A BILL FOR AN ACT

CONCERNING THE USE OF BLOCKCHAIN TECHNOLOGY IN COMMERCE.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov.)

In 2019, the general assembly enacted House Bill 19-1247, which created an advisory group to study the use and benefits of blockchain technology in agriculture. The group issued a report that included the following recommendations:

● That the legislature authorize the design, development, and deployment of an online program for agricultural producers to learn about the use and benefits of implementing new digital, data-driven systems to facilitate trade in agricultural...
products; and

- That the legislature amend the Colorado "Uniform Commercial Code" (UCC) to protect ownership and control of digital information assets generated by agricultural producers in a manner similar to the changes adopted by Wyoming.

To implement the recommendations:

- **Section 1** of the bill instructs the commissioner of agriculture (commissioner) to create and deploy an online program that educates agricultural producers about blockchain technology. The commissioner will consult and cooperate with stakeholders to develop the online program, publicize the program, and encourage agricultural producers to participate in the program.

- **Section 2:**
  - Classifies the various types of digital assets as the appropriate type of property, security, or asset under the UCC;
  - Classifies a bank providing custodial services of a digital asset as a securities intermediary;
  - Establishes that control of a digital asset is the functional equivalent of possessing a physical asset for the purposes of perfecting a security interest in the digital asset;
  - Requires an agreement for a secured party to take control of a digital asset;
  - Clarifies that a secured party may file with the secretary of state a financing statement to perfect a security interest in proceeds from a digital asset;
  - Provides that a transferee takes a digital asset free of any security interest 2 years after the transferee takes the asset for value if the transferee does not have actual notice of an adverse claim; and
  - Clarifies issues of court jurisdiction over digital assets.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, [add 35-1-116 as follows:](#)

3 **35-1-116. Blockchain educational program - repeal.** (1) **ON OR**

4 **BEFORE JANUARY 1, 2024, THE COMMISSIONER SHALL CREATE AND**

-2-
DEPLOY AN ONLINE PROGRAM THAT TEACHES:

(a) THE BENEFITS OF IMPLEMENTING BLOCKCHAIN TECHNOLOGY IN AGRICULTURAL PRODUCTION, DISTRIBUTION, AND SALES;
(b) THE DIFFERENT BLOCKCHAIN PROGRAMS THAT EXIST FOR AGRICULTURAL PRODUCERS; AND
(c) THE REQUIREMENTS TO BEGIN USING A BLOCKCHAIN PROGRAM FOR AGRICULTURAL PRODUCERS.

(2) THE COMMISSIONER SHALL CONSULT AND COOPERATE WITH STAKEHOLDERS TO DEVELOP THE ONLINE PROGRAM. TO IMPLEMENT THIS SECTION, THE COMMISSIONER MAY CONSULT OR CONTRACT WITH THE COLORADO STATE UNIVERSITY SYSTEM.

(3) THE COMMISSIONER SHALL PUBLICIZE THE EDUCATIONAL PROGRAM AND ENCOURAGE AGRICULTURAL PRODUCERS TO PARTICIPATE IN THE PROGRAM.

(4) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2030.

SECTION 2. In Colorado Revised Statutes, add article 12 to title 4 as follows:

ARTICLE 12

Digital Assets

4-12-101. Definitions. As used in this Article 12, unless the context otherwise requires:

(1) "AUTOMATED TRANSACTION" MEANS A TRANSACTION THAT IS:
(A) CONDUCTED, IN WHOLE OR IN PART, BY ELECTRONIC MEANS OR ELECTRONIC RECORDS, IN WHICH THE ACTS OR RECORDS OF ONE OR BOTH PARTIES ARE NOT REVIEWED BY AN INDIVIDUAL; AND
(B) PERFORMED UNDER AN EXISTING CONTRACT OR FULFILLING AN OBLIGATION REQUIRED BY ANOTHER TRANSACTION.
(2) "DEBTOR" has the meaning set forth in Section 4-9-102

(a)(28).

(3) (A) "DIGITAL ASSET" means an economic, proprietary, or access right that is stored in a computer readable format.

(B) "DIGITAL ASSET" includes digital consumer assets, digital securities, and virtual currency.

(4) (A) "DIGITAL CONSUMER ASSET" means a digital asset that is used or bought primarily for consumptive, personal, or household purposes.

(B) "DIGITAL CONSUMER ASSET" includes:

(i) An open blockchain token constituting intangible personal property; and

(ii) Any digital asset that is not a digital security or virtual currency.

(5) "DIGITAL CONTROL" means:

(A) A secured party, or an agent, custodian, fiduciary, or trustee of the party, has the exclusive legal authority, including by means of a private key or the use of a multi-signature arrangement authorized by the secured party, to conduct a transaction relating to a digital asset; or

(B) Subject to a smart contract created by a secured party that has the exclusive legal authority to conduct a transaction of a digital asset.

(6) "DIGITAL SECURITY" means a digital asset that is a security, but does not include virtual currency.

(7) "FINANCIAL ASSET" has the meaning set forth in Section 4-8-102 (a)(9).
(8) "Financing statement" has the meaning set forth in Section 4-9-102 (a)(39).

(9) "General intangible" has the meaning set forth in Section 4-9-102 (a)(42).

(10) "Investment property" has the meaning set forth in Section 4-9-102 (a)(49).

(11) "Multi-signature arrangement" means a system of controlling access to a digital asset to prevent unauthorized transactions concerning the asset that requires two or more private keys or any substantially similar technology to conduct a transaction.

