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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2023

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- RHODE ISLAND ECONOMIC
GROWTH BLOCKCHAIN ACT

Introduced By: Representative David J. Place

Date Introduced: March 01, 2023

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND
2 GOVERNMENT" is hereby amended by adding thereto the following chapter:

3 CHAPTER 64.35

4 RHODE ISLAND ECONOMIC GROWTH BLOCKCHAIN ACT

5 **42-64.35-1. Short title.**

6 This chapter shall be known and may be cited as the "Rhode Island Economic Growth
7 Blockchain Act."

8 **42-64.35-2. Legislative Findings.**

9 The general assembly finds and declares:

10 (1) It is declared to be the policy of the state to promote a vigorous and growing economy,
11 to prevent economic stagnation, and to encourage the creation of new job opportunities in order to
12 ameliorate the hazards of unemployment and underemployment, reduce the level of public
13 assistance, increase revenues to the state and its municipalities, and to achieve a stable diversified
14 economy.

15 (2) The State of Rhode Island understands that to compete in the twenty-first century
16 economy, Rhode Island must offer one of the best business environments in the United States for
17 blockchain and technology innovators, and should offer a comprehensive regulatory technology
18 sandbox for these innovators to develop the next generation of digital products and services in

1 Rhode Island;

2 (3) Building a more robust public-private partnership framework is mandatory for
3 economic success;

4 (4) The State of Rhode Island understands that further developing technology industries
5 within a robust public-private partnership brings better efficiency, trust, and accountability between
6 Rhode Island state government, businesses, and residents.

7 (5) The state understands a public-private partnership developing an immutable
8 interagency-industry-operability blockchain filing system is vital and redevelopment investment in
9 opportunity zones that shall install, maintain, and organize within the system of blockchain records
10 throughout the state is advantageous.

11 (6) Financial and health technology is undergoing a transformational period in which new
12 technologies are providing greater automation, connectivity and transparency for provenance of
13 products and services:

14 (i) Existing legal frameworks are restricting technology innovation because these
15 frameworks were largely established at a time when technology was not a fundamental component
16 of products and services;

17 (ii) Technology innovators require a supervised, flexible regulatory sandbox to test new
18 products and services using waivers of specified statutes and rules under defined conditions;

19 (iii) Jurisdictions which establish regulatory sandboxes are more likely to provide a
20 welcoming business environment for technology innovators and may experience significant
21 business growth;

22 (iv) Other jurisdictions have enacted, or are considering, regulatory sandboxes for financial
23 technology innovators in their jurisdictions;

24 (v) Other jurisdictions have enacted, or are considering public-private partnerships for
25 health technology innovators in their jurisdictions;

26 (vi) Other jurisdictions have enacted or are considering blockchain track and trace
27 identifiers for highly regulated products and industry such as hemp; while recognizing there are
28 legitimate concerns on implementing a widespread hemp industry in the state, necessitating
29 incremental rollout of newly licensed and credentialed entities to best ensure public health and
30 safety: Rhode Island seeks to establish a best in the nation blockchain technology hub for twenty-
31 first century commerce that will increase economic opportunity; including highly regulated
32 industries that otherwise left unchecked could cause continued harm to public health and safety.

33 (7)(i) The rapid innovation of blockchain technology including the growing use of virtual
34 currency and other digital assets has resulted in many blockchain innovators being unable to access

1 secure and reliable banking services thereby hampering development of blockchain services and
2 products in the marketplace;

3 (ii) Federally insured financial institutions are not generally permitted to manage accounts
4 in virtual currency or hold other digital assets;

5 (iii) Blockchain innovators have greater compliance challenges with federal customer
6 identification, anti-money laundering and beneficial ownership requirements because of the
7 complex nature of these obligations and the unfamiliarity of regulators with blockchain innovators'
8 businesses;

9 (iv) These intricate obligations have resulted in many financial institutions in Rhode Island
10 and across the United States refusing to provide banking services to blockchain innovators and also
11 refusing to accept deposits in United States currency obtained from the sale of virtual currency or
12 other digital assets;

13 (v) Compliance with applicable federal and state laws is critical to ensuring the future
14 growth and reputation of the blockchain and technology industries as a whole;

15 (vi) Most financial institutions today do not have the requisite expertise or familiarity with
16 the challenges facing blockchain innovators which is required to provide secure and reliable
17 banking services to these innovators;

18 (vii) A new type of Rhode Island financial payments and depository institution that has
19 expertise with customer identification, anti-money laundering and beneficial ownership
20 requirements could seamlessly integrate these requirements into its operating model; and

21 (viii) Authorizing special purpose depository institutions to be chartered in Rhode Island
22 will provide a necessary and valuable service to blockchain innovators, emphasize Rhode Island's
23 partnership with the technology and financial industry and safely grow this state's developing
24 financial sector.

25 **42-64.35-3. Definitions.**

26 As used in this chapter the following words and phrases shall have the following meanings,
27 unless the context otherwise requires:

28 (1) "Agency" or "public body" means any executive, legislative, judicial, regulatory,
29 administrative body of the state, or any political subdivision thereof: including, but not limited to,
30 any department, division, agency, commission, board, office, bureau, authority, any school, fire, or
31 water district, or other agency or quasi-public agency of Rhode Island state or local government
32 which exercises governmental functions or any other public or private agency, person, partnership,
33 corporation, or business entity acting on behalf of any public agency.

34 (2) "Bank" means any corporation, excluding national banks, having a place of business

1 within this state which engages in banking business, and includes a special purpose depository
2 institution, subject to the limitations set forth in § 42-64.34-9.

3 (3) "Batch" means a specific quantity of real or digital product that is part of a regulated
4 industry, such as hemp or vital records.

5 (4) "Blockchain" means a digital ledger or database which is chronological, consensus-
6 based, decentralized and mathematically verified in nature.

7 (5) "Bureau" means an office or department in charge of administering any agency or bank
8 regulated by the provisions of this chapter.

9 (6) "Commercial hemp activity" means and includes the cultivation, possession,
10 manufacture, distribution, processing, storing, laboratory testing, packaging, labeling,
11 transportation, delivery, or sale of hemp and hemp products as provided for in this chapter.

12 (7) "Commissioner" means the state banking commissioner.

13 (8) "Compassion Center" as defined under § 21-28.6-3.

14 (9) "Consumer" means a person, whether a natural person or a legal entity, in Rhode Island
15 who purchases or enters into an agreement to receive an innovative financial product or service
16 made available through the financial technology sandbox;

17 (10) "Consumptive" means a circumstance when a token is exchangeable for, or provided
18 for the receipt of, services, software, content or real or tangible personal property, including rights
19 of access to services, content or real or tangible personal property.

20 (11) "Control" means:

21 (i) When used in reference to a transaction or relationship involving virtual currency, the
22 power to execute unilaterally or prevent indefinitely a virtual currency transaction; and

23 (ii) When used in reference to a person, the direct or indirect power to direct the
24 management, operations, or policies of the person through legal or beneficial ownership of twenty-
25 five percent (25%) or more of the voting power in the person or under a contract, arrangement, or
26 understanding.

27 (12) "Cultivation" means any activity involving the planting, growing, harvesting, drying,
28 curing, grading, or trimming of hemp.

29 (13) "Cultivation site" means a location where hemp is planted, grown, harvested, dried,
30 cured, graded, or trimmed, or a location where any combination of those activities occurs.

31 (14) "Custodial services" means the safekeeping and management of customer currency
32 and digital assets through the exercise of fiduciary and trust powers under this section as a
33 custodian, and includes fund administration and the execution of customer instructions.

34 (15) "Customer" means a natural person twenty-one (21) years of age or older or a natural

1 person eighteen (18) years of age or older who possesses a physician's recommendation, or a
2 primary caregiver.

3 (16) "Database" means a set of data held on a secured computer software program or
4 encrypted electronic storage system providing an immutable distributed ledger of records.

5 (17) "Department" means the department of business regulation, division of banking.

6 (18) "Developer" means the person primarily responsible for creating an open blockchain
7 token or otherwise designing the token, including by executing the technological processes
8 necessary to create the token;

9 (19) "Digital asset" means a representation of economic, proprietary or access rights that
10 is stored in a computer readable format, and includes digital consumer assets, digital securities and
11 virtual currency;

12 (20) "Digital consumer asset" means a digital asset that is used or bought primarily for
13 consumptive, personal or household purposes and includes:

14 (i) An open blockchain token constituting intangible personal property as otherwise
15 provided by law; and

16 (ii) Any other digital asset which does not fall within the scope of this chapter.

