

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 \* \* \* Personal Information Trust Companies \* \* \*

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

10 CHAPTER 78. PERSONAL INFORMATION TRUST COMPANIES

11 § 2451. DEFINITIONS

12 As used in this section:

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

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

20 § 2452. PERSONAL INFORMATION AS THE SUBJECT OF A

21 FIDUCIARY RELATIONSHIP

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

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

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

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 under the laws of this State as a business corporation, a  
17       benefit corporation, a limited liability company, a low-profit limited liability  
18       company, a partnership, a limited partnership, a nonprofit corporation, or a  
19       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; and

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

8           § 2454. NAME; OFFICE

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

14           § 2455. CONDUCT OF BUSINESS

15           (a) A personal information trust company may:

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

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

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

7           (B) provide certification or validation concerning personal  
8           information;

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

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

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

17           § 2456. REPORTS; FEES; AUTHORITY OF DEPARTMENT

18           (a) The Department of Financial Regulation shall prescribe by rule the  
19           timing and manner of reports by a personal identity trust company to the  
20           Department that shall reflect the approach mandated under section 2405 of this  
21           title.

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

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

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

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

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

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

13       § 2457. RULES

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

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

19                (a) The Department of Financial Regulation shall review the potential  
20       application of blockchain technology to the provision of insurance and e-

1 banking and consider areas for potential adoption of a comparable program or  
2 regulatory changes within Vermont.

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

7 Sec. 3. FINTECH SUMMIT

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

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

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

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

1           \* \* \* Enabling Provisions for FinTech and Blockchain Approaches \* \* \*

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

3                     Subchapter 12. Blockchain-Based Limited Liability Companies

4           § 4171. DEFINITIONS

5                     As used in this section:

6                     (1) “Blockchain technology” means a computer network, software,  
7                     application, digital platform or other technology utilizing or enabling  
8                     mathematically secured, chronological, and decentralized consensus ledger or  
9                     decentralized consensus database, whether maintained via Internet interaction,  
10                    peer-to-peer network, or otherwise.

11                    (2) “Participant” means:

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

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

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

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

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

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

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

5           § 4172. ELECTION

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

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

12           (2) meeting the requirements in subdivision 4173(2) and subsection  
13 4174(a) of this title.

14           § 4173. AUTHORITY; REQUIREMENTS

15           Notwithstanding any provision of this chapter to the contrary:

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

18           (2) The operating agreement for a BLLC shall:

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



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

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

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

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

12                   (iii) any other matter of governance or activities within the  
13                  purpose of the BLLLC;

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

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

1           (F) specify the rights and obligations of each group of participants  
2           within the BBLLC, including which participants shall be entitled to the rights  
3           and obligations of members and managers; and

4           (G) specify the scope and extent to which limited liability and agency  
5           authority apply to any participants or group of participants involved in the  
6           BBLLC.

7           § 4174. PRESENCE; DIGITAL BUSINESS ENTITY TAX EXEMPTION

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

9           (b) A BBLLC that qualifies as and elects to be taxed as a digital business  
10           entity for the taxable year shall not be subject to the tax imposed by 32 V.S.A.  
11           § 5832.

12           § 4175. MULTIPLE ROLES OF MEMBERS AND MANAGERS

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

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

21           § 4176. CONSENSUS FORMATION ALGORITHMS

1        In its governance, a BLLLC may adopt any reasonable algorithmic means  
2        for accomplishing the consensus process for validating records conducting  
3        operations, or making organizational decisions on the blockchain technology  
4        used by the BLLLC, and may, in accordance with any procedure specified  
5        pursuant to section 4173 of this title, provide for the modification of this  
6        consensus process or the substitution of a new process that complies with the  
7        requirements of law and the governance provisions of the BLLLC.

8        § 4177. SCOPE OF SUBCHAPTER; OTHER LAW

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

14       \* \* \* Authorizing Blockchain Technology in Public Records \* \* \*

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

16       (f) An agency or department may maintain records pursuant to this section  
17       in an electronic or other medium, including through technology that uses a  
18       distributed, decentralized, shared, and replicated ledger.

