

HB2540



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

HB2540

by Rep. Sonya M. Harper

SYNOPSIS AS INTRODUCED:

New Act

Creates the Blockchain Business Development Act. Provides for the creation and regulation of personal information protection companies. Provides for the creation and regulation of blockchain-based limited liability companies as businesses that utilize blockchain technology for a material portion of their business activities. Provides for a public record blockchain study and report. Provides for a blockchain insurance and banking study and report. Requires the Department of Commerce and Economic Opportunity to incorporate into one or more of its economic development marketing and business support programs, events, and activities topics concerning blockchain technology and financial technology. Defines terms.

LRB101 06907 RJF 51939 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning business.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Blockchain Business Development Act.

6 Section 5. Definitions. As used in this Act:

7 "Blockchain" means cryptographically secured,
8 chronological, and decentralized consensus ledger or consensus
9 database maintained via Internet, peer-to-peer network, or
10 other interaction.

11 "Blockchain technology" means computer software or
12 hardware or collections of computer software or hardware, or
13 both, that utilize or enable a blockchain.

14 "Department" means the Department of Financial and
15 Professional Regulation.

16 "Participant" means: (1) each person that has a partial or
17 complete copy of the decentralized consensus ledger or database
18 utilized by the blockchain technology, or otherwise
19 participates in the validation processes of such ledger or
20 database; (2) each person in control of any digital asset
21 native to the blockchain technology; and (3) each person that
22 makes a material contribution to the protocols.

23 "Personal information" means data capable of being

1 associated with a particular natural person, including gender
2 identification, birth information, marital status, citizenship
3 and nationality, biometric records, government identification
4 designations, and personal, educational, and financial
5 histories.

6 "Personal information protection company" means a business
7 that is organized for the primary purpose of providing personal
8 information protection services to individual consumers.

9 "Personal information protection services" means
10 receiving, holding, and managing the disclosure or use of
11 personal information concerning an individual consumer: (1)
12 pursuant to a written agreement in which the person receiving
13 the individual consumer's information agrees to serve as a
14 personal information protection company, and which specifies
15 the types of personal information to be held and the scope of
16 services to be provided on behalf of the consumer; and (2) in
17 the best interests and for the protection and benefit of the
18 consumer.

19 "Protocols" means the designated regulatory model of the
20 software that governs the rules, operations, and communication
21 between nodes on the network utilized by the participants.

22 "Virtual currency" means a digital representation of value
23 that: (1) is used as a medium of exchange, unit of account, or
24 store of value; and (2) is not legal tender, whether or not
25 denominated in legal tender.

1 Section 10. Qualified personal information protection
2 company.

3 (a) A personal information protection company shall
4 qualify to conduct its business under the terms of this Act and
5 applicable rules adopted by the Department of Financial and
6 Professional Regulation.

7 (b) A person shall not engage in business as a personal
8 information protection company in this State without first
9 obtaining authorization from the Department.

10 (c) A personal information protection company shall:

11 (1) be organized or authorized to do business under the
12 laws of this State;

13 (2) maintain a place of business in this State;

14 (3) appoint a registered agent to accept service of
15 process and to otherwise act on its behalf in this State;
16 provided that, whenever the registered agent cannot with
17 reasonable diligence be found at the Illinois registered
18 office of the company, the Secretary of State shall be an
19 agent of the company upon whom any process, notice, or
20 demand may be served;

21 (4) annually hold at least one meeting of its governing
22 body in this State, at which meeting one or more members of
23 the body are physically present; and

24 (5) develop, implement, and maintain a comprehensive
25 information security program that contains administrative,
26 technical, and physical safeguards sufficient to protect

1 personal information, and which may include the use of
2 blockchain technology in some or all of its business
3 activities.

4 (d) A personal information protection company that accepts
5 personal information based upon to a written agreement to
6 provide personal information protection services has a
7 fiduciary responsibility to the consumer when providing
8 personal protection services.

9 Section 15. Personal information protection company name;
10 conduct of business.

11 (a) A personal information protection company shall file
12 with the Department the name it proposes to use in connection
13 with its business, which the Department shall not approve if it
14 determines that the name may be misleading, likely to confuse
15 the public, or deceptively similar to any other business name
16 in use in this State.

17 (b) A personal information protection company may:

18 (1) operate through remote interaction with the
19 individuals entrusting personal information to the
20 company, and there shall be no requirement of Illinois
21 residency or other contact for any such individual to
22 establish such a relationship with the company; and

23 (2) subject to applicable fiduciary duties, the terms
24 of any agreement with the individual involved, and any
25 applicable statutory or regulatory provision:

1 (A) provide elements of personal information to
2 third parties with which the individual seeks to have a
3 transaction, a service relationship, or other
4 particular purpose interaction;

5 (B) provide certification or validation concerning
6 personal information; and

7 (C) receive compensation for acting in these
8 capacities.

9 (c) An authorization to provide personal information may be
10 either particular or general, provided it meets the terms of
11 any agreement with the individual involved and any rules
12 adopted by the Department.

13 Section 20. Assessment of fees; authority of the Department
14 regarding personal information protection companies;
15 implementation report.

16 (a) The Department of Financial and Professional
17 Regulation shall assess the following fees for a personal
18 information protection company:

19 (1) an initial registration fee of \$1,000, consisting a
20 licensing fee of \$500 and an investigation fee of \$500;

21 (2) an annual renewal fee of \$500; and

22 (3) a change in address fee of \$100.

23 (b) The Department shall have the authority to bill a
24 personal information protection company for examination time
25 at its standard rate.