17 (21) "Exchange," used as a verb, means to assume control of virtual currency from or on
18 behalf of a resident, at least momentarily, to sell, trade, or convert:

19 (i) Virtual currency for legal tender, bank credit, or one or more forms of virtual currency;
20 or

21 (ii) Legal tender or bank credit for one or more forms of virtual currency.

22 (22) "Facilitator" means a person who, as a business, makes open blockchain tokens under
23 this section available for resale to the public after a token has been purchased by an initial buyer.

24 (23) "Fees" means charge(s) imposed by the private entity of a qualifying project for use
25 of all or a portion of such qualifying project pursuant to a comprehensive agreement;

26 (24) "Financial investment" means a contract, transaction or arrangement where a person
27 invests money in a common enterprise and is led to expect profits solely from the efforts of a
28 promoter or a third party.

29 (25) "Financial product or service" means a product or service related to finance, including
30 banking, securities, consumer credit or money transmission, which is subject to statutory or rule
31 requirements identified in title 19 and is under the jurisdiction of the commissioner or secretary.

32 (26) "Financial technology sandbox" means the program created by this chapter which
33 allows a person to make an innovative financial product or service available to consumers during a
34 sandbox period through a waiver of existing statutory and rule requirements, or portions thereof,

1 by the commissioner or secretary.

2 (27) "Hemp" means marijuana and all parts of the plant of the genus hemp, whether
3 growing or not; the seeds thereof; the resin extracted from any part of the plant; and every
4 compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. It
5 does not include hemp, the mature stalks of the plant, fiber produced from the stalks, oil or cake
6 made from the seeds of the plant, or any other compound, manufacture, salt, derivative, mixture,
7 or preparation of the mature stalks (except the resin extracted from it), fiber, oil, or cake, or the
8 sterilized seed of the plant that is incapable of germination.

9 (28) "Hemp cultivation facility" means an entity that is licensed pursuant to chapter 26 of
10 title 2, to be exempt from state penalties for manufacturing hemp or hemp products, cultivating,
11 preparing, packaging, and selling hemp to a retailer, processor, or another hemp cultivation facility,
12 but not for selling hemp products or selling hemp to the general public.

13 (29) "Hemp processor" means an entity licensed pursuant to chapter 26 of title 2 to be
14 exempt from state penalties for purchasing hemp from hemp cultivation facilities, manufacturing
15 hemp products, and selling, giving, or transferring hemp products to a hemp retailer or a hemp
16 testing facility.

17 (29) "Hemp products" means all parts of the plant hemp sativa linnaeus, hemp indica, or
18 hemp ruderalis, whether growing or not.

19 (30) "Hemp testing facility" means an entity that is licensed pursuant to chapter 26 of title
20 2 to be exempt from state penalties for testing hemp and hemp products for potency and
21 contaminants.

22 (31) "Innovative" means new or emerging technology, or new uses of existing technology,
23 that provides a product, service, business model or delivery mechanism to the public and has no
24 substantially comparable, widely available analogue in Rhode Island including blockchain
25 technology.

26 (32) "Issuer" means a person that issues or proposes to issue a security

27 (33) "Legal tender" means a medium of exchange or unit of value, including the coin or
28 paper money of the United States, issued by the United States or by another government.

29 (34) "License" means a state license issued under this division, and includes both a
30 cultivation license and a medicinal use license, as well as a testing laboratory license.

31 (35) "Licensee" means any person holding a license under this chapter, regardless of the
32 license held, and includes the holder of a testing laboratory license.

33 (36) "Licensing authority" means the state agency responsible for the issuance, renewal, or
34 reinstatement of the license, or the state agency authorized to take disciplinary action against the

1 licensee.

2 (37) "Local jurisdiction" means a city or town.

3 (38) "M-license" means a state license issued for commercial activity involving hemp or
4 medicinal cannabis.

5 (39) "M-licensee" means any person holding a license under this chapter for commercial
6 hemp activity involving hemp or medicinal cannabis.

7 (40) "Manufacture" means to compound, blend, extract, infuse, or otherwise make or
8 prepare a hemp product.

9 (41) "Manufacturer" means a licensee that conducts the production, preparation,
10 propagation, or compounding of hemp or hemp products either directly or indirectly or by
11 extraction methods or independently by means of chemical synthesis, or by a combination of
12 extraction and chemical synthesis at a fixed location that packages or repackages hemp or hemp
13 products or labels or relabels its container.

14 (42) "Medicinal cannabis" or "medicinal cannabis product" means cannabis or a cannabis
15 product, respectively, intended to be sold for use, pursuant to chapter 28.6 of title 21, by a medicinal
16 cannabis patient in Rhode Island who possesses a physician's recommendation.

17 (43) "Monetary value" means a medium of exchange, whether or not redeemable in money.

18 (44) "Nursery" means a licensee that produces only clones, immature plants, seeds, and
19 other agricultural products used specifically for the propagation and cultivation of hemp.

20 (45) "Open blockchain token" means a digital unit which is:

21 (i) Created in response to the verification or collection of a specified number of transactions
22 relating to a digital ledger or database;

23 (ii) Created by deploying computer code to a digital ledger or database, which may include
24 a blockchain, that allows for the creation of digital tokens or other units;

25 (iii) Created by using a combination of the methods specified in §§ 42-64.35-7 or 42-64.35-
26 8.

27 (iv) Recorded to a digital ledger or database, which may include a blockchain; or

28 (v) Capable of being traded or transferred between persons without an intermediary or
29 custodian of value.

30 (46) "Operation" means any act for which licensure is required under the provisions of this
31 chapter, or any commercial transfer of hemp or hemp products.

32 (47) "Opportunity zones" means designated areas included in the Tax cuts and Jobs Act of
33 2017. Rhode Island opportunity zones are located in twenty-five (25) census tracts spread across
34 the following fifteen (15) municipalities: Bristol, Central Falls, Cranston, Cumberland, East

1 Providence, Narragansett, Newport, North Providence, Pawtucket, Providence, South Kingstown.
2 Warren, West Warwick, Westerly, and Woonsocket.

3 (48) "Owner" means any of the following:

4 (i) A person with an aggregate ownership interest of twenty percent (20%) or more in the
5 person applying for a license or a licensee, unless the interest is solely a security, lien, or
6 encumbrance;

7 (ii) The chief executive officer of a nonprofit or other entity;

8 (iii) A member of the board of directors of a nonprofit;

9 (iv) An individual who will be participating in the direction, control, or management of the
10 person applying for a license.

11 (49) "Person" means and includes any individual, firm, partnership, joint venture,
12 association, corporation, limited-liability company, estate, trust, business trust, receiver, syndicate,
13 or any other group or combination acting as a unit, and the plural as well as the singular.

14 (50) "Premises" means the designated structure or structures and land specified in the
15 application that is owned, leased, or otherwise held under the control of the applicant or licensee
16 where the commercial hemp activity will be or is conducted. The premises shall be a contiguous
17 area and shall only be occupied by one licensee.

18 (51) "Private entity" means any natural person, corporation, general partnership, limited
19 liability company, limited partnership, joint venture, business trust, public benefit corporation,
20 nonprofit entity, or one other private business entity.

21 (52) "Proposal" means a plan for a qualifying project with detail beyond a conceptual level
22 for which terms such as fixing costs, payment schedules, financing, deliverables, and project
23 schedules are defined.

24 (53) "Public record(s)" means all documents, papers, letters, maps, books, tapes,
25 photographs, films, sound recordings, or other material regardless of physical form or
26 characteristics made or received pursuant to law or ordinance or in connection with the transaction
27 of official business by any agency.

28 (54) "Purchaser" means the customer who is engaged in a transaction with a licensee for
29 purposes of obtaining hemp or hemp products.

30 (55) "Qualifying project" means:

31 (i) A facility or project that serves a public purpose, including, but not limited to, any ferry
32 or mass transit facility, vehicle parking facility, airport or seaport facility, rail facility or project,
33 transportation facilities, technology infrastructure, fuel supply facility, oil or gas pipeline, medical
34 or nursing care facility, or educational facility or other building or facility that is used or will be

1 used by a public educational institution, or any other public facility or infrastructure that is used or
2 will be used by the public at large or in support of an accepted public purpose or activity;

3 (ii) An improvement, including equipment, of a building that will be principally used by a
4 public entity or the public at large or that supports a service delivery system in the public sector;

5 (iii) A water, wastewater, or surface water management facility or other related
6 infrastructure; or

7 (iv) Notwithstanding any provision of this section, for projects that involve a facility owned
8 or operated by the governing board of a city or town, district, or hospital or health care system, or
9 projects that involve a facility owned or operated by an electric utility, only those projects that the
10 governing board designates as qualifying projects pursuant to this section.

11 (56) "Reciprocity agreement" means an arrangement between the department and the
12 appropriate licensing agency of another state that permits a licensee operating under a license
13 granted by the other state to engage in currency transmission business activity with or on behalf of
14 a resident.

