HOUSE FILE 799

BY COMMITTEE ON INFORMATION
TECHNOLOGY

(SUCCESSOR TO HSB 212)

## 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, subsections 4, 7, and 8, Code
2 2021, are amended to read as follows:
3    4. *"Contract"* means the total legal obligation resulting
4 from the parties' agreement as affected by this chapter and
5 other applicable law. *"Contract"* includes any contract secured
6 through distributed ledger technology and a smart contract.
7    7. *"Electronic record"* means a record created, generated,
8 sent, communicated, received, or stored by electronic means.
9 *"Electronic record"* includes any record secured through
10 distributed ledger technology.
11    8. *"Electronic signature"* means an electronic sound, symbol,
12 or process attached to or logically associated with a record
13 and executed or adopted by a person with the intent to sign the
14 record. *"Electronic signature"* includes a signature that is
15 secured through distributed ledger technology.
16    Sec. 2. Section 554D.103, Code 2021, is amended by adding
17 the following new subsections:
18    <u>NEW SUBSECTION</u>. 4A. *"Distributed ledger technology"* means
19 an electronic record of transactions or other data to which all
20 of the following apply:
21    *a.* The electronic record is uniformly ordered.
22    *b.* The electronic record is redundantly maintained or
23 processed by one or more computers or machines to guarantee the
24 consistency or nonrepudiation of the recorded transactions or
25 other data.
26    <u>NEW SUBSECTION</u>. 14A. *"Smart contract"* means an event-driven
27 program or computerized transaction protocol that runs on a
28 distributed, decentralized, shared, and replicated ledger
29 that executes the terms of a contract. For purposes of this
30 subsection, *"executes the terms of a contract"* includes taking
31 custody over and instructing the transfer of assets.
32    Sec. 3. <u>NEW SECTION</u>. **554D.106A Use of distributed ledger**
33 **technology.**
34    A person who, in engaging in or affecting interstate or
35 foreign commerce, uses distributed ledger technology to secure

1 information that the person owns or has the right to use
2 retains the same rights of ownership or use with respect to
3 such information as before the person secured the information
4 using distributed ledger technology. This section does not
5 apply to the use of distributed ledger technology to secure
6 information in connection with a transaction to the extent that
7 the terms of the transaction expressly provide for the transfer
8 of rights of ownership or use with respect to such information.
9    Sec. 4. Section 554D.108, subsection 2, Code 2021, is
10 amended to read as follows:
11    2. A contract shall not be denied legal effect or
12 enforceability solely because an electronic record was used in
13 its formation or because the contract is a smart contract or
14 contains a smart contract provision.
15                         EXPLANATION

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

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

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