A BILL FOR

1 An Act relating to electronic transactions by permitting the use of distributed ledger technology and smart contracts.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
Section 1. Section 554D.103, Code 2019, is amended by adding the following new subsections:

NEW SUBSECTION. 4A. "Distributed ledger technology" means an electronic record of transactions or other data to which all of the following apply:

a. The electronic record is uniformly ordered.
b. The electronic record is redundantly maintained or processed by one or more computers or machines to guarantee the consistency or nonrepudiation of the recorded transactions or other data.
c. The electronic record is validated by the use of cryptography.

NEW SUBSECTION. 14A. "Smart contract" means an event-driven program or computerized transaction protocol that runs on a distributed, decentralized, shared, and replicated ledger that executes the terms of a contract by taking custody over and instructing transfer of assets on the ledger.

Sec. 2. Section 554D.103, subsections 4, 7, and 8, Code 2019, are amended to read as follows:

4. "Contract" means the total legal obligation resulting from the parties' agreement as affected by this chapter and other applicable law. "Contract" includes any contract secured through distributed ledger technology and a smart contract as defined in subsection 14A.

7. "Electronic record" means a record created, generated, sent, communicated, received, or stored by electronic means. "Electronic record" includes any record secured through distributed ledger technology.

8. "Electronic signature" means an electronic sound, symbol, or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record. "Electronic signature" includes a signature that is secured through distributed ledger technology.

Sec. 3. NEW SECTION. 554D.106A Use of distributed ledger technology.
A person who, in engaging in or affecting interstate or foreign commerce, uses distributed ledger technology to secure information that the person owns or has the right to use retains the same rights of ownership or use with respect to such information as before the person secured the information using distributed ledger technology. This section does not apply to the use of distributed ledger technology to secure information in connection with a transaction to the extent that the terms of the transaction expressly provide for the transfer of rights of ownership or use with respect to such information.

Sec. 4. Section 554D.108, subsection 2, Code 2019, is amended to read as follows:

2. A contract shall not be denied legal effect or enforceability solely because an electronic record was used in its formation or because the contract is a smart contract or contains a smart contract provision.

EXPLANATION

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

Code chapter 554D, the uniform electronic transactions Act, facilitates the use of electronic transactions in commerce by giving legal recognition to electronic records, signatures, and contracts. This bill modifies the Code chapter by permitting the use of distributed ledger technology and smart contracts in electronic transactions.

The bill defines "distributed ledger technology" as an electronic record of transactions or other data that is uniformly ordered, redundantly maintained or processed by one or more computers or machines to guarantee the consistency or nonrepudiation of the recorded transactions or other data, and is validated by the use of cryptography. The bill defines "smart contract" as an event-driven program or computerized transaction protocol that runs on a distributed, decentralized, shared, and replicated ledger that executes the terms of a contract by taking custody over and instructing transfer of
assets on the ledger.
The bill adds contracts secured through distributed ledger
technology and smart contracts to the definition of "contract".
The bill adds records secured through distributed ledger
technology to the definition of "electronic record". The bill
adds signatures that are secured through distributed ledger
technology to the definition of "electronic signature".
The bill provides that a person who, in engaging in or
affecting interstate or foreign commerce, uses distributed
ledger technology to secure information that the person owns
or has the right to use retains the same rights of ownership
or use with respect to such information as before the person
secured the information using distributed ledger technology,
unless in connection with a transaction with terms that
expressly provide for the transfer of rights of ownership or
use with respect to such information.
The bill provides that a contract shall not be denied legal
effect or enforceability solely because the contract is a smart
contract or contains a smart contract provision.