(12) "Private key" means a unique element of cryptographic data, or a substantially similar technology, that is:

(A) Held by a person;

(B) Paired with a unique, publicly available element of cryptographic data; and

(C) Associated with an algorithm that is necessary to carry out an encryption or decryption required to execute a transaction.

(13) "Secured party" has the meaning set forth in Section 4-9-102 (a)(75).

(14) "Securities intermediary" has the meaning set forth in Section 4-8-102 (a)(14).

(15) "Security" has the meaning set forth in Section 4-8-102 (a)(15).

(16) "Smart contract" means an automated transaction
OR ANY SUBSTANTIALLY SIMILAR TECHNOLOGY THAT IS:

(A) COMPRISED OF CODE, SCRIPT, OR PROGRAMMING LANGUAGE EXECUTING THE TERMS OF AN AGREEMENT; AND

(B) BASED ON THE OCCURRENCE OF OR NONOCCURRENCE OF SPECIFIED CONDITIONS.

(17) "VIRTUAL CURRENCY" MEANS A DIGITAL STORE OF VALUE THAT IS:

(A) USED AS A MEDIUM OF EXCHANGE, UNIT OF ACCOUNT, OR STORE OF VALUE; AND

(B) NOT RECOGNIZED AS LEGAL TENDER BY THE UNITED STATES GOVERNMENT.

4-12-102. Classification of digital assets as property - banks as intermediaries - applicability to Uniform Commercial Code.

(a) DIGITAL ASSETS ARE CLASSIFIED IN THE FOLLOWING MANNER:

(1) A DIGITAL CONSUMER ASSET IS AN INTANGIBLE PERSONAL PROPERTY BUT IS A GENERAL INTANGIBLE FOR THE PURPOSES OF ONLY ARTICLE 9 OF THIS TITLE 4.

(2) A DIGITAL SECURITY IS AN INTANGIBLE PERSONAL PROPERTY AND IS A SECURITY AND INVESTMENT PROPERTY FOR THE PURPOSES OF ONLY ARTICLES 8 AND 9 OF THIS TITLE 4.

(3) VIRTUAL CURRENCY IS INTANGIBLE PERSONAL PROPERTY AND MONEY, NOTWITHSTANDING SECTION 4-1-201 (b)(23), FOR THE PURPOSES OF ONLY ARTICLE 9 THIS TITLE 4.

(b) A DIGITAL ASSET MAY BE TREATED AS A FINANCIAL ASSET IN ACCORDANCE WITH A WRITTEN AGREEMENT WITH THE OWNER OF THE DIGITAL ASSET. IF TREATED AS A FINANCIAL ASSET, THE DIGITAL ASSET REMAINS INTANGIBLE PERSONAL PROPERTY.
(c) A BANK PROVIDING CUSTODIAL SERVICES OF A DIGITAL ASSET IS A SECURITIES INTERMEDIARY FOR THE PURPOSES OF ARTICLE 8 OF THIS TITLE 4.

(d) A COURT SHALL LIBERALLY CONSTRUE THIS SECTION TO GIVE THE GREATEST EFFECT TO THIS ARTICLE 12, BUT A COURT SHALL NOT CONSTRUE THIS SECTION TO APPLY TO ANY OTHER TYPE OF ASSET.

4-12-103. Perfection of security interests in digital assets - financing statements. (a) (1) For the purposes of article 9 of this title 4, a person who has digital control of a digital asset is deemed to have possession of the asset.

(2) Notwithstanding the financing statement requirement in section 4-9-310 for general intangibles or any other provision of article 9 of this title 4, perfection of a security interest in a digital asset may be achieved through digital control of the digital asset.

(3) A security interest held by a secured party having digital control of a digital asset has priority over a security interest held by a secured party that does not have digital control of the asset.

(4) Perfection by digital control creates a possessory security interest and does not require physical possession.

(b) Before a secured party may take digital control of a digital asset, the secured party must enter into a digital control agreement with the debtor. A digital control agreement may also set forth the terms under which a secured party pledges its security interest in the digital asset as collateral for another transaction.
(c) A SECURED PARTY MAY FILE WITH THE SECRETARY OF STATE A FINANCING STATEMENT, INCLUDING A STATEMENT NECESSARY UNDER SECTION 4-9-315 (d), TO PERFECT A SECURITY INTEREST IN PROCEEDS FROM A DIGITAL ASSET.

(d) NOTWITHSTANDING ARTICLE 9 OF THIS TITLE 4, A TRANSFEREE TAKES A DIGITAL ASSET FREE OF ANY SECURITY INTEREST TWO YEARS AFTER THE TRANSFEREE TAKES THE ASSET FOR VALUE IF THE TRANSFEREE DOES NOT HAVE ACTUAL NOTICE OF AN ADVERSE CLAIM WITHIN THOSE TWO YEARS. THIS SUBSECTION (d) APPLIES ONLY TO A SECURITY INTEREST PERFECTED BY A METHOD OTHER THAN DIGITAL CONTROL.

4-12-104. Jurisdiction of courts - location of asset. (a) THE COURTS OF COLORADO HAVE JURISDICTION TO HEAR CLAIMS IN BOTH LAW AND EQUITY CONCERNING A DIGITAL ASSET.

(b) FOR PURPOSES OF ARTICLE 9 OF THIS TITLE 4, A DIGITAL ASSET IS LOCATED IN COLORADO IF THE ASSET IS HELD BY A COLORADO CUSTODIAN, THE DEBTOR OR SECURED PARTY IS PHYSICALLY LOCATED IN COLORADO, OR THE DEBTOR OR SECURED PARTY IS INCORPORATED OR ORGANIZED IN COLORADO.

SECTION 3. Act subject to petition - effective date. This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly; except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2022 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.