15 (57) "Record" means information that is inscribed on a tangible medium or that is stored
16 in an electronic or other medium and is retrievable in perceivable form.

17 (58) "Registry" means the Nationwide Multistate Licensing System.

18 (59) "Regulated Products" means any raw materials, ingredients, pharmaceuticals,
19 fabricated devices, manufactured goods, media, health, finance, identification records, or other
20 goods and services requiring local, state, or federal regulatory compliance.

21 (60) "Resident" means a person that:

22 (i) Is domiciled in this state;

23 (ii) Is physically located in this state for more than one hundred eighty-three (183) days of
24 the previous three hundred sixty-five (365) days; or

25 (iii) Has a place of business in this state and includes a legal representative of a person that
26 satisfies subsection (60)(i) of this section.

27 (61) "Responsible individual" means an individual who has managerial authority with
28 respect to a licensee's currency transmission business activity with or on behalf of a resident.

29 (62) "Responsible public entity" means the state, a city, town, district, school board, or any
30 other political subdivision of the state; a public body corporate and politic; or a regional entity that
31 serves a public purpose and is authorized to develop or operate a qualifying project.

32 (63) "Revenue" means the income, earnings, user fees, lease payments, or other service
33 payments relating to the development or operation of a qualifying project, including, but no limited
34 to, money received as grants or otherwise from the federal government, a public entity, or an agency

1 or instrumentality thereof in aid of the qualifying project.

2 (64) "Sandbox period" means the period of time, initially not longer than twenty-four (24)
3 months, in which the commissioner or secretary has authorized an innovative financial product or
4 service to be made available to consumers, which shall also encompass any extension granted under
5 §§ 42-64.35-1 through 42-64.35-8.

6 (65) "Secretary" means the secretary of state;

7 (66) "Sell" or "sale" means any transaction whereby, for any consideration, title to hemp
8 or hemp products is transferred from one person to another, and includes the delivery of hemp or
9 hemp products pursuant to an order placed for the purchase of the same and soliciting or receiving
10 an order for the same, but does not include the return of hemp or hemp products by a licensee to
11 the licensee from whom the hemp or hemp product was purchased.

12 (67) "Seller" means a person who makes an open blockchain token available for purchase
13 to an initial buyer.

14 (68) "Service contract" means a contract between a public entity and the private entity
15 which defines the terms of the services to be provided with respect to a qualifying project.

16 (69) "Sign" means with present intent to authenticate or adopt a record, to execute or adopt
17 a tangible symbol or to attach to or logically associate with the record an electronic symbol, sound,
18 or process.

19 (70) "Special purpose depository institution" means a corporation operating pursuant to §
20 42-64.35-8;

21 (71) "State" means a state of the United States, the District of Columbia, Puerto Rico, the
22 United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the
23 United States.

24 (72) "Store," except in the phrase "store of value," means to maintain control of virtual
25 currency on behalf of a resident by a person other than the resident. "Storage" and "storing" have
26 corresponding meanings.

27 (73) "Supervisor of the regulatory body" means the chief or head of a section having
28 enforcement responsibility for a particular statute or set of rules and regulations within a regulatory
29 agency

30 (74) "System of vital records" means the registration, collection, preservation, amendment,
31 and certification of vital statistics records, and activities related to them including the tabulation,
32 analysis, and publication of statistical data derived from those records.

33 (75) "Transfer" means to assume control of virtual currency from or on behalf of a resident
34 and to:

1 (i) Credit the virtual currency to the account of another person;
2 (ii) Move the virtual currency from one account of a resident to another account of the
3 same resident; or

4 (iii) Relinquish control of virtual currency to another person.

5 (76) "Unique identifier" means an alphanumeric code or designation used for reference to
6 a specific plant on a licensed premises and any hemp or hemp product derived or manufactured
7 from that plant.

8 (77) "U.S. Dollar equivalent of virtual currency" means the equivalent value of a particular
9 virtual currency in United States dollars shown on a virtual currency exchange based in the United
10 States for a particular date or period specified in this chapter. Virtual currency or a digital security,
11 as defined in §§ 19-14-1 and 19-14.3-1.1, shall not constitute an open blockchain token as defined
12 within §§ 42-64.35-7 and 42-64.35-8.

13 **42-64.35-4. Council established.**

14 There is hereby created a Rhode Island blockchain technology advisory council to consist
15 of thirteen (13) members: three (3) of whom shall be appointed by the governor, with two (2) of
16 those so appointed to be designated by the governor as co-chairs; six (6) of whom shall be directors
17 from the Rhode Island commerce corporation, as established by chapter 64 of title 42; four (4)
18 members shall be appointed by majority of the nine (9) members appointed by the governor and
19 Rhode Island commerce corporation; two (2) of the four members shall be appointed from the
20 private sector: with one holding expertise in complex financial services, and one with expertise in
21 cybersecurity; two (2) of the four members shall be appointed from academia: with one holding
22 expertise in financial systems, and one with expertise in computer engineering. The membership
23 of said council shall receive no compensation for their services. The council shall support the state's
24 research institutions, promote entrepreneurial development, enable all organizations to become
25 more innovative, and perform any other advisory functions as the legislature may designate.

26 **42-64.35-5. Filing System.**

27 Relating to § 42-64.35-4 authorizing the thirteen (13) member council to develop and
28 implement a blockchain filing system specific only to record council actions; authorizing the
29 promulgation of rules; and providing for an effective date.

30 (a) Not later than December 31, 2024, the council may develop and implement an industry
31 leading filing system through which the council shall endeavor to use blockchain technology and
32 include an application programming interface as components of the filing system, as well as robust
33 security measures and other components determined by the secretary of state to be best practices
34 or which are likely to increase the effective and efficient administration of the laws of this state, if

1 adapted by future legislation. The council may create a blockchain for the purposes of this section
2 or contract for the use of a privately created blockchain to best meet its needs.

3 (b) The council may:

4 (i) Consult with all interested parties before developing the filing system specified by §§
5 42-64.35-5 through 4-64.35-8, including businesses, registered agents, attorneys, law enforcement
6 and other interested persons;

7 (ii) If possible, partner with technology innovators and private companies to develop
8 necessary components of the system.

9 **42-64.35-6. Coordination with existing programs.**

10 (a) To the maximum extent possible, the directors of the departments shall provide special
11 assistance to the council for review of blockchain and related technology, and provide opinions as
12 to how all the administrative powers and duties vested by law in the several state departments,
13 boards, divisions, bureaus, commissions, and other agencies vested in the following departments
14 and other agencies which are specified in this chapter might benefit from further innovation of
15 blockchain technology:

16 (1) Executive department (chapter 7 of title 42);

17 (2) Department of state (chapter 8 of title 42);

18 (3) Department of the attorney general (chapter 9 of title 42);

19 (4) Treasury department (chapter 10 of title 42);

20 (5) Department of administration (chapter 11 of title 42);

21 (6) Department of business regulation (chapter 14 of title 42);

22 (7) Department of children, youth and families (chapter 72 of title 42);

23 (8) Department of corrections (chapter 56 of title 42);

24 (9) Department of elderly affairs (chapter 66 of title 42);

25 (10) Department of elementary and secondary education (chapter 60 of title 16);

26 (11) Department of environmental management (chapter 17.1 of title 42);

27 (12) Department of health (chapter 18 of title 42);

28 (13) Council on postsecondary education (chapter 59 of title 16);

29 (14) Department of labor and training (chapter 16.1 of title 42);

30 (15) Department of behavioral healthcare, developmental disabilities and hospitals (chapter
31 12.1 of title 42);

32 (16) Department of human services (chapter 12 of title 42);

33 (17) Department of transportation (chapter 13 of title 42);

34 (18) Public utilities commission (chapter 14.3 of title 42);

1 (19) Department of revenue (chapter 142 of title 42);

2 (20) Department of public safety (chapter 7.3 of title 42);

3 This shall include, but not be limited to:

4 (i) Expedited processing;

5 (ii) Priority funding;

6 (iii) Program set asides.

7 **42-64.35-7. Financial Sandbox -Financial technology sandbox waiver; applicability of**
8 **criminal and consumer protection statutes; referral to investigatory agencies; civil liability.**

9 (a) Notwithstanding any other provision of law, a person who makes an innovative
10 financial product or service available to consumers in the financial technology sandbox may be
11 granted a waiver of specified requirements imposed by statute or rule, or portions thereof, if these
12 statutes or rules do not currently permit the product or service to be made available to consumers.
13 A waiver under this subsection shall be no broader than necessary to accomplish the purposes and
14 standards set forth in this act, as determined by the commissioner or secretary.

