~

~~(2) *“Personal information trust business” means a person that offers to the public by advertising, solicitation, or other means that the person is available to hold personal information in trust as a fiduciary.*~~

~~§ 2452. PERSONAL INFORMATION AS THE SUBJECT OF A FIDUCIARY RELATIONSHIP~~

~~(a) *Personal information may be held under a trust relationship in accordance with the terms of this chapter.*~~

~~(b) *A person who holds personal information under a trust relationship has a fiduciary responsibility to the individual whose identity is in question over the maintenance and release of personal information.*~~

~~(c) *Personal information held pursuant to this section creates a personal identity trust.*~~

~~§ 2453. QUALIFIED PERSONAL INFORMATION TRUST COMPANY~~

~~(a) *The trustee of a personal information trust shall qualify to conduct its business under the terms of this chapter and applicable rules adopted by the Department.*~~

~~(b) *A person shall not engage in business as a personal information trust company in this State without first obtaining a certificate of authority from the Department.*~~

~~(c) *A personal information trust company shall:*~~

~~(1) *be organized under the laws of this State as a business corporation, a benefit corporation, a limited liability company, a low-profit limited liability company, a partnership, a limited partnership, a nonprofit corporation, or a cooperative;*~~

~~(2) *maintain a place of business in this State;*~~

~~(3) *appoint a registered agent to accept service of process and to otherwise act on its behalf in this State, provided that whenever the registered*~~

~~agent cannot with reasonable diligence be found at the Vermont registered office of the company, the Secretary of State shall be an agent of the company upon whom any process, notice, or demand may be served; and~~

~~(4) hold at least one meeting of its governing body in this State each year.~~

~~§ 2454. NAME; OFFICE~~

~~A personal information trust business shall file with the Department of Financial Regulation the name it proposes to use in connection with its business, which the Department shall not approve if it determines that the name may be misleading, likely to confuse the public, or deceptively similar to any other business name in use in this State.~~

~~§ 2455. CONDUCT OF BUSINESS~~

~~(a) A personal information trust company may:~~

~~(1) operate through remote interaction with the individuals entrusting personal information to the company, and there shall be no requirement of Vermont residency or other contact for any such individual to establish such a relationship with the company; and~~

~~(2) subject to applicable fiduciary duties, the terms of any agreement with the individual involved, and any applicable statutory or regulatory provision:~~

~~(A) provide elements of personal information to third parties with which the individual seeks to have a transaction, a service relationship, or other particular purpose interaction;~~

~~(B) provide certification or validation concerning personal information;~~

~~(C) receive compensation for acting in these capacities; and~~

~~(D) transact business through the use of a mathematically secured, chronological, and decentralized consensus ledger or database, whether maintained via Internet interaction, peer-to-peer network, or otherwise.~~

~~(b) An authorization to provide personal information may be either particular or general, provided it meets the terms of any agreement with the individual involved and any rules adopted by the Department of Financial Regulation.~~

~~§ 2456. REPORTS; FEES; AUTHORITY OF DEPARTMENT~~

~~(a) The Department of Financial Regulation shall prescribe by rule the timing and manner of reports by a personal identity trust company to the~~

~~Department that shall reflect the approach mandated under section 2405 of this title.~~

~~(b)(1) The Department shall assess the following fees for a personal information trust company:~~

~~(A) an initial registration fee of \$1,000.00, which includes a licensing fee of \$500.00 and an investigation fee of \$500.00;~~

~~(B) an annual renewal fee of \$500.00;~~

~~(C) a change in address fee of \$100.00.~~

~~(2) The Department shall have the authority to bill a personal information trust company for examination time at its standard rate.~~

~~(c) In addition to other powers conferred by this chapter, the Department may exercise, with respect to a personal information trust company, all of the powers granted to the Commissioner under section 2410 of this title with respect to oversight of an independent trust company.~~

§ 2457. RULES

~~The Department of Financial Regulation shall adopt rules to govern other aspects of the business of a personal information trust company, including its protection and safeguarding of personal information and its interaction with third parties with respect to personal information it holds.~~

Sec. 2. INSURANCE; E-BANKING; DFR STUDY; REPORT

~~(a) The Department of Financial Regulation shall review the potential application of blockchain technology to the provision of insurance and e-banking and consider areas for potential adoption of a comparable program or regulatory changes within Vermont.~~

