

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 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 Protection Companies * * *

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

3 CHAPTER 78. PERSONAL INFORMATION PROTECTION 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, biometric records, government
9 identification designations, and personal, educational, and financial histories.

10 (2) “Personal information protection company” means a business that is
11 organized for the primary purpose of providing personal information protection
12 services to individual consumers.

13 (3) “Personal information protection services” means:

14 (A) receiving, holding, and managing the disclosure or use of
15 personal information concerning an individual consumer;

16 (B) pursuant to a written agreement that specifies the types of
17 personal information to be held, and the scope of services to be provided, on
18 behalf of the consumer; and

19 (C) in the best interest, and for the protection and benefit, of the
20 consumer.

21 § 2452. PERSONAL INFORMATION AS THE SUBJECT OF A

1 FIDUCIARY RELATIONSHIP

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

6 § 2453. QUALIFIED PERSONAL INFORMATION PROTECTION

7 COMPANY

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

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

14 (c) A personal information protection company shall:

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

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

18 (3) appoint a registered agent to accept service of process and to
19 otherwise act on its behalf in this State, provided that whenever the registered
20 agent cannot with reasonable diligence be found at the Vermont registered

1 office of the company, the Secretary of State shall be an agent of the company
2 upon whom any process, notice, or demand may be served;

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

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

11 § 2454. NAME; OFFICE

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

17 § 2455. CONDUCT OF BUSINESS

18 (a) A personal information protection company may:

19 (1) operate through remote interaction with the individuals entrusting
20 personal information to the company, and there shall be no requirement of

1 Vermont residency or other contact for any such individual to establish such a
2 relationship with the company; and

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

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

9 (B) provide certification or validation concerning personal
10 information;

11 (C) receive compensation for acting in these capacities.

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

16 § 2456. FEES; AUTHORITY OF DEPARTMENT

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

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

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

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

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

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

7 § 2457. REPORTS; RULES

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

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

15 Sec. 3. INSURANCE; 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 banking
18 and consider areas for potential adoption and any necessary regulatory changes
19 in 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. 4. BLOCKCHAIN AND FINANCIAL TECHNOLOGY PROMOTION

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

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

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

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

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

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

17 Subchapter 12. Blockchain-Based Limited Liability Companies

18 § 4171. DEFINITIONS

19 As used in this section:

20 (1) “Blockchain technology” has the same meaning as in 12 V.S.A. §
21 1913.

1 (2) “Participant” means:

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

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

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

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

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

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

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

16 § 4172. ELECTION

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

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

2 and

3 (2) meeting the requirements in subdivision 4173(2) and subsection
4 4174(a) of this title.

5 § 4173. AUTHORITY; REQUIREMENTS

6 Notwithstanding any provision of this chapter to the contrary:

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

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

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

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

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

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

1 (ii) other proposed changes to the BBLLC operating agreement; or
2 (iii) any other matter of governance or activities within the
3 purpose of the BBLLC;

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

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

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

13 § 4174. PRESENCE; DIGITAL BUSINESS ENTITY TAX EXEMPTION

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

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

18 § 4175. MULTIPLE ROLES OF MEMBERS AND MANAGERS

19 (a) A member or manager of a BBLLC may interact with the BBLLC in
20 multiple roles, including as a member, manager, developer, node, miner, or
21 other participant in the BBLLC, or as a trader and holder of the currency in its

1 own account and for the account of others, provided such member or manager
2 complies with any applicable fiduciary duties.

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

6 § 4176. CONSENSUS FORMATION ALGORITHMS AND

7 GOVERNANCE PROCESSES

8 In its governance, a BLLC may:

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

13 (2) in accordance with any procedure specified pursuant to section 4173
14 of this title, modify the consensus process, requirements, processes, and
15 procedures, or substitute a new consensus process, requirements, processes, or
16 procedures that comply with the requirements of law and the governance
17 provisions of the BLLC.

18 § 4177. SCOPE OF SUBCHAPTER; OTHER LAW

19 Except as expressly provided otherwise, this subchapter does not exempt a
20 BLLC from any other judicial, statutory, or regulatory provision of Vermont
21 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. PUBLIC RECORDS

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

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

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

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

19 * * * Effective Date * * *

20 Sec. 6. EFFECTIVE DATE

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

1 and that after passage the title of the bill be amended to read: “An act
2 relating to blockchain business development”

3

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5

6

7 (Committee vote: _____)

8

9

Representative _____

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FOR THE COMMITTEE