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

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

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

5       § 1157. DUTIES OF TOWN CLERK AS TO CHATTEL MORTGAGES

6       A town clerk shall procure and keep a book of records for mortgages of  
7       personal property and shall keep an alphabetical index of mortgagors and  
8       mortgagees. The record and index shall be open to public inspection. The clerk  
9       shall record in the book any mortgage, transfer, discharge, or officer's return of  
10      sale upon any mortgage. Reference to the volume and page of the record of the  
11      mortgage shall be made by the clerk upon the margin of the record of the  
12      return, as well as reference on the margin of the record of the mortgage to the  
13      volume and page of the record of the return. When requested, the clerk shall  
14      give a certified copy thereof on payment of his or her fees as provided in 32  
15      V.S.A. § 1671 and shall certify the time when the same is received and  
16      recorded. Mortgages or deeds of trust conveying both real and personal  
17      property shall be recorded only as real estate mortgages, but town clerks shall  
18      include in their indices of mortgages of personal property a reference to the  
19      record thereof. A copy of the personal mortgage, certified as a true and correct  
20      copy by the recording clerk, may be pasted or otherwise permanently attached  
21      in the record books, provided that space on the back of the sheet to be pasted is

1 allowed for pasting, and when so done the same shall be deemed to be legally  
2 recorded, or if a person leaving the mortgage for record so desires, it shall be  
3 copied into the records at length by the town clerk. A town clerk may maintain  
4 records pursuant to this section in an electronic or other medium, including  
5 through technology that uses a distributed, decentralized, shared, and  
6 replicated ledger.

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

8 § 1161. GENERAL INDEX

9 (a)(1) A town clerk shall keep a general index of transactions affecting the  
10 title to real estate wherein he or she shall enter in one column, in alphabetical  
11 order, the name of the grantor to the grantee and, in a parallel column, the  
12 name of the grantee from the grantor, of every deed, conveyance, mortgage,  
13 lease, or other instrument affecting the title to real estate, and each writ of  
14 attachment, notice of lien, or other instrument evidencing or giving notice of  
15 an encumbrance on real estate which is filed or recorded in the town clerk’s  
16 office, with the name of the book, volume, or other manner of recording and  
17 the page of record in the following form:

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18						
19	Book	Grantor	Page	Book	Grantee	Page
20		to			from	
21		Grantee			Grantor	

1	1	A. to B.	1	1	B. from A.	1
2	Book	Grantor	Page	Book	Grantee	Page
3		to			from	
4		Grantee			Grantor	
5	1	A. to B.	1	1	B. from A.	1

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7

8 (2) If the instrument is executed on behalf of or to convey the interest of  
9 another party, the same shall be indexed in the name of the other party as  
10 grantor. In case the instrument is executed by more than one grantor and to  
11 more than one grantee, the name of each grantor and each grantee shall be  
12 indexed. When the party is a natural person the name shall be indexed under  
13 the first letter of such person's surname, and when the party is a corporation  
14 the name shall be indexed under the first letter of the first word of its name  
15 disregarding articles and initials. For purposes of this section, a defendant  
16 against whose property a writ of attachment is filed or a person against whose  
17 property a lien is asserted, shall be considered a grantor, and a plaintiff filing a  
18 writ, or a person asserting a lien shall be considered a grantee. The general  
19 index may be kept electronically, including through technology that uses a  
20 distributed, decentralized, shared, and replicated ledger.

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

1 § 1163. INDEX OF ATTACHMENTS

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

9 \* \* \* Uniform Electronic Transactions Act \* \* \*

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

11 § 271. DEFINITIONS

12 For purposes of this chapter:

13 \* \* \*

14 (2) “Automated transaction” means a transaction conducted or  
15 performed, in whole or in part, by electronic means or electronic records,  
16 including a transaction that uses a distributed, decentralized, shared, and  
17 replicated ledger, in which the acts or records of one or both parties are not  
18 reviewed by an individual in the ordinary course in forming a contract,  
19 performing under an existing contract, or fulfilling an obligation required by  
20 the transaction.

21 \* \* \*

1 (8) “Electronic record” means a record created, generated, sent,  
2 communicated, received, or stored by electronic means, including through  
3 technology that uses a distributed, decentralized, shared, and replicated ledger.

4 \* \* \*

5 (14) “Record” means information that is inscribed on a tangible medium  
6 or that is stored in an electronic or other medium, including an electronic  
7 medium that uses a distributed, decentralized, shared, and replicated ledger,  
8 and is retrievable in perceivable form.

9 \* \* \*

10 \* \* \* Effective Date \* \* \*

11 Sec. 11. EFFECTIVE DATE

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

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21

(Committee vote: \_\_\_\_\_)

\_\_\_\_\_

Representative \_\_\_\_\_

FOR THE COMMITTEE