

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Commerce and Economic Development to which was
3 referred Senate Bill No. 269 entitled “An act relating to blockchain,
4 cryptocurrency, and financial technology” respectfully reports that it has
5 considered the same and recommends that the House propose to the Senate that
6 the bill be amended by striking out all after the enacting clause and inserting in
7 lieu thereof the following:

8 * * * Definition of Blockchain Technology * * *

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

10 § 1913. BLOCKCHAIN ENABLING

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

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

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

19 * * *

1 * * * Personal Information Trust Companies * * *

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

3 CHAPTER 78. PERSONAL INFORMATION TRUST COMPANIES

4 § 2451. DEFINITIONS

5 As used in this section:

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

10 (2) “Personal information trust **company**” means a person that:

11 (A) offers to the public by advertising, solicitation, or other means
12 that the person is available to hold personal information in trust as a fiduciary;

13 or

14 (B) holds personal information in trust as a fiduciary.

15 § 2452. PERSONAL INFORMATION AS THE SUBJECT OF A

16 FIDUCIARY RELATIONSHIP

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

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

1 (c) Personal information held pursuant to this section creates a personal
2 information trust.

3 (d)(1) A personal information trust company is subject to regulation under
4 this chapter to the extent it holds or offers to hold personal information in trust.

5 (2) A personal information trust company may also be subject to
6 regulation under other provisions of law to the extent it conducts trust activities
7 that are not limited to personal information.

8 § 2453. QUALIFIED PERSONAL INFORMATION TRUST COMPANY

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

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

15 (c) A personal information trust company shall:

16 (1) be organized or authorized to do business under the laws of this State
17 as a business corporation, a benefit corporation, a limited liability company, a
18 low profit limited liability company, a partnership, a limited partnership, a
19 nonprofit corporation, or a cooperative;

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

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

6 (4) annually hold at least one meeting of its governing body in this
7 State, at which meeting one or more members of the body are physically
8 present; and

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

14 § 2454. NAME; OFFICE

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

20 § 2455. CONDUCT OF BUSINESS

21 (a) A personal information trust company may:

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

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

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

11 (B) provide certification or validation concerning personal
12 information;

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

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

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

1 § 2456. REPORTS; FEES; AUTHORITY OF DEPARTMENT

2 (a) The Department of Financial Regulation [shall] [may] prescribe by rule
3 the timing and manner of reports by a personal information trust company to
4 the Department that shall reflect the approach mandated under section 2405 of
5 this title.

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

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

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

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

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

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

18 § 2457. RULES

19 The Department of Financial Regulation [shall] [may] adopt rules to govern
20 other aspects of the business of a personal information trust company.

1 including its protection and safeguarding of personal information and its
2 interaction with third parties with respect to personal information it holds.

3 Sec. 2. INSURANCE; **BANKING**; **MUNICIPAL RECORDS**; DFR STUDY;
4 REPORT

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

9 (b) The Department, in collaboration with the city of South Burlington,
10 shall review the city's blockchain technology pilot project for municipal
11 records and assess the potential for employing blockchain technology, as
12 defined in 12 V.S.A. § 1913, in other municipal or State government activities.

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

17 Sec. 3. FINTECH SUMMIT

18 The Agency of Commerce and Community Development, **in collaboration**
19 **with the Department of Financial Regulation, the University of Vermont and**
20 **State Agricultural College, the Vermont State Colleges, Norwich University,**
21 **Vermont Law School, the Agency of Education, and regional CTE centers, and**

1 ~~in consultation with private sector practitioners, shall organize and hold a~~
2 ~~FinTech Summit to~~ shall incorporate into one or more of its economic
3 ~~development and business support programs, events, and activities the~~
4 ~~following topics:~~

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

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

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

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

14 Sec. 4. 11 V.S.A. chapter 25, subchapter 12 is added to read:

15 Subchapter 12. Blockchain-Based Limited Liability Companies

16 § 4171. DEFINITIONS

17 As used in this section:

18 (1) “Blockchain technology” has the same meaning as in 12 V.S.A. §
19 1913.

