

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 **company**” means a person that:

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

20 **or**

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

1 § 2452. PERSONAL INFORMATION AS THE SUBJECT OF A

2 FIDUCIARY RELATIONSHIP

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

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

8 (c) Personal information held pursuant to this section creates a personal
9 information trust.

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

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

15 § 2453. QUALIFIED PERSONAL INFORMATION TRUST COMPANY

16 (a) The trustee of a personal information 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 information trust
20 company in this State without first obtaining a certificate of authority from the
21 Department.

1 (c) A personal information trust company shall:

2 (1) be organized or authorized to do business under the laws of this State
3 as a business corporation, a benefit corporation, a limited liability company, a
4 low-profit limited liability company, a partnership, a limited partnership, a
5 nonprofit corporation, or a cooperative;

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

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

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

15 (5) develop, implement, and maintain a comprehensive information
16 security program that:

17 (A) contains administrative, technical, and physical safeguards
18 sufficient to protect personal information; and

19 (B) may include the use of a mathematically secured, chronological,
20 and decentralized consensus ledger or database, whether maintained via
21 Internet interaction, peer-to-peer network, or otherwise, to conduct its business.

1 § 2454. NAME; OFFICE

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

7 § 2455. CONDUCT OF BUSINESS

8 (a) A personal information trust company may:

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

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

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

19 (B) provide certification or validation concerning personal
20 information;

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

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

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

8 § 2456. REPORTS; FEES; AUTHORITY OF DEPARTMENT

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

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

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

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

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

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

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

5 § 2457. RULES

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

10 Sec. 2. INSURANCE; BANKING; DFR STUDY; REPORT

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

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

19 Sec. 3. FINTECH SUMMIT

20 The Agency of Commerce and Community Development, in collaboration
21 with the Department of Financial Regulation, the University of Vermont and

1 ~~State Agricultural College, the Vermont State Colleges, Norwich University,~~
2 ~~Vermont Law School, the Agency of Education, and regional CTE centers, and~~
3 ~~in consultation with private sector practitioners, shall organize and hold a~~
4 ~~FinTech Summit to~~ shall incorporate into one or more of its economic
5 ~~development and business support programs, events, and activities the~~
6 ~~following topics:~~

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

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

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

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” means a computer network, software,
21 application, digital platform or other technology utilizing or enabling

1 mathematically secured, chronological, and decentralized consensus ledger or
2 decentralized consensus database, whether maintained via Internet interaction,
3 peer-to-peer network, or otherwise.

4 (2) “Participant” means:

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

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

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

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

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

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

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

19 § 4172. ELECTION

20 A limited liability company organized pursuant to this title for the purpose
21 of operating a business that utilizes blockchain technology for a material

1 portion of its business activities may elect to be a blockchain-based limited
2 liability company (BLLC) by:

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

4 and

5 (2) meeting the requirements in subdivision 4173(2) and subsection
6 4174(a) of this title.

7 § 4173. AUTHORITY; REQUIREMENTS

8 Notwithstanding any provision of this chapter to the contrary:

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

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

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

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

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

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

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

5 (iii) any other matter of governance or activities within the
6 purpose of the BLLLC;

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

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

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

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

19 § 4174. PRESENCE; DIGITAL BUSINESS ENTITY TAX EXEMPTION

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

1 (b) A BLLC that qualifies as and elects to be taxed as a digital business
2 entity for the taxable year shall not be subject to the tax imposed by 32 V.S.A.
3 § 5832.

4 § 4175. MULTIPLE ROLES OF MEMBERS AND MANAGERS

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

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

13 § 4176. CONSENSUS FORMATION ALGORITHMS

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

1 § 4177. SCOPE OF SUBCHAPTER; OTHER LAW

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

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

8 Sec. 5. BLOCKCHAIN TECHNOLOGY; MUNICIPAL GOVERNMENT

9 * * * Effective Date * * *

10 Sec. 6. EFFECTIVE DATE

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

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16

17 (Committee vote: _____)

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Representative _____

FOR THE COMMITTEE