

1 AN ACT relating to credit.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 344 IS CREATED TO  
4 READ AS FOLLOWS:

5 *As used in Sections 1 to 5 of this Act:*

6 *(1) "Algorithm" means a mathematical set of rules that specify how a group of data*  
7 *behaves and makes predictive assumptions about future behavior;*

8 *(2) "Behavior" means the behavior of an individual, including an individual's*  
9 *physical and verbal behavior;*

10 *(3) "Financial institution" means any person providing financial or investment*  
11 *services or products, and includes banks, bank holding companies, savings*  
12 *banks, savings and loan associations, trust companies, credit unions, consumer*  
13 *loan companies, industrial loan companies, mortgage loan companies and*  
14 *brokers, deferred deposit service businesses, loan brokers, private bankers, sales*  
15 *finance companies, broker-dealers, investment advisers, and any other similar*  
16 *type of entity;*

17 *(4) "Reasonable suspicion" means the belief that an individual is in the process of*  
18 *committing a crime or will commit a crime in the foreseeable future as*  
19 *determined by a reasonable person; and*

20 *(5) "Social credit score" means a numeric or other designation assigned to an*  
21 *individual or business based on their behaviors or actions including promptness*  
22 *of paying taxes, fines, debts, fees, or other financial obligation, compliance with*  
23 *government or administrative guidance, and compliance with regulatory*  
24 *standards, for the purpose of discriminating against a person.*

25 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 344 IS CREATED TO  
26 READ AS FOLLOWS:

27 *(1) No governmental entity, financial institution, or person shall use, enforce,*

1 provide data for use in, or otherwise participate in the creation or use of a social  
2 credit score system.

3 (2) No governmental entity, financial institution, or person shall create any system  
4 using behavioral attributes of a person as cause to deny that person his or her  
5 Constitutional rights.

6 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 344 IS CREATED TO  
7 READ AS FOLLOWS:

8 (1) No individual's behavior shall be used to deny the individual of his or her rights  
9 as stated in the Constitution of Kentucky or the Constitution of the United States  
10 if that behavior is not a violation of Kentucky law, the policies or regulations of a  
11 state agency, or the law of a political subdivision of Kentucky at the time the  
12 behavior was performed.

13 (2) (a) Unless a person on any watch list maintained by any law enforcement  
14 agency in the state is currently under investigation by law enforcement, the  
15 person shall not be restricted from exercising his or her rights under the  
16 Constitution of Kentucky or the Constitution of the United States.

17 (b) Should a person under investigation and on a watch list by any law  
18 enforcement agency be prevented from exercising his or her rights, the  
19 burden is on the law enforcement agency to provide the appropriate District  
20 or Circuit Court the basis for denying the individual his or her rights should  
21 the person challenge the basis for being under investigation. At a minimum,  
22 the law enforcement agency shall provide the court with evidence  
23 supporting reasonable suspicion that the individual in question is in the  
24 process of committing a crime or likely to commit a crime in the foreseeable  
25 future.

26 (c) Should any person be denied his or her rights as stated in the Constitution  
27 of Kentucky or the Constitution of the United States, the appropriate

1           District or Circuit Court shall provide the person with written notification of  
2           such denial, the legal basis for the denial, and the right to appeal the denial  
3           within thirty (30) days of the denial.

4           (d) Algorithms based in whole or in part on the use of predictive analytics or  
5           artificial intelligence shall not be used to evidence reasonable suspicion for  
6           the purpose of preventing a person from exercising his or her rights.

7           (3) The provisions of this section shall not apply to individuals who are incarcerated  
8           while awaiting trial or who have been found guilty of violating the laws of this  
9           state and have had their access to government, public, or private services limited  
10           during his or her time of incarceration or after release as a condition of release  
11           or parole.

12           ➔SECTION 4. A NEW SECTION OF KRS CHAPTER 344 IS CREATED TO  
13 READ AS FOLLOWS:

14           (1) (a) No financial institution shall use, enforce, provide data for use in, or  
15           otherwise participate in the creation or use of a social credit score system.

16           (b) No financial institution shall discriminate against any person based on  
17           their political affiliation or other social credit, environmental, social, or  
18           governance-related or other values-based impact criteria.

19           (2) Notwithstanding subsection (1) of this section, a financial institution may offer  
20           investments, products, or services to a potential customer or investor that include  
21           subjective selection standards if the standards are fully disclosed and explained to  
22           the potential customer or investor before entering into a contract for the  
23           investments, products, or services.

24           (3) A financial institution may discontinue or refuse to conduct business with a  
25           person if the action is necessary for the physical safety of the financial  
26           institution's customers or employees.

27           ➔SECTION 5. A NEW SECTION OF KRS CHAPTER 344 IS CREATED TO

1 READ AS FOLLOWS:

2 *Nothing in this Sections 1 to 4 of this Act shall prohibit the use of financial credit*  
3 *scores by businesses or financial institutions for the purpose of determining the*  
4 *financial credit worthiness of current or potential customers.*