

Second Regular Session
Seventy-third General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 22-0011.01 Jery Payne x2157

HOUSE BILL 22-1053

HOUSE SPONSORSHIP

Valdez D.,

SENATE SPONSORSHIP

(None),

House Committees
Business Affairs & Labor

Senate Committees

A BILL FOR AN ACT

101 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

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

- 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.

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
 3 follows:

4 **35-1-116. Blockchain educational program - repeal.** (1) ON OR
 5 BEFORE JANUARY 1, 2024, THE COMMISSIONER SHALL CREATE AND

1 DEPLOY AN ONLINE PROGRAM THAT TEACHES:

2 (a) THE BENEFITS OF IMPLEMENTING BLOCKCHAIN TECHNOLOGY
3 IN AGRICULTURAL PRODUCTION, DISTRIBUTION, AND SALES;

4 (b) THE DIFFERENT BLOCKCHAIN PROGRAMS THAT EXIST FOR
5 AGRICULTURAL PRODUCERS; AND

6 (c) THE REQUIREMENTS TO BEGIN USING A BLOCKCHAIN PROGRAM
7 FOR AGRICULTURAL PRODUCERS.

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

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

15 (4) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2030.

16 **SECTION 2.** In Colorado Revised Statutes, **add** article 12 to title
17 4 as follows:

18 **ARTICLE 12**

19 **Digital Assets**

20 **4-12-101. Definitions.** AS USED IN THIS ARTICLE 12, UNLESS THE
21 CONTEXT OTHERWISE REQUIRES:

22 (1) "AUTOMATED TRANSACTION" MEANS A TRANSACTION THAT IS:

23 (A) CONDUCTED, IN WHOLE OR IN PART, BY ELECTRONIC MEANS OR
24 ELECTRONIC RECORDS, IN WHICH THE ACTS OR RECORDS OF ONE OR BOTH
25 PARTIES ARE NOT REVIEWED BY AN INDIVIDUAL; AND

26 (B) PERFORMED UNDER AN EXISTING CONTRACT OR FULFILLING AN
27 OBLIGATION REQUIRED BY ANOTHER TRANSACTION.

1 (2) "DEBTOR" HAS THE MEANING SET FORTH IN SECTION 4-9-102
2 (a)(28).

3 (3) (A) "DIGITAL ASSET" MEANS AN ECONOMIC, PROPRIETARY, OR
4 ACCESS RIGHT THAT IS STORED IN A COMPUTER READABLE FORMAT.

5 (B) "DIGITAL ASSET" INCLUDES DIGITAL CONSUMER ASSETS,
6 DIGITAL SECURITIES, AND VIRTUAL CURRENCY.

7 (4) (A) "DIGITAL CONSUMER ASSET" MEANS A DIGITAL ASSET THAT
8 IS USED OR BOUGHT PRIMARILY FOR CONSUMPTIVE, PERSONAL, OR
9 HOUSEHOLD PURPOSES.

10 (B) "DIGITAL CONSUMER ASSET" INCLUDES:

11 (i) AN OPEN BLOCKCHAIN TOKEN CONSTITUTING INTANGIBLE
12 PERSONAL PROPERTY; AND

13 (ii) ANY DIGITAL ASSET THAT IS NOT A DIGITAL SECURITY OR
14 VIRTUAL CURRENCY.

15 (5) "DIGITAL CONTROL" MEANS:

16 (A) A SECURED PARTY, OR AN AGENT, CUSTODIAN, FIDUCIARY, OR
17 TRUSTEE OF THE PARTY, HAS THE EXCLUSIVE LEGAL AUTHORITY,
18 INCLUDING BY MEANS OF A PRIVATE KEY OR THE USE OF A
19 MULTI-SIGNATURE ARRANGEMENT AUTHORIZED BY THE SECURED PARTY,
20 TO CONDUCT A TRANSACTION RELATING TO A DIGITAL ASSET; OR

21 (B) SUBJECT TO A SMART CONTRACT CREATED BY A SECURED
22 PARTY THAT HAS THE EXCLUSIVE LEGAL AUTHORITY TO CONDUCT A
23 TRANSACTION OF A DIGITAL ASSET.

24 (6) "DIGITAL SECURITY" MEANS A DIGITAL ASSET THAT IS A
25 SECURITY, BUT DOES NOT INCLUDE VIRTUAL CURRENCY.

26 (7) "FINANCIAL ASSET" HAS THE MEANING SET FORTH IN SECTION
27 4-8-102 (a)(9).

1 (8) "FINANCING STATEMENT" HAS THE MEANING SET FORTH IN
2 SECTION 4-9-102 (a)(39).

3 (9) "GENERAL INTANGIBLE" HAS THE MEANING SET FORTH IN
4 SECTION 4-9-102 (a)(42).

5 (10) "INVESTMENT PROPERTY" HAS THE MEANING SET FORTH IN
6 SECTION 4-9-102 (a)(49).

