HOUSE FILE 246

BY COLLINS

A BILL FOR

1 An Act relating to the investment of public moneys in digital

2   assets and precious metals.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1   Section 1.   SHORT TITLE.   This Act shall be known and may be
2 cited as the "Inflation Protection Act".
3   Sec. 2.   <u>NEW SECTION</u>.   **12B.10D   Investments —— digital assets**
4 **and precious metals.**
5   1.   For purposes of this section:
6   *a.*   *"Digital asset"* means digital-only assets that confer
7 economic, proprietary, or access rights, including but not
8 limited to virtual currency, cryptocurrency, and natively
9 electronic assets, including stablecoins and nonfungible tokens.
10   *b.*   *"Exchange-traded product"* means a financial instrument
11 approved by the United States securities and exchange commission,
12 the commodity futures trading commission, or the department of
13 insurance and financial services that is traded on a regulated
14 exchange in the United States and derives its value from an
15 underlying pool of assets, such as stocks, bonds, commodities, or
16 indexes.
17   *c.*   *"Precious metal"* means gold, silver, or platinum, whether
18 in coin, bullion, or another form.
19   *d.*   *"Private key"* means a unique element of cryptographic data
20 that is known to the owner of the unique element and is used for
21 signing a transaction on a blockchain.
22   *e.*   *"Qualified custodian"* means a federal-chartered or
23 state-chartered bank, trust company, or depository institution,
24 or a company regulated by the state which takes custody of
25 digital assets.
26   *f.*   *"Secure-custody solution"* means a technological product or
27 blended product and service that does all of the following:
28   (1)   Ensures that a private key that secures digital assets
29 meets all of the following requirements:
30   (a)   Exclusively known to and accessible by the owner of the
31 private key.
32   (b)   Exclusively contained within an encrypted environment and
33 accessible only by end-to-end encrypted channels.
34   (c)   Not contained, accessible, or controllable by a cellular
35 telephone.

1   (d) Maintained on hardware that is in at least two
2 geographically diverse, secure data centers.
3   (2) Enforces user access controls and a multiparty
4 governance structure for authorizing transactions and logs all
5 user-initiated actions.
6   (3) Has a disaster recovery protocol that ensures customer
7 access to assets in the event the provider becomes unavailable.
8   (4) Undergoes regular code audits and penetration testing
9 from audit firms and promptly remedies any identified
10 vulnerability.
11   *g.* *"Stablecoin"* means a digital asset that is issued by a
12 corporation backed by United States currency or high-quality
13 liquid assets and is redeemable on demand by the holder, at par
14 for a fixed monetary value in equivalent United States dollars.
15   2. Notwithstanding section 12B.10, subsection 4, the
16 treasurer of state may invest in precious metals, digital assets
17 with a market capitalization of over seven hundred fifty billion
18 dollars averaged over the previous calendar year, and stablecoins
19 using public moneys from any of the following funds:
20   *a.* The general fund of the state.
21   *b.* The cash reserve fund created in section 8.56.
22   *c.* The Iowa economic emergency fund created in section 8.55.
23   3. The amount of public moneys that the treasurer of state
24 invests from a fund under subsection 2 shall not exceed five
25 percent of the total amount of public moneys in that fund at the
26 time the investment is made.
27   4. A digital asset acquired by a fund listed in subsection 2
28 must be held in one of the following ways:
29   *a.* By the treasurer of state through the use of a
30 secure-custody solution.
31   *b.* On behalf of the state by a qualified custodian.
32   *c.* As an exchange-traded product.
33   5. Precious metals acquired by a fund listed in subsection 2
34 must be held in one of the following ways:
35   *a.* By the state in physical form or in conjunction with

1 another state according to rules adopted by the treasurer of
2 state.
3   *b.* On behalf of the state by a qualified custodian.
4   *c.* As an exchange-traded product.
5   6. The treasurer of state shall only hold stablecoins which
6 have received the appropriate regulatory approvals from a state
7 or the United States.
8   7. If a digital asset can be loaned without increasing the
9 financial risk of the state, the treasurer of state may loan the
10 digital asset to bring further return to the state according to
11 rules adopted by the treasurer of state.
12   8. Any tax or fee that is permitted to be paid to the state
13 in digital assets and is paid with a digital asset with a market
14 capitalization of over seven hundred fifty billion dollars or
15 stablecoin shall be transferred from the fund designated for
16 payment to the general fund of the state, if the fund designated
17 for payment is not the general fund of the state. The treasurer
18 of state shall reimburse the fund to which the qualifying digital
19 asset was designated with United States currency from the general
20 fund of the state. If the digital asset does not have a market
21 capitalization of over seven hundred fifty billion dollars, the
22 digital asset shall be converted to United States currency.
23   9. The treasurer of state may adopt rules pursuant to chapter
24 17A to implement this section.
25   EXPLANATION
26   The inclusion of this explanation does not constitute agreement with
27   the explanation's substance by the members of the general assembly.
28   Under current law, the treasurer of state (treasurer) may only
29 make ceratin investments with public moneys. This bill allows
30 the treasurer to invest no more than 5 percent of the moneys
31 from the general fund of the state, cash reserve fund, and Iowa
32 economic emergency fund in precious metals, digital assets with
33 a market capitalization of over $750 billion, and stablecoins.
34 The bill requires that a digital asset be held by the treasurer
35 through the use of a secure-custody solution, by a qualified

1 custodian, or as an exchange-traded product. The bill requires
2 that precious metals be held in physical form by the state or
3 in conjunction with another state, by a qualified custodian,
4 or as an exchange-traded product. The treasurer may only hold
5 stablecoins that have received regulatory approval from a state
6 or the United States. The bill permits the treasurer to loan a
7 digital asset to generate revenue for the state if doing so does
8 not increase the financial risk to the state.
9   The bill provides that if a tax or fee is paid to the state in
10 digital assets with a market capitalization of over $750 billion
11 or stablecoin, the asset must be transferred to the general fund
12 and the original fund must be reimbursed with United States
13 currency. If a tax or fee is paid in digital assets with a
14 lesser market capitalization, the asset must be converted into
15 United States currency.