20 (2) “Participant” means:

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

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

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

8 (3) “Protocols” mean the designated regulatory model of the software
9 that governs the rules, operations, and communication between nodes on the
10 network utilized by the Participants.

11 (4) “Virtual currency” means a digital representation of value that:

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

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

15 § 4172. ELECTION

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

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

21 and

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

3 § 4173. AUTHORITY; REQUIREMENTS

4 Notwithstanding any provision of this chapter to the contrary:

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

7 (2) The operating agreement for a BLLLC shall:

8 (A) provide a summary description of the mission or purpose of the
9 BLLLC;

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

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

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

20 (ii) other proposed changes to the BLLLC operating agreement; or

1 (iii) any other matter of governance or activities within the
2 purpose of the BLLLC;

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

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

9 (F) specify the rights and obligations of each group of participants
10 within the BLLLC, including which participants shall be entitled to the rights
11 and obligations of members and managers; and

12 (G) specify the scope and extent to which limited liability and agency
13 authority apply to any participants or group of participants involved in the
14 BLLLC.

15 § 4174. PRESENCE; DIGITAL BUSINESS ENTITY TAX EXEMPTION

16 (a) A BLLLC shall conduct some or all of its activities within this State.

17 (b) A BLLLC that qualifies as and elects to be taxed as a digital business
18 entity for the taxable year shall not be subject to the tax imposed by 32 V.S.A.
19 § 5832.

20 § 4175. MULTIPLE ROLES OF MEMBERS AND MANAGERS

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

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

9 § 4176. CONSENSUS FORMATION ALGORITHMS

10 In its governance, a BLLC may adopt any reasonable algorithmic means
11 for accomplishing the consensus process for validating records conducting
12 operations, or making organizational decisions on the blockchain technology
13 used by the BLLC, and may, in accordance with any procedure specified
14 pursuant to section 4173 of this title, provide for the modification of this
15 consensus process or the substitution of a new process that complies with the
16 requirements of law and the governance provisions of the BLLC.

17 § 4177. SCOPE OF SUBCHAPTER; OTHER LAW

18 Except as expressly provided otherwise, this subchapter does not exempt a
19 BLLC from any other judicial, statutory, or regulatory provision of Vermont
20 law or federal law, including State and federal securities laws. Except to the

1 extent inconsistent with the provisions of this subchapter, the provisions of the
2 Vermont Limited Liability Company Act govern.

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

4 Sec. 5. 3 V.S.A. § 218(f) is added to read:

5 (f) An agency or department may maintain records pursuant to this section
6 in an electronic or other medium, including with blockchain technology, as
7 defined in 12 V.S.A. § 1913.

8 Sec. 6. 24 V.S.A. § 1154(e) is added to read:

9 (e) A town clerk may maintain records pursuant to this section in an
10 electronic or other medium, including through technology that uses a
11 distributed, decentralized, shared, and replicated ledger.

12 Sec. 7. 24 V.S.A. § 1157 is amended to read:

13 § 1157. DUTIES OF TOWN CLERK AS TO CHATTEL MORTGAGES

14 A town clerk shall procure and keep a book of records for mortgages of
15 personal property and shall keep an alphabetical index of mortgagors and
16 mortgagees. The record and index shall be open to public inspection. The clerk
17 shall record in the book any mortgage, transfer, discharge, or officer's return of
18 sale upon any mortgage. Reference to the volume and page of the record of the
19 mortgage shall be made by the clerk upon the margin of the record of the
20 return, as well as reference on the margin of the record of the mortgage to the
21 volume and page of the record of the return. When requested, the clerk shall

1 give a certified copy thereof on payment of his or her fees as provided in 32
2 V.S.A. § 1671 and shall certify the time when the same is received and
3 recorded. Mortgages or deeds of trust conveying both real and personal
4 property shall be recorded only as real estate mortgages, but town clerks shall
5 include in their indices of mortgages of personal property a reference to the
6 record thereof. A copy of the personal mortgage, certified as a true and correct
7 copy by the recording clerk, may be pasted or otherwise permanently attached
8 in the record books, provided that space on the back of the sheet to be pasted is
9 allowed for pasting, and when so done the same shall be deemed to be legally
10 recorded, or if a person leaving the mortgage for record so desires, it shall be
11 copied into the records at length by the town clerk. A town clerk may maintain
12 records pursuant to this section in an electronic or other medium, including
13 through technology that uses a distributed, decentralized, shared, and
14 replicated ledger.