7 (11) "MULTI-SIGNATURE ARRANGEMENT" MEANS A SYSTEM OF
8 CONTROLLING ACCESS TO A DIGITAL ASSET TO PREVENT UNAUTHORIZED
9 TRANSACTIONS CONCERNING THE ASSET THAT REQUIRES TWO OR MORE
10 PRIVATE KEYS OR ANY SUBSTANTIALLY SIMILAR TECHNOLOGY TO
11 CONDUCT A TRANSACTION.

12 (12) "PRIVATE KEY" MEANS A UNIQUE ELEMENT OF
13 CRYPTOGRAPHIC DATA, OR A SUBSTANTIALLY SIMILAR TECHNOLOGY, THAT
14 IS:

15 (A) HELD BY A PERSON;

16 (B) PAIRED WITH A UNIQUE, PUBLICLY AVAILABLE ELEMENT OF
17 CRYPTOGRAPHIC DATA; AND

18 (C) ASSOCIATED WITH AN ALGORITHM THAT IS NECESSARY TO
19 CARRY OUT AN ENCRYPTION OR DECRYPTION REQUIRED TO EXECUTE A
20 TRANSACTION.

21 (13) "SECURED PARTY" HAS THE MEANING SET FORTH IN SECTION
22 4-9-102 (a)(75).

23 (14) "SECURITIES INTERMEDIARY" HAS THE MEANING SET FORTH
24 IN SECTION 4-8-102 (a)(14).

25 (15) "SECURITY" HAS THE MEANING SET FORTH IN SECTION 4-8-102
26 (a)(15).

27 (16) "SMART CONTRACT" MEANS AN AUTOMATED TRANSACTION

1 OR ANY SUBSTANTIALLY SIMILAR TECHNOLOGY THAT IS:

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

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

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

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

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

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

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

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

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

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

24 (b) A DIGITAL ASSET MAY BE TREATED AS A FINANCIAL ASSET IN
25 ACCORDANCE WITH A WRITTEN AGREEMENT WITH THE OWNER OF THE
26 DIGITAL ASSET. IF TREATED AS A FINANCIAL ASSET, THE DIGITAL ASSET
27 REMAINS INTANGIBLE PERSONAL PROPERTY.

1 (c) A BANK PROVIDING CUSTODIAL SERVICES OF A DIGITAL ASSET
2 IS A SECURITIES INTERMEDIARY FOR THE PURPOSES OF ARTICLE 8 OF THIS
3 TITLE 4.

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

7 **4-12-103. Perfection of security interests in digital assets -**
8 **financing statements.** (a) (1) FOR THE PURPOSES OF ARTICLE 9 OF THIS
9 TITLE 4, A PERSON WHO HAS DIGITAL CONTROL OF A DIGITAL ASSET IS
10 DEEMED TO HAVE POSSESSION OF THE ASSET.

11 (2) NOTWITHSTANDING THE FINANCING STATEMENT REQUIREMENT
12 IN SECTION 4-9-310 FOR GENERAL INTANGIBLES OR ANY OTHER PROVISION
13 OF ARTICLE 9 OF THIS TITLE 4, PERFECTION OF A SECURITY INTEREST IN A
14 DIGITAL ASSET MAY BE ACHIEVED THROUGH DIGITAL CONTROL OF THE
15 DIGITAL ASSET.

16 (3) A SECURITY INTEREST HELD BY A SECURED PARTY HAVING
17 DIGITAL CONTROL OF A DIGITAL ASSET HAS PRIORITY OVER A SECURITY
18 INTEREST HELD BY A SECURED PARTY THAT DOES NOT HAVE DIGITAL
19 CONTROL OF THE ASSET.

20 (4) PERFECTION BY DIGITAL CONTROL CREATES A POSSESSORY
21 SECURITY INTEREST AND DOES NOT REQUIRE PHYSICAL POSSESSION.

22 (b) BEFORE A SECURED PARTY MAY TAKE DIGITAL CONTROL OF A
23 DIGITAL ASSET, THE SECURED PARTY MUST ENTER INTO A DIGITAL
24 CONTROL AGREEMENT WITH THE DEBTOR. A DIGITAL CONTROL
25 AGREEMENT MAY ALSO SET FORTH THE TERMS UNDER WHICH A SECURED
26 PARTY PLEDGES ITS SECURITY INTEREST IN THE DIGITAL ASSET AS
27 COLLATERAL FOR ANOTHER TRANSACTION.

1 (c) A SECURED PARTY MAY FILE WITH THE SECRETARY OF STATE
2 A FINANCING STATEMENT, INCLUDING A STATEMENT NECESSARY UNDER
3 SECTION 4-9-315 (d), TO PERFECT A SECURITY INTEREST IN PROCEEDS
4 FROM A DIGITAL ASSET.

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

11 **4-12-104. Jurisdiction of courts - location of asset.** (a) THE
12 COURTS OF COLORADO HAVE JURISDICTION TO HEAR CLAIMS IN BOTH LAW
13 AND EQUITY CONCERNING A DIGITAL ASSET.

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

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