15 (b) A person who makes an innovative financial product or service available to consumers
16 in the financial technology sandbox is:

17 (1) Not immune from civil damages for acts and omissions relating to this act; and

18 (2) Subject to all criminal and consumer protection laws, including, but not limited to,
19 violations of any provisions of title 11, title 19, and title 21.

20 (c) The commissioner or secretary may refer suspected violations of law relating to this
21 chapter to appropriate state or federal agencies for investigation, prosecution, civil penalties and
22 other appropriate enforcement actions, including, but not limited to, suspension or revocation of
23 any license or authorization granted under this chapter.

24 (d) If service of process, relative to any civil proceeding, on a person making an innovative
25 financial product or service available to consumers in the financial technology sandbox is not
26 feasible, service on the secretary of state shall be deemed service on the person.

27 (e) Financial technology sandbox application; standards for approval; consumer protection:
28 A person shall apply to the commissioner or secretary to make an innovative financial product or
29 service available to consumers in the financial technology sandbox, based on the office that
30 administers the statute, regulation, rule or portion thereof, for which a waiver is sought. If both the
31 commissioner and the secretary jointly administer a statute or regulation or rule, or if the
32 appropriate office is not known, an application may be filed with either the commissioner or the
33 secretary. If an application is filed with an office that does not administer the statute, regulation or
34 rule for which a waiver is sought, the receiving office shall forward the application to the correct

1 office. The person shall specify in an application the statutory or rule requirements for which a
2 waiver is sought and the reasons why these requirements prohibit the innovative financial product
3 or service from being made available to consumers. The commissioner and secretary shall each, by
4 rule, prescribe a method of application.

5 (f) A business entity making an application under this section shall be a domestic
6 corporation or other organized domestic entity with a physical presence, other than that of a
7 registered office or agent, in Rhode Island.

8 (g) Before an employee applies on behalf of an institution, firm or other entity intending to
9 make an innovative financial product or service available through the financial technology sandbox,
10 the employee shall obtain the consent of the institution, firm or entity before filing an application
11 under this section.

12 (h) The individual filing an application under this section and the individuals who are
13 substantially involved in the development, operation or management of the innovative financial
14 product or service shall, as a condition of an application, submit to a criminal history background
15 check with the department of attorney general.

16 (i) An application made under this section shall be accompanied by a fee of five hundred
17 dollars (\$500). The fee shall be deposited into the financial technology innovation account as
18 required by title 19.

19 (j) The commissioner or secretary, as applicable, shall authorize or deny a financial
20 technology sandbox application in writing within ninety (90) days of receiving the application. The
21 commissioner or secretary and the person who has made an application may jointly agree to extend
22 the time beyond ninety (90) days. The commissioner or secretary may impose conditions on any
23 authorization, consistent with this chapter. In deciding to authorize or deny an application under
24 this section, the commissioner or secretary shall consider each of the following:

25 (1) The nature of the innovative financial product or service proposed to be made available
26 to consumers in the sandbox, including all relevant technical details which may include whether
27 the product or service utilizes blockchain technology;

28 (2) The potential risk to consumers and methods which will be used to protect consumers
29 and resolve complaints during the sandbox period;

30 (3) A business plan proposed by the person, including proof of capital requirements;

31 (4) Whether the person has the necessary personnel, adequate financial and technical
32 expertise and a sufficient plan to test, monitor and assess the innovative financial product or service;

33 (5) Whether any person substantially involved in the development, operation or
34 management of the innovative financial product or service has been convicted of, or is currently

1 under investigation for, fraud, state or federal securities violations or any property based offense;

2 (6) A copy of the disclosures required under this chapter that will be provided to
3 consumers;

4 (7) Any other factor that the commissioner or secretary determines to be relevant.

5 (k) If an application is authorized under subsection (j) of this section, the commissioner or
6 secretary shall specify the statutory or rule requirements, or portions thereof, for which a waiver is
7 granted and the length of the initial sandbox period. The commissioner or secretary shall also post
8 notice of the approval of a sandbox application under this section, a summary of the innovative
9 financial product or service and the contact information of the person making the product or service
10 available through the sandbox on the Internet website of the commissioner or secretary.

11 (l) A person authorized under section (j) of this section to enter into the financial
12 technology sandbox shall post a consumer protection bond with the commissioner or secretary as
13 security for potential losses suffered by consumers. The bond amount shall be determined by the
14 commissioner or secretary in an amount not less than ten thousand dollars (\$10,000) and shall be
15 commensurate with the risk profile of the innovative financial product or service. The
16 commissioner or secretary may require that a bond under this subsection be increased or decreased
17 at any time based on risk profile. Unless the bond is enforced, the commissioner or secretary shall
18 cancel or allow the bond to expire two (2) years after the date of the conclusion of the sandbox
19 period.

20 (m) A person authorized under subsection (j) of this section to enter into the financial
21 technology sandbox shall be deemed to possess an appropriate license for the purposes of federal
22 law requiring state licensure or authorization.

23 (n) Authorization under subsection (j) of this section shall not be construed to create a
24 property right.

25 (o) Financial technology innovation account:

26 (1) There is created the financial technology innovation account. Funds within the account
27 shall only be expended by legislative appropriation. All funds within the account shall be invested
28 by the state treasurer and all investment earnings from the account shall be credited to the general
29 fund. The account shall be divided into two (2) sub-accounts controlled by the commissioner and
30 secretary, respectively, for the purposes of administrative management. For the purposes of
31 accounting and investing only, the subaccounts shall be treated as separate accounts.

32 (2) Subject to legislative appropriation, application fees remitted to the account shall be
33 deposited into the subaccount controlled by the commissioner or secretary, as applicable, based on
34 the receiving official. These funds, and any additional funds appropriated by the legislature, shall

1 be used only for the purposes of administering this act, including processing of sandbox
2 applications and monitoring, examination and enforcement activities relating to this chapter.

3 (p) Operation of financial technology sandbox:

4 (1) Except as otherwise provided under chapter 56 of title 6 ("uniform supplemental
5 commercial law for the uniform regulation of virtual-currency businesses act"), chapter 14 of title
6 19 ("licensed activities"), and chapter 14.3 of title 19 ("currency transmissions"). a person
7 authorized under this chapter to enter into the financial technology sandbox may make an
8 innovative financial product or service available to consumers during the sandbox period.

9 (2) The commissioner or secretary may, on a case by case basis, specify the maximum
10 number of consumers permitted to receive an innovative financial product or service, after
11 consultation with the person authorized under this chapter to make the product or service available
12 in the financial technology sandbox.

13 (3) Before a consumer purchases or enters into an agreement to receive an innovative
14 financial product or service through the financial technology sandbox the person making the
15 product or service available shall provide a written statement of the following to the consumer:

16 (i) The name and contact information of the person making the product or service available
17 to consumers;

18 (ii) That the product or service has been authorized to be made available to consumers for
19 a temporary period by the commissioner or secretary, as applicable, under the laws of Rhode Island;

20 (iii) That the State of Rhode Island does not endorse the product or service and is not
21 subject to liability for losses or damages caused by the product or service;

22 (iv) That the product or service is undergoing testing, may not function as intended and
23 may entail financial risk;

24 (v) That the person making the product or service available to consumers is not immune
25 from civil liability for any losses or damages caused by the product or service;

26 (vi) The expected end date of the sandbox period;

27 (vii) The name and contact information of the commissioner or secretary, as applicable,
28 and notification that suspected legal violations, complaints or other comments related to the product
29 or service may be submitted to the commissioner or secretary;

30 (viii) Any other statements or disclosures required by rule of the commissioner or secretary
31 which are necessary to further the purposes of this act.

32 (q) A person authorized to make an innovative financial product or service available to
33 consumers in the financial technology sandbox shall maintain comprehensive records relating to
34 the innovative financial product or service. The person shall keep these records for not less than

1 five (5) years after the conclusion of the sandbox period. The commissioner and secretary may
2 specify further records requirements under this subsection by rule.

3 (r) The commissioner or secretary, as applicable, may examine the records maintained
4 under by any depository or financial technology innovation account opened pursuant to this
5 chapter, with or without notice. All direct and indirect costs of an examination conducted under
6 this subsection shall be paid by the person making the innovative financial product or service
7 available in the financial technology sandbox. Records made available to the commissioner or
8 secretary under this subsection shall be confidential and shall not be subject to disclosure under the
9 Rhode Island public records act but may be released to appropriate state and federal agencies for
10 the purposes of investigation.