15 Sec. 8. 24 V.S.A. § 1161(a) is amended to read:

16 § 1161. GENERAL INDEX

17 (a)(1) A town clerk shall keep a general index of transactions affecting the
18 title to real estate wherein he or she shall enter in one column, in alphabetical
19 order, the name of the grantor to the grantee and, in a parallel column, the
20 name of the grantee from the grantor, of every deed, conveyance, mortgage,
21 lease, or other instrument affecting the title to real estate, and each writ of

1 attachment, notice of lien, or other instrument evidencing or giving notice of
2 an encumbrance on real estate which is filed or recorded in the town clerk's
3 office, with the name of the book, volume, or other manner of recording and
4 the page of record in the following form:

| 6 | Book | Grantor | Page | Book | Grantee | Page |
|----|------|----------|------|------|------------|------|
| 7 | | to | | | from | |
| 8 | | Grantee | | | Grantor | |
| 9 | 1 | A. to B. | 1 | 1 | B. from A. | 1 |
| 10 | Book | Grantor | Page | Book | Grantee | Page |
| 11 | | to | | | from | |
| 12 | | Grantee | | | Grantor | |
| 13 | 1 | A. to B. | 1 | 1 | B. from A. | 1 |

15
16 (2) If the instrument is executed on behalf of or to convey the interest of
17 another party, the same shall be indexed in the name of the other party as
18 grantor. In case the instrument is executed by more than one grantor and to
19 more than one grantee, the name of each grantor and each grantee shall be
20 indexed. When the party is a natural person the name shall be indexed under
21 the first letter of such person's surname, and when the party is a corporation

1 the name shall be indexed under the first letter of the first word of its name
2 disregarding articles and initials. For purposes of this section, a defendant
3 against whose property a writ of attachment is filed or a person against whose
4 property a lien is asserted, shall be considered a grantor, and a plaintiff filing a
5 writ, or a person asserting a lien shall be considered a grantee. The general
6 index may be kept electronically, including through technology that uses a
7 distributed, decentralized, shared, and replicated ledger.

8 Sec. 9. 24 V.S.A. § 1163 is amended to read:

9 § 1163. INDEX OF ATTACHMENTS

10 A town clerk shall keep a book in which shall be alphabetically indexed all
11 attachments of personal property lodged in his or her office. Such index shall
12 show the names of the parties to the action in which the attachment is made,
13 the court and date of the court to which the attachment is returnable, and the
14 amount of debt or damages claimed in the writ. The clerk may keep the index
15 electronically, including through technology that uses a distributed,
16 decentralized, shared, and replicated ledger.

17 * * * Uniform Electronic Transactions Act * * *

18 Sec. 10. 9 V.S.A. § 271 is amended to read:

19 § 271. DEFINITIONS

20 For purposes of this chapter:

21 * * *

1 (2) “Automated transaction” means a transaction conducted or
2 performed, in whole or in part, by electronic means or electronic records,
3 including a transaction that uses blockchain technology, as defined in 12
4 V.S.A. § 1913, in which the acts or records of one or both parties are not
5 reviewed by an individual in the ordinary course in forming a contract,
6 performing under an existing contract, or fulfilling an obligation required by
7 the transaction.

8 * * *

9 (8) “Electronic record” means a record created, generated, sent,
10 communicated, received, or stored by electronic means, including with
11 blockchain technology, as defined in 12 V.S.A. § 1913.

12 * * *

13 (14) “Record” means information that is inscribed on a tangible medium
14 or that is stored in an electronic or other medium, including with blockchain
15 technology, as defined in 12 V.S.A. § 1913, and is retrievable in perceivable
16 form.

17 * * *

18 * * * Effective Date * * *

19 Sec. 6. EFFECTIVE DATE

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

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(Committee vote: _____)

Representative _____

FOR THE COMMITTEE