1 (c) In addition to other powers conferred under this Act,
2 the Department shall have the authority to review records,
3 conduct examinations, and require annual audits of a personal
4 information protection company.

5 (d) The Department may prescribe by rule the timing and
6 manner of reports by a personal information protection company
7 to the Department.

8 (e) The Department may adopt rules to govern other aspects
9 of the business of a personal information protection company,
10 including its protection and safeguarding of personal
11 information and its interaction with third parties with respect
12 to personal information it holds.

13 (f) Within 2 years after the effective date of this Act,
14 the Department shall submit to the Governor and General
15 Assembly a progress report that addresses:

16 (1) the implementation of the provisions concerning
17 the regulation of personal information protection
18 companies under this Act; and

19 (2) the status of any rulemaking pursuant to its
20 authority under this Section.

21 Section 25. Blockchain-based limited liability company.

22 (a) For the purposes of this Section, "company" means a
23 blockchain-based limited liability company.

24 (b) A limited liability company organized under the Limited
25 Liability Company Act for the purpose of operating a business

1 that utilizes blockchain technology for a material portion of
2 its business activities may elect to be a blockchain-based
3 limited liability company (BLLC) by:

4 (1) specifying in its articles of organization that it
5 elects to be such a company (BLLC); and

6 (2) meeting the requirements of subsections (c) and
7 (d).

8 (c) Notwithstanding any provision of law to the contrary, a
9 blockchain-based limited liability company established under
10 this Section may provide for its governance, in whole or in
11 part, through blockchain technology. The operating agreement
12 for the company shall:

13 (1) provide a summary description of the mission or
14 purpose of the company;

15 (2) specify whether the decentralized consensus ledger
16 or database utilized or enabled by the company will be
17 fully decentralized or partially decentralized and whether
18 such ledger or database will be fully or partially public
19 or private, including the extent of participants' access to
20 information and read and write permissions with respect to
21 protocols;

22 (3) adopt voting procedures, which may include smart
23 contracts carried out on the blockchain technology, to
24 address:

25 (A) proposals from managers, members, or other
26 groups of participants in the company for upgrades or

1 modifications to software systems or protocols, or
2 both;

3 (B) other proposed changes to the company
4 operating agreement; or

5 (C) any other matter of governance or activities
6 within the purpose of the company;

7 (4) adopt protocols to respond to system security
8 breaches or other unauthorized actions that affect the
9 integrity of the blockchain technology utilized by the
10 company;

11 (5) provide how a person becomes a member of the
12 company with an interest, which may be denominated in the
13 form of units, shares of capital stock, or other forms of
14 ownership or profit interests; and

15 (6) specify the rights and obligations of each group of
16 participants within the company, including which
17 participants shall be entitled to the rights and
18 obligations of members and managers.

19 (d) A member or manager of a blockchain-based limited
20 liability company may interact with the company in multiple
21 roles, including as a member, manager, developer, node, miner,
22 or other participant in the company, or as a trader and holder
23 of the currency in its own account and for the account of
24 others, provided such member or manager complies with any
25 applicable fiduciary duties. The activities of a member or
26 manager who interacts with the company through multiple roles

1 are not deemed to take place in this State solely because the
2 company is organized in this State.

3 (e) A blockchain-based limited liability company may adopt
4 any reasonable algorithmic means for accomplishing the
5 consensus process for validating records, as well as
6 requirements, processes, and procedures for conducting
7 operations, or making organizational decisions on the
8 blockchain technology used by the company.

9 (f) A blockchain-based limited liability company may, in
10 accordance with any procedure specified under subsection (c),
11 modify the consensus process, requirements, processes, and
12 procedures, or substitute a new consensus process,
13 requirements, processes, or procedures that comply with the
14 requirements of law and the governance provisions of the
15 company.

16 (g) Except as expressly provided otherwise, this Section
17 does not exempt a blockchain-based limited liability company
18 from any other judicial, statutory, or regulatory provision of
19 Illinois law or federal law, including State and federal
20 securities laws. Except to the extent inconsistent with the
21 provisions of this Section, the provisions of the Limited
22 Liability Company Act govern.

23 Section 30. Public record blockchain study; report.

24 (a) On or before January 1, 2021, the Secretary of State
25 shall:

1 (1) evaluate blockchain technology for the systematic
2 and efficient management of public records;

3 (2) recommend legislation, including uniform laws,
4 necessary to support the possible use of blockchain
5 technology for the recording of land records and for other
6 public records; and

7 (3) submit its findings and recommendations to
8 Governor and the General Assembly.

9 (b) This Section is repealed January 1, 2022.

10 Section 35. Blockchain insurance and banking study.

11 (a) The Department of Financial and Professional
12 Regulation shall review the potential application of
13 blockchain technology to the provision of insurance and
14 banking, and consider areas for potential adoption and any
15 necessary regulatory changes in Illinois.

16 (b) On or before January 1, 2021, the Department shall
17 submit a report of its findings and recommendations to the
18 Governor and General Assembly.

19 (c) This Section is repealed January 1, 2022.

20 Section 40. Blockchain and financial technology promotion.

21 The Department of Commerce and Economic Opportunity shall
22 incorporate into one or more of its economic development
23 marketing and business support programs, events, and
24 activities the following topics:

1 (1) opportunities to promote blockchain technology and
2 financial technology-related economic development in the
3 private sector, including in the areas of banking,
4 insurance, retail and service businesses, and
5 cryptocurrency;

6 (2) legal and regulatory mechanisms that enable and
7 promote the adoption of blockchain technology and
8 financial technology in this State; and

9 (3) educational and workforce training opportunities
10 in blockchain technology, financial technology, and
11 related areas.