11 (s) Unless granted an extension pursuant to not less than thirty (30) days before the
12 conclusion of the sandbox period, a person who makes an innovative financial product or service
13 available in the financial technology sandbox shall provide written notification to consumers
14 regarding the conclusion of the sandbox period and shall not make the product or service available
15 to any new consumers after the conclusion of the sandbox period until legal authority outside of
16 the sandbox exists to make the product or service available to consumers. The person shall wind
17 down operations with existing consumers within sixty (60) days after the conclusion of the sandbox
18 period, except that, after the sixtieth day, the person may:

19 (1) Collect and receive money owed to the person and service loans made by the person,
20 based on agreements with consumers made before the conclusion of the sandbox period;

21 (2) Take necessary legal action; and

22 (3) Take other actions authorized by the commissioner or secretary by rule which are not
23 inconsistent with this subsection.

24 (t) The commissioner and the secretary may, jointly or separately, enter into agreements
25 with state, federal or foreign regulatory agencies to allow persons who make an innovative financial
26 product or service available in Rhode Island through the financial technology sandbox to make
27 their products or services available in other jurisdictions and to allow persons operating in similar
28 financial technology sandboxes in other jurisdictions to make innovative financial products and
29 services available in Rhode Island under the standards of this chapter.

30 (u) Revocation or suspension of financial technology sandbox authorization:

31 (1) The commissioner or secretary may, by order, revoke or suspend authorization granted
32 to a person under this chapter if:

33 (i) The person has violated or refused to comply with this chapter or any lawful rule, order
34 or decision adopted by the commissioner or secretary;

1 (ii) A fact or condition exists that, if it had existed or become known at the time of the
2 financial technology sandbox application, would have warranted denial of the application or the
3 imposition of material conditions;

4 (iii) A material error, false statement, misrepresentation or material omission was made in
5 the financial technology sandbox application; or

6 (iv) After consultation with the person, continued testing of the innovative financial
7 product or service would:

8 (A) Be likely to harm consumers; or

9 (B) No longer serve the purposes of this chapter because of the financial or operational
10 failure of the product or service.

11 (v) Written notification of a revocation or suspension order made under subsection (c) of
12 this section shall be served using any means authorized by law, and if the notice relates to a
13 suspension, include any conditions or remedial action which shall be completed before the
14 suspension will be lifted by the commissioner or secretary.

15 (w) Extension of sandbox period:

16 (1) A person granted authorization under subsection (j) of this section may apply for an
17 extension of the initial sandbox period for not more than twelve (12) additional months. An
18 application for an extension shall be made not later than sixty (60) days before the conclusion of
19 the initial sandbox period specified by the commissioner or secretary. The commissioner or
20 secretary shall approve or deny the application for extension in writing not later than thirty-five
21 (35) days before the conclusion of the initial sandbox period. An application for extension by a
22 person shall cite one of the following reasons as the basis for the application and provide all relevant
23 supporting information that:

24 (i) Statutory or rule amendments are necessary to conduct business in Rhode Island on a
25 permanent basis; or

26 (ii) An application for a license or other authorization required to conduct business in
27 Rhode Island on a permanent basis has been filed with the appropriate office and approval is
28 currently pending.

29 (x) Rules and orders; enforcement of bond; restitution:

30 (1) The commissioner and secretary shall each adopt rules to implement this act. The rules
31 adopted by the commissioner and secretary under this chapter shall be as consistent as reasonably
32 possible, but shall account for differences in the statutes and programs administered by the
33 commissioner and secretary.

34 (2) The commissioner or secretary may issue:

1 (i) All necessary orders to enforce this chapter, including, but not limited to, ordering the
2 payment of restitution and enforcement of these orders in any court of competent jurisdiction;

3 (ii) An order under subsection (x)(2)(i) of this section to enforce the bond or portion of the
4 bond posted under this chapter, and use proceeds from the bond to offset losses suffered by
5 consumers as a result of an innovative financial product or service.

6 (3) All actions of the commissioner or secretary under this chapter shall be subject to the
7 rules and regulations under title 19 and chapter 14 of title 42.

8 (y) Access to, and dissemination of, information:

9 (1) Criminal history record information shall be disseminated by criminal justice agencies
10 in this state, whether directly or through any intermediary, only to the banking commissioner or the
11 secretary of state for purposes of obtaining background information on persons applying for
12 financial technology sandbox authorization; provided, however, that all officers and directors
13 subsequently hired or appointed, shall be required to submit to a criminal history background check.

14 (z) State or national criminal history record information:

15 (1) The following persons shall be required to submit to fingerprinting in order to obtain
16 state and national criminal history record information:

17 (i) Applicants for a financial technology sandbox authorization:

18 (aa) The financial technology sandbox definitions shall apply to this chapter.

19 (bb) Electronic records and signatures; applicability:

20 (1) This chapter modifies, limits, and supersedes the federal Electronic Signatures in
21 Global and National Commerce Act, but does not modify, limit, or supersede section 101(c) of that
22 act (15 U.S.C. § 7001 (c)) or authorize electronic delivery of any of the notices described in section
23 103(b) of that act (15 U.S.C. § 7003(b)). This chapter authorizes the filing of records and signatures,
24 when specified by provisions of this chapter or by a rule adopted or order issued under this chapter,
25 in a manner consistent with section 104(a) of that act (15 U.S.C. § 7004(a)).

26 **42-64.35-8. Special depository institutions.**

27 (a) The legislature shall create special purpose depository institutions as a new financial
28 institution, providing that the following rules shall apply to these institutions:

29 (1) Special purpose depository institutions shall be corporations;

30 (2) Require that depositors be business entities;

31 (3) Specify compliance with applicable federal laws;

32 (4) Establish procedures for the incorporation, chartering and operation of special purpose
33 depository institutions;

34 (5) Establish procedures for liquidation, conservatorship and voluntary dissolution;

1 (6) Require a surety bond or pledged investments and specified private insurance;
2 (7) Authorize special purpose depository institutions to obtain federal deposit insurance;
3 (8) Make conforming amendments;
4 (9) Authorize positions;
5 (10) Provide an appropriation; and
6 (11) Provide for effective dates.
7 (b) Applicability of other provisions. Except as otherwise provided in this section, if any
8 provision of law conflicts with this chapter, this chapter shall control, except as to those provisions
9 set forth in §42-64.35-9.
10 (c) Special purpose depository institutions created as corporations; operating authority;
11 powers; prohibition on lending.
12 (1) Consistent with this chapter, special purpose depository institutions shall be organized
13 as corporations under chapter 1.2 of title 7, (the "Rhode Island business corporation act"), to
14 exercise the powers set forth in this section;
15 (2) Each special purpose depository institution may:
16 (i) Make contracts as a corporation under Rhode Island law;
17 (ii) Sue and be sued;
18 (iii) Receive notes and buy and sell gold and silver coins and bullion as permitted by federal
19 law;
20 (iv) Carry on a non-lending banking business for depositors, consistent with subsection (d)
21 of this section;
22 (v) Provide payment services upon the request of a depositor;
23 (vi) Make an application to become a member bank of the Federal Reserve System;
24 (vii) Engage in any other activity that is usual or incidental to the business of banking,
25 subject to the prior written approval of the commissioner. The commissioner shall not approve a
26 request to engage in an incidental activity if he or she finds that the requested activity will adversely
27 affect the solvency or the safety and soundness of the special purpose depository institution or
28 conflict with any provision of this chapter;
29 (viii) Exercise powers and rights otherwise authorized by law which are not inconsistent
30 with this chapter.
31 (d) Except as otherwise provided in this subsection, a special purpose depository institution
32 shall not make loans, including the provision of temporary credit relating to overdrafts. A special
33 purpose depository institution may purchase debt obligations consistent with provisions of title 19.
34 (e) A special purpose depository institution shall maintain its principal operating

1 headquarters and the primary office of its chief executive officer in Rhode Island.

2 (f) As otherwise authorized by this section, the special purpose depository institution may
3 conduct business with depositors outside this state.

4 (g) Subject to the laws of the host state, a special purpose depository institution may open
5 a branch in another state upon obtaining a certificate of good standing from the commissioner or
6 secretary, as long as any new branch located outside of this state is in compliance with state and
7 federal regulations. A special purpose depository institution, including any branch of the institution,
8 may only accept deposits or provide other services under this chapter to depositors engaged in a
9 bona fide business which is lawful under the laws of Rhode Island, the laws of the host state and
10 federal law.

11 (h) Requirements relating to depositors; nature of business:

12 (1) No depositor shall maintain an account with a special purpose depository institution or
13 otherwise receive any services from the institution unless the depositor meets the criteria of this
14 subsection. A depositor shall:

15 (i) Be a legal entity other than a natural person;

16 (ii) Be in good standing with the jurisdiction in the United States in which it is incorporated
17 or organized;

18 (iii) Maintain deposits with the institution totaling not less than five thousand dollars
19 (\$5,000);

20 (iv) Be engaged in a lawful, bona fide business; and

21 (v) Make sufficient evidence available to the special purpose depository institution to
22 enable compliance with anti-money laundering practices, customer identification and beneficial
23 ownership requirements, as determined by the institution.

