

HB5553



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB5553

by Rep. Michael J. Zalewski

SYNOPSIS AS INTRODUCED:

New Act

Creates the Blockchain Technology Act. Provides for the permitted uses of blockchain technology in transactions and proceedings. Provides limitations to the use of blockchain technology. Prohibits units of local government from implementing specified restrictions on the use of blockchain technology. Preempts home rule. Defines terms.

LRB100 19670 RJF 34944 b

HOME RULE 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 Technology Act.

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

7 "Blockchain" means an electronic record created by the use
8 of a decentralized method by multiple parties to verify and
9 store a digital record of transactions which is secured by the
10 use of a cryptographic hash of previous transaction
11 information.

12 "Cryptographic hash" means a mathematical algorithm which
13 performs a one-way conversion of input data into output data of
14 a specified size to verify the integrity of the data.

15 "Electronic" means relating to technology having
16 electrical, digital, magnetic, wireless, optical,
17 electromagnetic, or similar capabilities.

18 "Electronic record" means a record created, generated,
19 sent, communicated, received, or stored by electronic means,
20 including a blockchain or a smart contract.

21 "Record" means information that is inscribed on a tangible
22 medium or that is stored in an electronic or other medium and
23 is retrievable in perceivable form.

1 "Smart contract" means a contract stored as an electronic
2 record which is verified by the use of a blockchain.

3 Section 10. Permitted use of blockchain.

4 (a) A smart contract, record, or signature may not be
5 denied legal effect or enforceability solely because a
6 blockchain was used to create, store, or verify the smart
7 contract, record, or signature.

8 (b) In a proceeding, evidence of a smart contract, record,
9 or signature must not be excluded solely because a blockchain
10 was used to create, store, or verify the smart contract,
11 record, or signature.

12 (c) If a law requires a record to be in writing, submission
13 of a blockchain which electronically contains the record
14 satisfies the law.

15 (d) If a law requires a signature, submission of a
16 blockchain which electronically contains the signature or
17 verifies the intent of a person to provide the signature
18 satisfies the law.

19 Section 15. Limitations to the use of blockchain.

20 (a) If parties have agreed to conduct a transaction by use
21 of a blockchain and a law requires that a contract or other
22 record relating to the transaction be in writing, the legal
23 effect, validity, or enforceability of the contract or other
24 record may be denied if the blockchain containing an electronic

1 record of the transaction is not in a form that is capable of
2 being retained and accurately reproduced for later reference by
3 all parties or other persons who are entitled to retain the
4 contract or other record.

5 (b) Except as otherwise provided in subsection (f), if a
6 law other than this Act requires a record to be posted or
7 displayed in a certain manner, to be sent, communicated, or
8 transmitted by a specified method, or to contain information
9 that is formatted in a certain matter, the use of a blockchain
10 to post, display, send, communicate, transmit, or store such a
11 record does not satisfy the requirement of the other law.

12 (c) If a person inhibits the ability of another person to
13 store or retrieve information contained in a blockchain, such
14 information is not enforceable by the person who inhibited the
15 storage or retrieval.

16 (d) Regardless of whether a smart contract was used to
17 establish the relationship between the parties to an agreement,
18 a requirement that a notice or an acknowledgment or other
19 response to a notice be in writing is not satisfied by
20 providing or delivering the notice or recording an
21 acknowledgment or other response to the notice by the use of a
22 blockchain if the notice is a notice of:

23 (1) the cancellation or termination of service by a
24 public utility;

25 (2) default, acceleration, repossession, foreclosure,
26 or eviction, or the right to cure, under a credit agreement

1 secured by or a rental agreement for, a primary residence
2 of a natural person;

3 (3) the cancellation or termination of a policy of
4 health insurance, benefits received under a policy of
5 health insurance, or benefits received under a policy of
6 life insurance, excluding annuities; or

7 (4) the recall of a product, or material failure of a
8 product, that risks endangering the health or safety of a
9 person.

10 (e) A requirement that a document be in writing is not
11 satisfied by the use of a blockchain if the document is
12 required to accompany any transportation or handling of
13 hazardous materials, pesticides, or other toxic or dangerous
14 materials.

15 (f) The requirements of this Section may not be varied by
16 agreement, except that:

17 (1) to the extent a law other than this Act requires
18 that a contract or other record relating to a transaction
19 be in writing, but permits that requirement to be varied by
20 agreement, the provisions of subsection (a) concerning the
21 denial of legal effect, validity, or enforceability of the
22 contract or other record relating to the transaction may
23 also be varied by agreement; and

24 (2) a requirement under a law other than this Act to
25 send, communicate, or transmit a record by first-class
26 mail, postage prepaid, or regular United States mail, may

1 be varied by agreement to the extent permitted by the other
2 law.

3 Section 20. Local government restrictions.

4 (a) A unit of local government shall not:

5 (1) impose any tax or fee on the use of a blockchain or
6 smart contract by any person or entity;

7 (2) require any person or entity to obtain from the
8 unit of local government any certificate, license, or
9 permit to use a blockchain or smart contract; or

10 (3) impose any other requirement relating to the use of
11 a blockchain or smart contract by any person or entity.

12 (b) Nothing in this Section prohibits a unit of local
13 government from using a blockchain or smart contract in the
14 performance of its powers or duties in a manner not
15 inconsistent with the provisions of this Act.

16 (c) A home rule unit may not regulate a blockchain or smart
17 contract in a manner inconsistent with the regulation by the
18 State of a blockchain or smart contract under this Act. This
19 subsection (c) is a limitation under subsection (i) of Section
20 6 of Article VII of the Illinois Constitution on the concurrent
21 exercise by home rule units of powers and functions exercised
22 by the State.