SENATE FILE 137

BY LOFGREN

A BILL FOR

1 An Act relating to electronic transactions by permitting the
2   use of distributed ledger technology and smart contracts.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1   Section 1. Section 554D.103, Code 2019, is amended by adding
2 the following new subsections:
3   NEW SUBSECTION. 4A. *"Distributed ledger technology"* means
4 an electronic record of transactions or other data to which all
5 of the following apply:
6   *a.* The electronic record is uniformly ordered.
7   *b.* The electronic record is redundantly maintained or
8 processed by one or more computers or machines to guarantee the
9 consistency or nonrepudiation of the recorded transactions or
10 other data.
11   *c.* The electronic record is validated by the use of
12 cryptography.
13   NEW SUBSECTION. 14A. *"Smart contract"* means an event-driven
14 program or computerized transaction protocol that runs on a
15 distributed, decentralized, shared, and replicated ledger that
16 executes the terms of a contract by taking custody over and
17 instructing transfer of assets on the ledger.
18   Sec. 2. Section 554D.103, subsections 4, 7, and 8, Code
19 2019, are amended to read as follows:
20   4. *"Contract"* means the total legal obligation resulting
21 from the parties' agreement as affected by this chapter and
22 other applicable law. *"Contract"* includes any contract secured
23 through distributed ledger technology and a smart contract as
24 defined in subsection 14A.
25   7. *"Electronic record"* means a record created, generated,
26 sent, communicated, received, or stored by electronic means.
27 *"Electronic record"* includes any record secured through
28 distributed ledger technology.
29   8. *"Electronic signature"* means an electronic sound, symbol,
30 or process attached to or logically associated with a record
31 and executed or adopted by a person with the intent to sign the
32 record. *"Electronic signature"* includes a signature that is
33 secured through distributed ledger technology.
34   Sec. 3. NEW SECTION. **554D.106A Use of distributed ledger**
35 **technology.**

1 A person who, in engaging in or affecting interstate or
2 foreign commerce, uses distributed ledger technology to secure
3 information that the person owns or has the right to use
4 retains the same rights of ownership or use with respect to
5 such information as before the person secured the information
6 using distributed ledger technology. This section does not
7 apply to the use of distributed ledger technology to secure
8 information in connection with a transaction to the extent that
9 the terms of the transaction expressly provide for the transfer
10 of rights of ownership or use with respect to such information.
11 Sec. 4. Section 554D.108, subsection 2, Code 2019, is
12 amended to read as follows:
13 2. A contract shall not be denied legal effect or
14 enforceability solely because an electronic record was used in
15 its formation or because the contract is a smart contract or
16 contains a smart contract provision.
17 EXPLANATION

18 **The inclusion of this explanation does not constitute agreement with**
19 **the explanation's substance by the members of the general assembly.**

20 Code chapter 554D, the uniform electronic transactions Act,
21 facilitates the use of electronic transactions in commerce by
22 giving legal recognition to electronic records, signatures, and
23 contracts. This bill modifies the Code chapter by permitting
24 the use of distributed ledger technology and smart contracts in
25 electronic transactions.
26 The bill defines "distributed ledger technology" as an
27 electronic record of transactions or other data that is
28 uniformly ordered, redundantly maintained or processed by one
29 or more computers or machines to guarantee the consistency or
30 nonrepudiation of the recorded transactions or other data, and
31 is validated by the use of cryptography. The bill defines
32 "smart contract" as an event-driven program or computerized
33 transaction protocol that runs on a distributed, decentralized,
34 shared, and replicated ledger that executes the terms of a
35 contract by taking custody over and instructing transfer of

1 assets on the ledger.
2   The bill adds contracts secured through distributed ledger
3 technology and smart contracts to the definition of "contract".
4 The bill adds records secured through distributed ledger
5 technology to the definition of "electronic record". The bill
6 adds signatures that are secured through distributed ledger
7 technology to the definition of "electronic signature".
8   The bill provides that a person who, in engaging in or
9 affecting interstate or foreign commerce, uses distributed
10 ledger technology to secure information that the person owns
11 or has the right to use retains the same rights of ownership
12 or use with respect to such information as before the person
13 secured the information using distributed ledger technology,
14 unless in connection with a transaction with terms that
15 expressly provide for the transfer of rights of ownership or
16 use with respect to such information.
17   The bill provides that a contract shall not be denied legal
18 effect or enforceability solely because the contract is a smart
19 contract or contains a smart contract provision.