24 (2) A depositor which meets the criteria of subsection (h) of this section shall be issued a
25 depository account and otherwise receive services from the special purpose depository institution
26 contingent on the availability of sufficient insurance as required under § 19-4-10.

27 (3) Consistent with subsection (h) of this section and in addition to any requirements
28 specified by federal law, a special purpose depository institution shall require that a potential
29 depositor provide reasonable evidence that the person is engaged in a lawful, bona fide business or
30 is likely to open a lawful, bona fide business within the next six (6) months. As used in this
31 subsection, "reasonable evidence" includes business entity filings, articles of incorporation or
32 organization, bylaws, operating agreements, business plans, promotional materials, financing
33 agreements or other evidence.

34 (i) Required liquid assets:

1 (1) At all times, a special purpose depository institution shall maintain unencumbered
2 liquid assets valued at not less than one hundred percent (100%) of its depository liabilities;

3 (2) As used in this section, "liquid assets" means:

4 (i) United States currency held on the premises of the special purpose depository
5 institution;

6 (ii) United States currency held for the special purpose depository institution by a federal
7 reserve bank or a federally insured financial institution;

8 (iii) Investments which are highly liquid, and obligations of the United States treasury or
9 other federal agency obligations consistent with rules adopted by the commissioner.

10 (j) Required contingency account:

11 (1) A special purpose depository institution shall maintain a contingency account to
12 account for unexpected losses and expenses. A special purpose depository institution may require
13 the payment of contributions from depositors to fund a contingency account. Sufficient funding as
14 determined and required by the commissioner for the initial capitalization shall constitute
15 compliance with this subsection for the first three (3) years a special purpose depository institution
16 is in operation. After the conclusion of the first three (3) years of operation, a special purpose
17 depository institution shall maintain a contingency account totaling not less than two percent (2%)
18 of the depository liabilities of the special purpose depository institution; provided, however, that
19 the contingency account shall be adequate and reasonable in light of current and prospective
20 business conditions. as determined by the commissioner;

21 (2) A depositor shall obtain a refund of any contingency account contributions made under
22 this subsection after closing an account with the special purpose depository institution.

23 (k) Applicable federal and state law. A special purpose depository institution shall comply
24 with all applicable federal laws, including, but not limited to, those relating to anti-money
25 laundering practices, customer identification and beneficial ownership.

26 (l) Required disclosures:

27 (1) A special purpose depository institution shall display on any Internet website it
28 maintains, and at each window or place where it accepts deposits, a sign conspicuously stating that
29 deposits are not insured by the federal deposit insurance corporation, if applicable.

30 (2) Upon opening an account and if applicable, a special purpose depository institution
31 shall require each depositor to execute a statement acknowledging that all deposits at the special
32 purpose depository institution are not insured by the federal deposit insurance corporation. The
33 special purpose depository institution shall permanently retain this acknowledgment;

34 (3) A special purpose depository institution shall include in all advertising a disclosure that

1 deposits are not insured by the federal deposit insurance corporation, if applicable.

2 (m) Formation; articles of incorporation:

3 (1) Except as otherwise provided, five (5) or more adult persons may form a special purpose
4 depository institution. The incorporators shall subscribe the articles of incorporation and transmit
5 them to the commissioner as part of an application for a charter under title 19.

6 (2) The articles of incorporation shall include the following information:

7 (i) The corporate name;

8 (ii) The purpose for which the corporation is organized;

9 (iii) The term of its existence, which may be perpetual;

10 (iv) The place where its office shall be located and its operations conducted;

11 (v) The amount of capital stock and the number of shares;

12 (vi) The name and residence of each shareholder subscribing to more than ten percent
13 (10%) of the stock and the number of shares owned by that shareholder;

14 (vii) The number of directors and the names of those who shall manage the affairs of the
15 corporation for the first year; and

16 (viii) A statement that the articles of incorporation are made to enable the incorporators to
17 avail themselves of the advantages of the laws of the state.

18 (n) Copies of all amended articles of incorporation shall be filed in the same manner as the
19 original articles of incorporation.

20 (o) The incorporators shall raise sufficient capital prior to filing an application for a charter
21 with the commissioner, consistent with § 19-2-2. In the event an application for a charter is not
22 filed or is denied by the board, all capital shall be promptly returned without loss, to each person
23 or entity investing.

24 (p) Subject to applicable federal and state law, a bank holding company may apply to hold
25 a special purpose depository institution to raise required initial capital and surplus and additional
26 capital.

27 (q) The capital stock of each special purpose depository institution chartered under this
28 chapter shall be subscribed for as fully paid stock. No special purpose depository institution shall
29 be chartered with capital stock less than five million dollars (\$5,000,000).

30 (r) No special purpose depository institution shall commence business until the full amount
31 of its authorized capital is subscribed and all capital stock is fully paid in. No special purpose
32 depository institution may be chartered without a paid up surplus fund of not less than three (3)
33 years of estimated operating expenses in an amount to be determined by the commissioner;

34 (s) A special purpose depository institution may acquire additional capital prior to the

1 granting of a charter and may report this capital in its charter application.

2 (t) Application for charter; fee; sub-account created:

3 (1) No person shall act as a special purpose depository institution without first obtaining a
4 charter and certificate of authority to operate from the commissioner under this chapter

5 (2) The incorporators, under title 19, shall apply to the commissioner for a charter. The
6 application shall contain the special purpose depository institution's articles of incorporation, a
7 detailed business plan, a comprehensive estimate of operating expenses for the first three (3) years
8 of operation, a complete proposal for compliance with the provisions of this chapter and evidence
9 of the capital as required under subsection (s) of this section. The commissioner may prescribe the
10 form of application by rule.

11 (3) Each application for a charter shall be accompanied by an application fee established
12 by the commissioner pursuant to rule, which shall be no greater than the costs incurred by the
13 commissioner in reviewing the application. The application fee shall be credited to the special
14 purpose depository institutions subaccount created by subsection (o) of this section

15 (u) Special purpose depository institutions subaccount. Funds in the subaccount shall be
16 used by the commissioner to supervise special purpose depository institutions and to otherwise
17 carry out the duties specified by this chapter. Funds in the subaccount are continuously appropriated
18 to the subaccount and shall not lapse at the end of any fiscal period. For purposes of accounting
19 and investing only the special purpose depository institutions subaccount shall be treated as a
20 separate account from the financial institutions administration account.

21 (v) Procedure upon filing application:

22 (1) Upon receiving an application for a special purpose depository charter, the
23 commissioner shall notify the applicants in writing within thirty (30) calendar days of any
24 deficiency in the required information or that the application has been accepted for filing. When
25 the commissioner is satisfied that all required information has been furnished, he or she shall notify
26 the chairman of the board who shall establish a time and place for a public hearing which shall be
27 conducted not less than sixty (60) days, nor more than one hundred twenty (120) days, after notice
28 from the commissioner to the applicants that the application is in order.

29 (2) Within thirty (30) days after receipt of notice of the time and place of the public hearing
30 the applicants shall cause notice of filing of the application and the hearing to be published at the
31 applicant's expense in a newspaper of general circulation within the county where the proposed
32 special purpose depository institution is to be located. Publication shall be made at least once a
33 week for three (3) consecutive weeks before the hearing and shall state: the proposed location of
34 the special purpose depository institution; the names of the applicants for a charter; the nature of

1 the activities to be conducted by the proposed institution and other information required by rule.
2 The applicants shall furnish proof of publication to the commissioner not more than ten (10) days
3 prior to the hearing. The commissioner shall send notice of the hearing to state and national banks,
4 federal savings and loan associations and other financial institutions in the state and federal
5 agencies who have requested notice from the commissioner.

6 (w) Procedure for hearings on charter applications. The hearing for a charter application
7 shall be conducted as a contested case under chapter 35 of title 42 ("administrative procedures")
8 and shall comply with the requirements of that chapter.

9 (x) Investigation and examination by commissioner:

10 (1) Upon receiving the articles of incorporation, the application for a charter and other
11 information required by the commissioner, the commissioner shall make a careful investigation and
12 examination of the following:

13 (i) The character, reputation, financial standing and ability of the incorporators;

14 (ii) The character, financial responsibility, banking or other financial experience and
15 business qualifications of those proposed as officers and directors; and

16 (iii) The application for a charter, including the adequacy and plausibility of the business
17 plan of the special purpose depository institution and whether the institution has offered a complete
18 proposal for compliance with the provisions of this chapter.

