



Testimony on S.269 - An act relating to blockchain, cryptocurrency, and financial technology

House Commerce and Economic Development Committee - March 28, 2018

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As a business association focused on the growth of the state's tech business sector, we support legislation that promotes and encourages businesses engaged in blockchain and other financial technologies to do business in Vermont.

Vermont has an opportunity to be a leader in attracting emerging businesses working with blockchain technology and in the Financial Tech (FinTech) field in general.

Vermont could establish itself as a home for new financial technology businesses and operations, much as it did for captive insurance businesses 35 years ago.

Blockchain is a growing financial tech application.

Leaders of many major banking and investment firms see the technology as a possible transformative advancement for business transactions and sharing information digitally.

The blockchain ecosystem had an estimated market value of \$209 billion at the end of last year. Among the potential benefits:

- Financial transactions that take seconds instead of days to process.
- Increased security from fraud for both businesses and consumers.

The fact that IBM has blockchain technology as a key element of its business, tells you there is something there. IBM CEO Ginny Rometty said that Blockchain will do for trusted transactions what the Internet did for communications.

A blockchain-based tech sector will likely lead to the creation of new businesses to develop blockchain-based technologies and workers with the skills to develop those technologies – I'd like to have as many as possible in Vermont.

Vermont has an opportunity to be a welcoming and preferred location for blockchain and related financial technology businesses.

In addition, creating an environment that encourages and welcomes FinTech businesses can be an economic development marketing tool, positioning Vermont as a place for innovation, and potentially attract businesses in other tech areas.

Vermont's openness to blockchain attracted the startup Propy to launch a pilot project to use the technology to record real estate transactions in South Burlington. And I have been told by some of our members from the legal community that there are other businesses interested in blockchain opportunities in Vermont.

I believe the benefits will come to states that act first. And other states are actively looking at this, including Wyoming, Arizona, Colorado and Delaware.

S.269

In regards to S.269, I support the proposal made by the Vermont Bar Association for the bill to include three provisions.

1. The first is the provision to create a "digital currency limited liability corporation" (LLC) in Vermont.

Right now, blockchain companies operate in somewhat of a gray area in terms of business structure. In the U.S., the default association of two or more persons who operate as co-owners of a for-profit business is a general partnership. That could leave the multiple participants in a blockchain enterprise with no liability protection in case the company is sued. An LLC would enable a corporate structure where individuals would not be held personally liable.

The point is for Vermont to roll out the welcome mat for blockchain businesses. Setting up a subcategory LLC for blockchain does that and could serve to attract those businesses to Vermont.

2. The second is a provision to establish personal information trust companies. This provides an opportunity to create new types of blockchain businesses in Vermont that can serve as third parties for handling and safeguarding personal information in trust as a fiduciary.

For example, when you make a purchase online, the retailer is responsible for protecting the personal and financial information you provide. A personal information trust can be the safer, middleman business offering greater protection for the retailer – who may be concerned about being hacked – and the consumer, who wants their personal information kept safe.

3. The third item is to create a financial technology, or FinTech summit in Vermont.

We support the goals of the summit, but whether it happens should depend on the organizers having the financial and staffing support to organize it.

I would also prefer a summit that could draw national attention and attendees to Vermont. In particular if we initiate the other elements in the bill, it could be an effective forum for marketing Vermont to prospective businesses.

In summary, Vermont can and should move to establish itself as the preferred location for blockchain and related financial technology business.