

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) “Act as a fiduciary” or “acting as a fiduciary” means to receive the
7 personal information of a consumer and provide services in the best interest of
8 the consumer concerning his or her personal information in the capacity of a
9 trustee pursuant to a written agreement.

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

14 (3) “Personal information trust company” means a person that in the
15 regular course of his or her primary business or trade:

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

19 (B) holds personal information in trust when acting 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 provisions 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 chapter creates a personal
7 information trust.

8 (d)(1) A personal information trust company is subject to regulation under
9 this chapter to the extent it is acting as a fiduciary, as defined in section 2451
10 of this title.

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

14 § 2453. QUALIFIED PERSONAL INFORMATION TRUST COMPANY

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

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

21 (c) A personal information trust company shall:

- 1 (1) be organized or authorized to do business under the laws of this
2 State;
- 3 (2) maintain a place of business in this State;
- 4 (3) appoint a registered agent to accept service of process and to
5 otherwise act on its behalf in this State, provided that whenever the registered
6 agent cannot with reasonable diligence be found at the Vermont registered
7 office of the company, the Secretary of State shall be an agent of the company
8 upon whom any process, notice, or demand may be served;
- 9 (4) annually hold at least one meeting of its governing body in this
10 State, at which meeting one or more members of the body are physically
11 present; and
- 12 (5) develop, implement, and maintain a comprehensive information
13 security program that contains administrative, technical, and physical
14 safeguards sufficient to protect personal information, and which may include
15 the use of blockchain technology, as defined in 12 V.S.A. § 1913, in some or
16 all of its business activities.

17 § 2454. NAME; OFFICE

18 A personal information trust company shall file with the Department of
19 Financial Regulation the name it proposes to use in connection with its
20 business, which the Department shall not approve if it determines that the

1 name may be misleading, likely to confuse the public, or deceptively similar to
2 any other business name in use in this State.

3 § 2455. CONDUCT OF BUSINESS

4 (a) A personal information trust company may:

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

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

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

15 (B) provide certification or validation concerning personal
16 information;

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

18 (b) An authorization to provide personal information may be either
19 particular or general, provided it meets the terms of any agreement with the
20 individual involved and any rules adopted by the Department of Financial
21 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 shall incorporate
19 into one or more of its economic development and business support programs,
20 events, and activities the following topics:

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

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

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

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

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

11 Subchapter 12. Blockchain-Based Limited Liability Companies

12 § 4171. DEFINITIONS

13 As used in this section:

14 (1) “Blockchain technology” has the same meaning as in 12 V.S.A. §
15 1913.

16 (2) “Participant” means:

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

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

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

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

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

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

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

11 § 4172. ELECTION

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

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

17 and

18 (2) meeting the requirements in subdivision 4173(2) and subsection
19 4174(a) of this title.

20 § 4173. AUTHORITY; REQUIREMENTS

21 Notwithstanding any provision of this chapter to the contrary:

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

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

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

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

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

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

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

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

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

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

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

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

10 § 4174. PRESENCE; DIGITAL BUSINESS ENTITY TAX EXEMPTION

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

12 (b) A BBLLC that qualifies as and elects to be taxed as a digital business
13 entity for the taxable year shall not be subject to the tax imposed by 32 V.S.A.
14 § 5832.

15 § 4175. MULTIPLE ROLES OF MEMBERS AND MANAGERS

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

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

4 § 4176. CONSENSUS FORMATION ALGORITHMS

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

12 § 4177. SCOPE OF SUBCHAPTER; OTHER LAW

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

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

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

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

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

5 (e) A town clerk may maintain records pursuant to this section in an
6 electronic or other medium.

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

8 § 1157. DUTIES OF TOWN CLERK AS TO CHATTEL MORTGAGES

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

1 record thereof. A copy of the personal mortgage, certified as a true and correct
2 copy by the recording clerk, may be pasted or otherwise permanently attached
3 in the record books, provided that space on the back of the sheet to be pasted is
4 allowed for pasting, and when so done the same shall be deemed to be legally
5 recorded, or if a person leaving the mortgage for record so desires, it shall be
6 copied into the records at length by the town clerk. A town clerk may maintain
7 records pursuant to this section in an electronic or other medium.

8 Sec. 8. 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.

16 * * * Uniform Electronic Transactions Act * * *

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

18 § 271. DEFINITIONS

19 For purposes of this chapter:

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(Committee vote: _____)

Representative _____

FOR THE COMMITTEE