19 (2) The commissioner shall submit the results of his or her investigation and examination
20 at the public hearing on the charter application and shall be subject to cross examination by any
21 interested party. No relevant information shall be excluded by the board as hearsay.

22 (y) Approval or disapproval of application; criteria for approval; action upon application:

23 (1) Within ninety (90) days after receipt of the transcript of the public hearing the board
24 shall render a decision on the charter application based solely on the following criteria:

25 (i) Whether the character, reputation, financial standing and ability of the incorporators is
26 sufficient to afford reasonable promise of a successful operation;

27 (ii) Whether the character, financial responsibility, banking or other financial experience
28 and business qualifications of those proposed as officers and directors is sufficient to afford
29 reasonable promise of a successful operation;

30 (iii) The adequacy and plausibility of the business plan of the special purpose depository
31 institution;

32 (iv) Compliance with the capital and surplus requirements as set forth in this section;

33 (v) The special purpose depository institution is being formed for no other purpose than
34 legitimate objectives authorized by law;

1 (vi) That the name of the proposed special purpose depository institution does not resemble
2 so closely the name of any other financial institution transacting business in the state so as to cause
3 confusion; and

4 (vii) Whether the applicants have complied with all applicable provisions of state law.

5 (2) The board shall approve an application upon making favorable findings on the criteria
6 set forth in this section. If necessary, the board may either conditionally approve an application by
7 specifying conditions relating to the criteria or may disapprove the application. The board shall
8 state findings of fact and conclusions of law as part of its decision. If the board approves the
9 application, the commissioner shall endorse upon the articles of incorporation the approval of the
10 board and shall transmit one copy to the secretary of state, retain one copy and return a copy to the
11 applicants within twenty (20) days after the date of the decision of the board approving the
12 application. If the board conditionally approves an application and upon compliance with necessary
13 conditions required by the board, the commissioner shall proceed as provided in the preceding
14 sentence. If the board disapproves the application, the commissioner shall mail notice of the
15 disapproval to the applicants within twenty (20) days of the board's disapproval.

16 (z) Certificate of authority to commence business required; application; approval or denial;
17 failure to commence business;

18 (1) If an application is approved and a charter granted by the board, the special purpose
19 depository institution shall not commence business before receiving a certificate of authority to
20 operate from the commissioner. The application for a certificate of authority shall be made to the
21 commissioner and shall certify the address at which the special purpose depository institution will
22 operate and that all adopted bylaws of the institution have been attached as an exhibit to the
23 application. The application shall state the identities and contact information of officers and
24 directors. The commissioner shall approve or deny an application for a certificate of authority to
25 operate within thirty (30) days after a complete application has been filed. The authority of the
26 commissioner to disapprove any application shall be restricted solely to noncompliance with this
27 section; provided that, if the commissioner approves the application, he or she shall issue a
28 certificate of authority to the applicants within twenty (20) days. If the commissioner denies the
29 application he or she shall mail a notice of denial to the applicants within twenty (20) days, stating
30 the reasons for denying the application, and grant to the applicants a period of ninety (90) days to
31 resubmit the application with the necessary corrections. If the applicants fail to comply with
32 requirements of the notice of denial within ninety (90) days from the receipt of the notice, the
33 charter of the special purpose depository institution shall be revoked by the commissioner. The
34 failure of the commissioner to act upon an application for a certificate of authority within thirty

1 (30) days shall be deemed an approval

2 (2) If an approved special purpose depository institution fails to commence business in
3 good faith within six (6) months after the issuance of a certificate of authority to operate by the
4 commissioner, the charter and certificate of authority shall expire. The board, for good cause and
5 upon an application filed prior to the expiration of the six (6) month period, may extend the time
6 within which the special purpose depository institution may open for business.

7 (aa) Decisions by board appealable. Grounds. Any decision of the board or commissioner
8 in approving, conditionally approving or disapproving a charter for a special purpose depository
9 institution or the issuance or denial of a certificate of authority to operate is appealable to the district
10 court of the county in which the institution is to be located, in accordance with the provisions of
11 chapter 35 of title 42 ("administrative procedures"). In addition to the grounds for appeal contained
12 in chapter 35 of title 42 ("administrative procedures"), an appellant may appeal if the board or the
13 commissioner fails to make any of the required findings or otherwise take an action required by
14 law.

15 (bb) Surety bond; pledged investments; investment income; bond or pledge increases-
16 hearings:

17 (1) Except as otherwise provided by this section, a special purpose depository institution
18 shall, before transacting any business, pledge or furnish a surety bond to the commissioner to cover
19 costs likely to be incurred by the commissioner in a liquidation or conservatorship of the special
20 purpose depository institution. The amount of the surety bond or pledge of assets under this section
21 shall be determined by the commissioner in an amount sufficient to defray the costs of a liquidation
22 or conservatorship.

23 (2) In lieu of a bond, a special purpose depository institution may irrevocably pledge
24 specified capital equivalent to a bond to satisfy this section. Any capital pledged to the
25 commissioner under this subsection shall be held in a state or nationally chartered bank or savings
26 and loan association having a principal or branch office in this state. All costs associated with
27 pledging and holding such capital are the responsibility of the special purpose depository
28 institution.

29 (3) Capital pledged to the commissioner shall be of the same nature and quality as those
30 required for state financial institutions under title 19.

31 (4) Surety bonds shall run to the state of Rhode Island, and shall be approved under the
32 terms and conditions established by the commissioner pursuant to his/her authority under title 19.

33 (5) The commissioner may adopt rules to establish additional investment guidelines or
34 investment options for purposes of the pledge or surety bond required by this section.

1 (6) In the event of a liquidation or conservatorship of a special purpose depository
2 institution pursuant chapters 10, 11 or 12 of title 19, the commissioner may, without regard to
3 priorities, preferences or adverse claims, reduce the surety bond or capital pledged under this
4 section to cash as soon as practicable and utilize the cash to defray the costs associated with the
5 liquidation or conservatorship.

6 (7) Income from capital pledged under subsection (bb)(2) of this section shall be paid to
7 the special purpose depository institution, unless a liquidation or conservatorship takes place.

8 (8) Upon evidence that the current surety bond or pledged capital is insufficient, the
9 commissioner may require a special purpose depository institution to increase its surety bond or
10 pledged capital by providing not less than thirty (30) days' written notice to the institution. The
11 special purpose depository institution may request a hearing before the board not more than thirty
12 (30) days after receiving written notice from the commissioner under this subsection. Any hearing
13 before the board shall be held pursuant to chapter 35 of title 42 ("administrative procedures").

14 (cc) Reports and examinations; supervisory fees: required private insurance or bond:

15 (1) The commissioner may call for reports verified under oath from a special purpose
16 depository institution at any time as necessary to inform the commissioner of the condition of the
17 institution.

18 (2) All reports required of special purpose depository institutions by the commissioner and
19 all materials relating to examinations of these institutions shall be subject to the provisions of
20 chapter 4 of title 19.

21 (3) Every special purpose depository institution is subject to the examination of the
22 commissioner. The commissioner or a duly appointed examiner shall visit and examine special
23 purpose depository institutions on a schedule established by rule. The commissioner or a duly
24 appointed examiner shall make a complete and careful examination of the condition and resources
25 of a special purpose depository institution, the mode of managing institution affairs and conducting
26 business, the actions of officers and directors in the investment and disposition of funds, the safety
27 and prudence of institution management, compliance with the requirements of this chapter and such
28 other matters as the commissioner may require. After an examination, the special purpose
29 depository institution shall remit to the commissioner an amount equal to the total cost of the
30 examination. This amount shall be remitted to the state treasurer and deposited into the special
31 purpose depository institutions subaccount established under this chapter.

32 (4) On or before January 31 and July 31 of each year, a special purpose depository
33 institution shall compute and pay supervisory fees to the commissioner based on the total assets of
34 the special purpose depository institution as of the preceding December 31 and June 30

1 respectively. Supervisory fees under this section shall provide for the operating costs of the office
2 of the commissioner and the administration of the laws governing special purpose depository
3 institutions. Such fees shall be established by rule of the commissioner and shall be adjusted by the
4 commissioner to ensure consistency with the cost of supervision. Supervisory fees shall be
5 deposited by the commissioner with the state treasurer and credited to the special purpose
6 depository institutions subaccount established under this chapter

7 (5) A special purpose depository institution shall maintain appropriate insurance or a bond
8 covering the operational risks of the institution, which shall include coverage for directors' and
9 officers' liability, errors and omissions liability and information technology infrastructure and
10 activities liability.

