HOUSE FILE 2443
BY COMMITTEE ON JUDICIARY

(SUCCESSOR TO HSB 679)

(As Amended and Passed by the House February 24, 2022)

[= New Language by the House

* = Language Stricken by the House

A BILL FOR

An Act relating to contract enforceability regarding smart contracts and distributed ledger technology.

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

Section 1. Section 554D.103, subsections 4, 8, and 9, Code 2022, 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.~~

8. "*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.~~

9. "*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. 2. Section 554D.103, subsections 5 and 16, Code 2022, are amended by striking the subsections.

Sec. 3. Section 554D.108, subsection 2, Code 2022, 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~~.

Sec. 4. NEW SECTION. **554E.1 Definitions.**

As used in this chapter, unless the context otherwise requires:

1. "*Account*" means the same as defined in section 554.9102.

2. "*Chattel paper*" means the same as defined in section 554.9102.

3. "*Contract*" means [the] same as defined in section 554D.103.

4. "*Controllable account*" means an account evidenced by a controllable electronic record that provides that the account debtor undertakes to pay a person that under the uniform commercial code has control of the controllable electronic record.

5. *"Controllable electronic record"* means an electronic record that can be subjected to control under any applicable article of the uniform commercial code. *"Controllable electronic record"* does not include a deposit account, electronic copy of a record evidencing chattel paper, electronic chattel paper, electronic document of title, money, investment property, or a transferable record.

6. *"Controllable payment intangible"* means a payment intangible evidenced by a controllable electronic record that provides that the account debtor undertakes to pay a person that under any applicable article of the uniform commercial code has control of the controllable electronic record.

7. *"Deposit account"* means the same as defined in section 554.9102.

8. *"Digital asset"* means any electronic record that represents or evidences economic value or economic, [proprietary, or access rights or is used as a medium of exchange, unit of account, method of payment, or store of value. *"Digital asset"* does not include a deposit account, electronic record evidencing chattel paper, electronic chattel paper, controllable account, controllable payment intangible, money, electronic document of title, investment property, or a transferable record.]

[9. *"Distributed ledger technology"* means an electronic ledger or other record of transactions or other data to which all of the following apply:

a. The electronic ledger is uniformly ordered.

b. The electronic ledger is redundantly maintained or processed by more than one computer or machine to guarantee the consistency or nonrepudiation of the recorded transactions or other data.]

[10. *"Electronic"* means the same as defined in section 554D.103.]

11. *"Electronic chattel paper"* means the same as defined in section 554.9102.

12. "*Electronic document of title*" means the same as defined in section 554.1201.

[13. "*Electronic record*" means the same as defined in section 554D.103.

14. "*Electronic services system*" means the county land record information system, or electronic services system, created under the agreement entered into under chapter 28E between the counties and the Iowa county recorders association as required by 2005 Iowa Acts, ch. 179, §101, as amended by 2021 Iowa Acts, ch. 126, §2.]

15. "*Investment property*" means the same as defined in section 554.9102.

[16. "*Money*" means the same as defined in section 554.1201.]

17. "*Payment intangible*" means the same as defined in section 554.9102.

18. "*Record*" means the same as defined in section 554D.103.

19. "*Smart contract*" means an electronic record that is an event-driven program or computerized transaction protocol that runs on a distributed, decentralized, shared, and replicated ledger that executes the term of a contract, including but not [limited to, taking] custody over and instructing the transfer of assets.

20. "*Transaction*" means a sale, trade, exchange, transfer, payment, or conversion of a digital asset or [any] other property or any other action or set of actions occurring between two or more persons relating to the conduct of business, commercial, or governmental affairs.

[21. "*Transferable record*" means the same as transferable record defined in the federal Electronic Signatures in Global and National Commerce Act, 15 U.S.C. §7021(a)(1), and as defined in the Uniform Electronic Transactions Act, section 554D.118, subsection 1.]

Sec. 5. NEW SECTION. **554E.2 Classification of digital assets.**

Digital assets are intangible personal property.

Sec. 6. NEW SECTION. **554E.3 Legal effect of distributed ledger technology and smart contract.**

1. A record, signature, or contract shall not be denied legal effect or enforceability solely because it is created, generated, sent, signed, adopted, communicated, received, recorded, or stored by means of distributed ledger technology or a smart contract.

2. A contract shall not be denied legal effect or enforceability solely because of any of the following:

a. The contract contains a smart contract term.

b. An electronic record, distributed ledger technology, or a smart contract was used in the formation of the contract.

3. Notwithstanding any other [law] to the contrary, a person using distributed ledger technology [in the course of engaging in or affecting intrastate commerce, interstate commerce, or foreign commerce 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 subsection 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. 7. NEW SECTION. **554E.4 Conveyance of real estate interest evidenced by electronic record.**

Any transaction subject to this chapter that is intended to be evidenced by an instrument affecting real estate as defined in section 558.1 and is intended to provide constructive notice pursuant to section 558.11, or by any instrument that is otherwise required by law to be recorded by the office of the county recorder, shall be evidenced by a document that complies with the provisions of chapter 558, in a format suitable for recording and conforming with the document standards as established by the electronic services system.]

Sec. 8. REPEAL. Section 554D.106A, Code 2022, is repealed.