

2019 -- H 5595

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LC000940
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

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A N A C T

RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIPS - RHODE
ISLAND UNIFORM SECURITIES ACT

Introduced By: Representatives Place, Nardone, Roberts, Chippendale, and Lyle

Date Introduced: February 27, 2019

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 7-11 of the General Laws entitled "Rhode Island Uniform
2 Securities Act" is hereby amended by adding thereto the following section:

3 **7-11-405. Open blockchain token exemption.**

4 (a) Except as otherwise provided by subsection (c) of this section, a developer or seller of
5 an open blockchain token shall not be deemed the issuer of a security and shall not be subject to
6 the provisions of chapter 7 of title 11 if all of the following are met:

7 (1) The developer or seller of the token, or the registered agent of the developer or seller,
8 files a notice of intent with the secretary of state, as specified in subsection (d) of this section;

9 (2) The purpose of the token is for a consumptive purpose, which shall only be
10 exchangeable for, or provided for the receipt of, goods, services or content, including rights of
11 access to goods, services or content; and

12 (3) The developer or seller of the token did not sell the token to the initial buyer as a
13 financial investment. This subsection shall only be satisfied if:

14 (i) The developer or seller did not market the token as a financial investment; and

15 (ii) At least one of the following is true:

16 (A) The developer or seller of the token reasonably believed that it sold the token to the
17 initial buyer for a consumptive purpose;

18 (B) The token has a consumptive purpose that is available at the time of sale and can be

1 used at or near the time of sale for use for a consumptive purpose;

2 (C) If the token does not have a consumptive purpose available at the time of sale, the
3 initial buyer of the token is prevented from reselling the token until the token is available for use
4 for a consumptive purpose; or

5 (D) The developer or seller takes other reasonable precautions to prevent buyers from
6 purchasing the token as a financial investment.

7 (b) Except as otherwise provided by subsection (c) of this section, a person who
8 facilitates the exchange of an open blockchain token shall not be deemed a broker-dealer or a
9 person who otherwise deals in securities under this chapter and shall not be subject to the
10 provisions of this chapter if all of the following are met:

11 (1) The person, or the registered agent of the person, files a notice of intent with the
12 secretary of state, as specified in subsection (d) of this section;

13 (2) The person has a reasonable and good faith belief that a token subject to exchange
14 conforms to the requirements of subsections (a)(1), (2) and (3) of this section; and

15 (3) The person takes reasonably prompt action to terminate the exchange of a token that
16 does not conform to the requirements of this subsection.

17 (c) Notwithstanding any other provision of law, a developer, seller or a person who
18 facilitates the exchange of an open blockchain token is subject to the provisions of §§7-11-502
19 through 7-11-608 only to the extent necessary to carry out those sections. The secretary of state
20 shall have the authority to determine compliance with the provisions of this section, including
21 whether a person qualifies for the exemptions set forth in this section.

22 (d) A developer, seller or a person who facilitates the exchange of an open blockchain
23 token, or the registered agent of the applicable person, shall electronically file a notice of intent
24 with the secretary of state before the person shall qualify for an exemption under this section. The
25 notice of intent shall contain the name of the person acting as a developer, seller or facilitator, the
26 contact information of the person or the registered agent of the person and specify whether the
27 person will be acting as a developer, seller or facilitator. A secure form shall be made available
28 by the office of the secretary of state on its Internet website for this purpose.

29 (e) As used in this section, "open blockchain token" means a digital unit which is:

30 (1) Created:

31 (i) In response to the verification or collection of a specified number of transactions
32 relating to a digital ledger or database;

33 (ii) By deploying computer code to a blockchain network that allows for the creation of
34 digital tokens or other units; or

1 (iii) Using any combination of the methods specified in subsections (e)(1) and (2) of this
2 section;

3 (2) Recorded in a digital ledger or database which is chronological, consensus-based,
4 decentralized and mathematically verified in nature, especially relating to the supply of units and
5 their distribution; and

6 (3) Capable of being traded or transferred between persons without an intermediary or
7 custodian of value.

8 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIPS - RHODE
ISLAND UNIFORM SECURITIES ACT

1 This act would exempt a developer or seller of an open blockchain token from the
2 provisions of the Rhode Island Uniform Securities Act. A blockchain is a tool utilized in digital
3 currency.

4 This act would take effect upon passage.

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