11 (dd) Suspension or revocation of charter:

12 (1) The commissioner may suspend or revoke the charter of a special purpose depository
13 institution if, after notice and opportunity for a hearing, the commissioner determines that:

14 (i) The special purpose depository institution has failed or refused to comply with an order
15 issued by the commissioner or other regulatory body;

16 (ii) The application for a charter contained a false statement or material misrepresentation
17 or material omission; or

18 (iii) An officer, director or agent of the special purpose depository institution, in connection
19 with an application for a charter, examination, report or other document filed with the
20 commissioner, knowingly made a false statement, material misrepresentation or material omission
21 to the board, the commissioner or the duly authorized agent of the board or commissioner.

22 (ee) Continuing jurisdiction. If the charter of a special purpose depository institution is
23 surrendered, suspended or revoked, the institution shall continue to be subject to the provisions of
24 this chapter during any liquidation or conservatorship.

25 (ff) Failure of institution; unsound or unsafe condition; applicability of other insolvency
26 and conservatorship provisions:

27 (1) If the commissioner finds that a special purpose depository institution has failed or is
28 operating in an unsafe or unsound condition, as defined in this section, that has not been remedied
29 within the time prescribed under chapter 4 of title 19 or an order of the commissioner, the
30 commissioner shall conduct a liquidation or appoint a conservator pursuant to chapters 11 or 12 of
31 title 19;

32 (2) As used in this section:

33 (i) "Failed" or "failure" means, consistent with rules adopted by the commissioner, a
34 circumstance when a special purpose depository institution has not:

- 1 (A) Complied with the requirements of this chapter;
2 (B) Maintained a contingency account, as required by this section;
3 (C) Paid, in the manner commonly accepted by business practices, its legal obligations to
4 depositors on demand or to discharge any certificates of deposit, promissory notes or other
5 indebtedness when due.

6 (ii) "Unsafe or unsound condition" means, consistent with rules adopted by the
7 commissioner, a circumstance relating to a special purpose depository institution which is likely
8 to:

- 9 (A) Cause the failure of the institution as defined in subsection (2)(i) of this subsection;
10 (B) Cause a substantial dissipation of assets or earnings;
11 (C) Substantially disrupt the services provided by the institution to depositors;
12 (D) Otherwise substantially prejudice the depository interests of depositors.

13 (gg) Voluntary dissolution of special purpose depository institution; liquidation;
14 reorganization; application for dissolution; filing fee; filing with the secretary of state; revocation
15 of charter.

16 (1) A special purpose depository institution may voluntarily dissolve in accordance with
17 the provisions of this section. Voluntary dissolution shall be accomplished by either liquidating the
18 special purpose depository institution or reorganizing the institution into an appropriate business
19 entity that does not engage in any activity authorized only for a special purpose depository
20 institution. Upon complete liquidation or completion of the reorganization, the commissioner shall
21 revoke the charter of the special purpose depository institution and afterward, the company shall
22 not use the word "special purpose depository institution" or "bank" in its business name or in
23 connection with its ongoing business.

24 (2) The special purpose depository institution may dissolve its charter either by liquidation
25 or reorganization. The board of directors shall file an application for dissolution with the
26 commissioner, accompanied by a filing fee established by rule of the commissioner. The
27 application shall include a comprehensive plan for dissolution setting forth the proposed disposition
28 of all assets and liabilities, in reasonable detail to effect a liquidation or reorganization, and any
29 other plans required by the commissioner. The plan of dissolution shall provide for the discharge
30 or assumption of all of the known and unknown claims and liabilities of the special purpose
31 depository institution. Additionally, the application for dissolution shall include other evidence,
32 certifications, affidavits, documents or information as the commissioner may require, including a
33 demonstration of how assets and liabilities will be disposed, the timetable for effecting disposition
34 of the assets and liabilities and a proposal of the special purpose depository institution for

1 addressing any claims that are asserted after dissolution has been completed. The commissioner
2 shall examine the application for compliance with this section, the business entity laws applicable
3 to the required type of dissolution and applicable rules. The commissioner may conduct a special
4 examination of the special purpose depository institution consistent with chapter 4 of title 19 and
5 the guidelines set forth in this chapter for purposes of evaluating the application.

6 (3) If the commissioner finds that the application is incomplete, the commissioner shall
7 return it for completion not later than sixty (60) days after it is filed. If the application is found to
8 be complete by the commissioner, the commissioner shall approve or disapprove the application
9 not later than thirty (30) days after it is filed. If the commissioner approves the application the
10 special purpose depository institution may proceed with the dissolution pursuant to the plan
11 outlined in the application subject to any further conditions the commissioner may prescribe. If the
12 special purpose depository institution subsequently determines that the plan of dissolution needs to
13 be amended to complete the dissolution, it shall file an amended plan with the commissioner and
14 obtain approval to proceed under the amended plan. If the commissioner does not approve the
15 application or amended plan, the special purpose depository institution may appeal the decision to
16 the board pursuant to chapter 35 of title 42 ("administrative procedures").

17 (4) Upon completion of all actions required under the plan of dissolution and satisfaction
18 of all conditions prescribed by the commissioner, the special purpose depository institution shall
19 submit a written report of its actions to the commissioner. The report shall contain a certification
20 made under oath that the report is true and correct. Following receipt of the report, the
21 commissioner, no later than sixty (60) days after the filing of the report, shall examine the special
22 purpose depository institution to determine whether the commissioner is satisfied that all required
23 actions have been taken in accordance with the plan of dissolution and any conditions prescribed
24 by the commissioner. If all requirements and conditions have been met, the commissioner shall,
25 within thirty (30) days of the examination, notify the special purpose depository institution in
26 writing that the dissolution has been completed and issue a certificate of dissolution.

27 (5) Upon receiving a certificate of dissolution, the special purpose depository institution
28 shall surrender its charter to the commissioner. The special purpose depository institution shall then
29 file articles of dissolution and other documents required by § 7-1.2-1309. In the case of
30 reorganization, the special purpose depository institution shall file the documents required by the
31 secretary of state to finalize the reorganization.

32 (6) If the commissioner determines that all required actions under the plan for dissolution,
33 or as otherwise required by the commissioner, have not been completed the commissioner shall
34 notify the special purpose depository institution not later than thirty (30) days after this

1 determination, in writing what additional actions shall be taken in order for the institution to be
2 eligible for a certificate of dissolution. The commissioner shall establish a reasonable deadline for
3 the submission of evidence that additional actions have been taken and the commissioner may
4 extend any deadline upon good cause. If the special purpose depository institution fails to file a
5 supplemental report showing that the additional actions have been taken before the deadline, or
6 submits a report that is found not to be satisfactory by the commissioner, the commissioner shall
7 notify the special purpose depository institution in writing that its voluntary dissolution is not
8 approved, and the institution may appeal the decision to the board pursuant to chapter 35 of title 42
9 ("administrative procedures").

10 (hh) Failure to submit required report; fees; rules. If a special purpose depository institution
11 fails to submit any report required by this chapter or by rule within the prescribed period, the
12 commissioner may impose and collect a fee of up to one thousand dollars (\$1000) for each day the
13 report is overdue, as established by rule.

14 (ii) Each officer, director, employee or agent of a special purpose depository institution,
15 following written notice from the commissioner is subject to removal upon order of the
16 commissioner if he/she knowingly or willfully fails to perform any duty required by this chapter or
17 other applicable law or conform to any rule or order of the commissioner.

18 **42-64.35-9. Severability in a pari material construction with other chapters.**

19 (a) Except as provided in subsection (b) of this section, if any provision of this chapter or
20 the application of this chapter to any person or circumstances is held invalid or unconstitutional,
21 the invalidity or unconstitutionality shall not affect other provisions or applications of this chapter
22 that can be given effect without the invalid or unconstitutional provision or application, and to this
23 end the provisions of this chapter are declared to be severable.

24 (b) The provisions of this chapter 64.34 of title 42 ("this chapter") shall be interpreted to
25 be in pari material with, consistent with, and harmonized with the provisions of chapter 56 of title
26 6 ("uniform supplemental commercial law for the uniform regulation of virtual-currency businesses
27 act"), chapter 14 of title 19 ("licensed activities"), and chapter 14.3 of title 19 ("currency
28 transmissions"). To the extent any provision of this chapter 64.3 of title 42 is determined to be
29 inconsistent with and cannot be harmonized with the provisions of any of the aforesaid chapters,
30 the provisions of chapter 56 of title 6, chapter 14 of title 19, and chapter 14.3 of title 19 shall control
31 and prevail over the provisions of this chapter.

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO STATE AFFAIRS AND GOVERNMENT -- RHODE ISLAND ECONOMIC
GROWTH BLOCKCHAIN ACT

- 1 This act would establish an economic growth blockchain act, which would regulate virtual
- 2 and digital assets, and establish depository banks for these purposes.
- 3 This act would take effect upon passage.

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