~~(b) On or before January 15, 2019, the Department shall submit a report of its findings and recommendations to the House Committee on Commerce and Economic Development and the Senate Committee on Economic Development, Housing and General Affairs.~~

Sec. 3. FINTECH SUMMIT

~~The Agency of Commerce and Community Development, in collaboration with the Department of Financial Regulation, the University of Vermont and State Agricultural College, the Vermont State Colleges, Norwich University, Vermont Law School, the Agency of Education, and regional CTE centers, and in consultation with private sector practitioners, shall organize and hold a FinTech Summit to:~~

~~(1) explore legal and regulatory mechanisms to promote the adoption of~~

~~financial technology in State government;~~

~~(2) explore opportunities to promote financial technology and economic development in the private sector, including in the areas of banking, insurance, retail and service businesses, and cryptocurrency providers and proponents; and~~

~~(3) explore opportunities to integrate financial technology into secondary and postsecondary education in Vermont.~~

~~*** Effective Date ***~~

~~Sec. 4. EFFECTIVE DATE~~

~~This act shall take effect on July 1, 2018.~~

~~*** Definition of Blockchain Technology ***~~

~~Sec. 1. 12 V.S.A. § 1913 is amended to read:~~

~~§ 1913. BLOCKCHAIN ENABLING~~

~~(a) As used in this section, “blockchain technology”:~~

~~(1) “Blockchain” means a mathematically cryptographically secured, chronological, and decentralized consensus ledger or consensus database, whether maintained via Internet interaction, peer-to-peer network, or otherwise other interaction.~~

~~(2) “Blockchain technology” means computer software or hardware or collections of computer software or hardware, or both, that utilize or enable a blockchain.~~

~~***~~

~~*** Personal Information Protection Companies ***~~

~~Sec. 2. 8 V.S.A. chapter 78 is added to read:~~

~~CHAPTER 78. PERSONAL INFORMATION PROTECTION
COMPANIES~~

~~§ 2451. DEFINITIONS~~

~~As used in this section:~~

~~(1) “Personal information” means data capable of being associated with a particular natural person, including gender identification, birth information, marital status, citizenship and nationality, biometric records, government identification designations, and personal, educational, and financial histories.~~

~~(2) “Personal information protection company” means a business that~~

is organized for the primary purpose of providing personal information protection services to individual consumers.

(3) "Personal information protection services" means receiving, holding, and managing the disclosure or use of personal information concerning an individual consumer:

(A) pursuant to a written agreement, in which the person receiving the individual consumer's information agrees to serve as a personal information protection company, and which specifies the types of personal information to be held and the scope of services to be provided on behalf of the consumer; and

(B) in the best interests and for the protection and benefit of the consumer.

§ 2452. PERSONAL INFORMATION AS THE SUBJECT OF A FIDUCIARY RELATIONSHIP

A personal information protection company that accepts personal information pursuant to a written agreement to provide personal information protection services has a fiduciary responsibility to the consumer when providing personal protection services.

§ 2453. QUALIFIED PERSONAL INFORMATION PROTECTION COMPANY

(a) A personal information protection company shall qualify to conduct its business under the terms of this chapter and applicable rules adopted by the Department of Financial Regulation.

(b) A person shall not engage in business as a personal information protection company in this State without first obtaining a certificate of authority from the Department.

(c) A personal information protection company shall:

(1) be organized or authorized to do business under the laws of this State;

(2) maintain a place of business in this State;

(3) appoint a registered agent to accept service of process and to otherwise act on its behalf in this State, provided that whenever the registered agent cannot with reasonable diligence be found at the Vermont registered office of the company, the Secretary of State shall be an agent of the company upon whom any process, notice, or demand may be served;

(4) annually hold at least one meeting of its governing body in this

State, at which meeting one or more members of the body are physically present; and

(5) develop, implement, and maintain a comprehensive information security program that contains administrative, technical, and physical safeguards sufficient to protect personal information, and which may include the use of blockchain technology, as defined in 12 V.S.A. § 1913, in some or all of its business activities.

§ 2454. NAME; OFFICE

A personal information protection company shall file with the Department of Financial Regulation the name it proposes to use in connection with its business, which the Department shall not approve if it determines that the name may be misleading, likely to confuse the public, or deceptively similar to any other business name in use in this State.

