

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 (A) offers to the public by advertising, solicitation, or other means
2 that the person is available to provide services as a trustee of a personal
3 information trust; or
4 (B) provides services as a trustee of a personal information trust.

5 § 2452. PERSONAL INFORMATION AS THE SUBJECT OF A
6 FIDUCIARY RELATIONSHIP

7 (a) Personal information may be held under a trust relationship in
8 accordance with the provisions of this chapter.

9 (b) Personal information held pursuant to this chapter creates a personal
10 information trust.

11 (c) A person who holds personal information under a trust relationship has
12 a fiduciary responsibility to the individual whose identity is in question over
13 the maintenance and release of personal information.

14 § 2453. QUALIFIED PERSONAL INFORMATION TRUST COMPANY

15 (a) A personal information trust company 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. FEES; AUTHORITY OF DEPARTMENT

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

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

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

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

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

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

14 § 2457. REPORTS; RULES

15 (a) The Department of Financial Regulation may prescribe by rule the
16 timing and manner of reports by a personal information trust company to the
17 Department that shall reflect the approach mandated under section 2405 of this
18 title.

19 (b) The Department of Financial Regulation 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. 3. 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 Vermont League of Cities
10 and Towns, shall:

11 (1) review the experience of municipal or State authorities with the use
12 of blockchain technology for public records; and

13 (2) provide educational resources, and explore opportunities, for
14 employing blockchain technology in municipal or State government activities.

15 (c) 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.

1 **Sec. 4. BLOCKCHAIN AND FINANCIAL TECHNOLOGY PROMOTION**

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

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

9 (2) legal and regulatory mechanisms that enable and promote the
10 adoption of financial technology in this State; and

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

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 BLLC;

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 BLLC;

6 (E) provide how a person becomes a member of the BLLC 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; and

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

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 BLLC.

15 § 4174. PRESENCE; DIGITAL BUSINESS ENTITY TAX EXEMPTION

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

17 (b) A BLLC 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:

11 (1) adopt any reasonable algorithmic means for accomplishing the
12 consensus process for validating records, conducting operations, or making
13 organizational decisions on the blockchain technology used by the BLLC;
14 and

15 (2) in accordance with any procedure specified pursuant to section 4173
16 of this title, modify the consensus process or the substitution of a new process
17 that complies with the requirements of law and the governance provisions of
18 the BLLC.

19 § 4177. SCOPE OF SUBCHAPTER; OTHER LAW

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

1 law or federal law, including State and federal securities laws. Except to the
2 extent inconsistent with the provisions of this subchapter, the provisions of the
3 Vermont Limited Liability Company Act govern.

4 * * * Blockchain Technology in Public Records * * *

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

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

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

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

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.

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

14 § 1163. INDEX OF ATTACHMENTS

15 A town clerk shall keep a book in which shall be alphabetically indexed all
16 attachments of personal property lodged in his or her office. Such index shall
17 show the names of the parties to the action in which the attachment is made,
18 the court and date of the court to which the attachment is returnable, and the
19 amount of debt or damages claimed in the writ. The clerk may keep the index
20 electronically.

21 * * * Uniform Electronic Transactions Act * * *

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

2 § 271. DEFINITIONS

3 For purposes of this chapter:

4 * * *

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

12 * * *

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

16 * * *

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

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* * * Effective Date * * *

Sec. 10. EFFECTIVE DATE

This act shall take effect on July 1, 2018.

(Committee vote: _____)

Representative _____

FOR THE COMMITTEE