§ 2455. CONDUCT OF BUSINESS

(a) A personal information protection company may:

(1) operate through remote interaction with the individuals entrusting personal information to the company, and there shall be no requirement of Vermont residency or other contact for any such individual to establish such a relationship with the company; and

(2) subject to applicable fiduciary duties, the terms of any agreement with the individual involved, and any applicable statutory or regulatory provision:

(A) provide elements of personal information to third parties with which the individual seeks to have a transaction, a service relationship, or other particular purpose interaction;

(B) provide certification or validation concerning personal information;

(C) receive compensation for acting in these capacities.

(b) An authorization to provide personal information may be either particular or general, provided it meets the terms of any agreement with the individual involved and any rules adopted by the Department of Financial Regulation.

§ 2456. FEES; AUTHORITY OF DEPARTMENT

(a)(1) The Department of Financial Regulation shall assess the following fees for a personal information protection company:

(A) an initial registration fee of \$1,000.00, which includes a

licensing fee of \$500.00 and an investigation fee of \$500.00;

(B) an annual renewal fee of \$500.00;

(C) a change in address fee of \$100.00.

(2) The Department shall have the authority to bill a personal information protection company for examination time at its standard rate.

(b) In addition to other powers conferred by this chapter, the Department shall have the authority to review records, conduct examinations, and require annual audits of a personal information protection company.

§ 2457. REPORTS; RULES

(a) The Department of Financial Regulation may prescribe by rule the timing and manner of reports by a personal information protection company to the Department.

(b) The Department may adopt rules to govern other aspects of the business of a personal information protection company, including its protection and safeguarding of personal information and its interaction with third parties with respect to personal information it holds.

Sec. 3. IMPLEMENTATION; REPORTS; RULES

On or before January 15, 2020, the Department of Financial Regulation shall submit to the House Committee on Commerce and Economic Development and the Senate Committee on Economic Development, Housing and General Affairs a progress report that addresses:

(1) the implementation of Sec. 2 of this act; and

(2) the status of rulemaking pursuant to its authority under 8 V.S.A. § 2457.

** * * Insurance and Banking Study * * **

Sec. 4. INSURANCE; BANKING; DFR STUDY; REPORT

(a) The Department of Financial Regulation shall review the potential application of blockchain technology to the provision of insurance and banking and consider areas for potential adoption and any necessary regulatory changes in Vermont.

(b) On or before January 15, 2019, the Department shall submit a report of its findings and recommendations to the House Committee on Commerce and Economic Development and the Senate Committee on Economic Development, Housing and General Affairs.

** * * FinTech Summit; Blockchain Promotion * * **

Sec. 5. FINTECH SUMMIT

The Agency of Commerce and Community Development, in collaboration with the Department of Financial Regulation, the University of Vermont and State Agricultural College, the Vermont State Colleges, Norwich University, Vermont Law School, the Agency of Education, and regional CTE centers, and in consultation with private sector practitioners, may organize and hold a FinTech Summit to:

(1) explore legal and regulatory mechanisms to promote the adoption of financial technology in State government;

(2) explore opportunities to promote financial technology and economic development in the private sector, including in the areas of banking, insurance, retail and service businesses, and cryptocurrency providers and proponents; and

(3) explore opportunities to integrate financial technology into secondary and postsecondary education in Vermont.

Sec. 6. BLOCKCHAIN AND FINANCIAL TECHNOLOGY PROMOTION

The Agency of Commerce and Community Development shall incorporate into one or more of its economic development marketing and business support programs, events, and activities the following topics:

(1) opportunities to promote blockchain technology and financial technology-related economic development in the private sector, including in the areas of banking, insurance, retail and service businesses, and cryptocurrency;

(2) legal and regulatory mechanisms that enable and promote the adoption of blockchain technology and financial technology in this State; and

(3) educational and workforce training opportunities in blockchain technology, financial technology, and related areas.

** * * Enabling Provisions; Blockchain-Based LLCs * * **

Sec. 7. 11 V.S.A. chapter 25, subchapter 12 is added to read:

Subchapter 12. Blockchain-Based Limited Liability Companies

§ 4171. DEFINITIONS

As used in this section:

(1) “Blockchain technology” has the same meaning as in 12 V.S.A. § 1913.

(2) “Participant” means:

(A) each person that has a partial or complete copy of the decentralized consensus ledger or database utilized by the blockchain technology, or otherwise participates in the validation processes of such ledger or database;

(B) each person in control of any digital asset native to the blockchain technology; and

(C) each person that makes a material contribution to the protocols.

(3) "Protocols" means the designated regulatory model of the software that governs the rules, operations, and communication between nodes on the network utilized by the participants.

(4) "Virtual currency" means a digital representation of value that:

(A) is used as a medium of exchange, unit of account, or store of value; and

(B) is not legal tender, whether or not denominated in legal tender.

§ 4172. ELECTION

A limited liability company organized pursuant to this title for the purpose of operating a business that utilizes blockchain technology for a material portion of its business activities may elect to be a blockchain-based limited liability company (BLLC) by:

(1) specifying in its articles of organization that it elects to be a BLLC; and

(2) meeting the requirements in subdivision 4173(2) and subsection 4174(a) of this title.

§ 4173. AUTHORITY; REQUIREMENTS

Notwithstanding any provision of this chapter to the contrary:

(1) A BLLC may provide for its governance, in whole or in part, through blockchain technology.

(2) The operating agreement for a BLLC shall:

(A) provide a summary description of the mission or purpose of the BLLC;

(B) specify whether the decentralized consensus ledger or database utilized or enabled by the BLLC will be fully decentralized or partially decentralized and whether such ledger or database will be fully or partially public or private, including the extent of participants' access to information and read and write permissions with respect to protocols;

(C) adopt voting procedures, which may include smart contracts carried out on the blockchain technology, to address:

(i) proposals from managers, members, or other groups of participants in the BLLC for upgrades or modifications to software systems or protocols, or both;

(ii) other proposed changes to the BLLC operating agreement;

or

(iii) any other matter of governance or activities within the purpose of the BLLC;

(D) adopt protocols to respond to system security breaches or other unauthorized actions that affect the integrity of the blockchain technology utilized by the BLLC;

(E) provide how a person becomes a member of the BLLC with an interest, which may be denominated in the form of units, shares of capital stock, or other forms of ownership or profit interests; and

(F) specify the rights and obligations of each group of participants within the BLLC, including which participants shall be entitled to the rights and obligations of members and managers.

§ 4174. MULTIPLE ROLES OF MEMBERS AND MANAGERS

(a) A member or manager of a BLLC may interact with the BLLC in multiple roles, including as a member, manager, developer, node, miner, or other participant in the BLLC, or as a trader and holder of the currency in its own account and for the account of others, provided such member or manager complies with any applicable fiduciary duties.

(b) The activities of a member or manager who interacts with the BLLC through multiple roles are not deemed to take place in this State solely because the BLLC is organized in this State.

§ 4175. CONSENSUS FORMATION ALGORITHMS AND GOVERNANCE PROCESSES

In its governance, a BLLC may:

(1) adopt any reasonable algorithmic means for accomplishing the consensus process for validating records, as well as requirements, processes, and procedures for conducting operations, or making organizational decisions on the blockchain technology used by the BLLC; and

(2) in accordance with any procedure specified pursuant to section 4173 of this title, modify the consensus process, requirements, processes, and

procedures, or substitute a new consensus process, requirements, processes, or procedures that comply with the requirements of law and the governance provisions of the BLLC.

§ 4176. SCOPE OF SUBCHAPTER; OTHER LAW

Except as expressly provided otherwise, this subchapter does not exempt a BLLC from any other judicial, statutory, or regulatory provision of Vermont law or federal law, including State and federal securities laws. Except to the extent inconsistent with the provisions of this subchapter, the provisions of the Vermont Limited Liability Company Act govern.

** * * Blockchain Technology in Public Records * * **

Sec. 8. PUBLIC RECORDS

On or before January 15, 2019, the Vermont State Archives and Records Administration, in collaboration with the Vermont League of Cities and Towns, the Vermont Municipal Clerks' and Treasurers' Association, and the Agency of Digital Services, shall:

(1) evaluate blockchain technology for the systematic and efficient management of public records in accordance with 1 V.S.A. § 317a and 3 V.S.A. § 117;

(2) recommend legislation, including uniform laws, necessary to support the possible use of blockchain technology for the recording of land records pursuant to 24 V.S.A. § 1154 and for other public records; and

(3) submit its findings and recommendations to the House Committee on Commerce and Economic Development; the Senate Committee on Economic Development, Housing and General Affairs; and the House and Senate Committees on Government Operations.

** * * Effective Date * * **

Sec. 9. EFFECTIVE DATE

This act shall take effect on July 1, 2018.