

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1507 – SB 1662

February 20, 2018

**SUMMARY OF ORIGINAL BILL:** Adds and defines the terms “blockchain technology” and “smart contract” to the *Uniform Electronic Transactions Act*. Establishes that a signature, record or contract secured through blockchain technology is considered to be in electronic form and to be an electronic signature or electronic record. Authorizes the use of smart contracts in commerce. Prohibits contracts relating to a transaction to be denied legal effect, validity, or enforceability solely because that contract contains a smart contract term. Protects ownership rights of information secured by blockchain technology, except where transaction terms expressly transfers those rights.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

Other Impact – Due to multiple unknown factors, any impact on commerce and jobs in Tennessee cannot be quantified with reasonable certainty.

**SUMMARY OF AMENDMENT (013365):** Deletes all language after the enacting clause. Adds and defines the terms “distributed ledger technology” and “smart contract” to the *Uniform Electronic Transactions Act*. Establishes that a cryptographic signature that is generated and stored through distributed ledger technology is considered to be in an electronic form and to be an electronic signature. Establishes that no contract relating to a transaction shall be denied legal effect, validity, or enforceability because that contract is executed through a smart contract. Protects ownership rights of information secured by distributed ledger technology, except where transaction terms expressly transfers those rights. Establishes that technologies not defined in this legislation may be considered in electronic form or to be an electronic signature or electronic record.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

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Assumptions for the bill as amended:

- Passage of this legislation will promote and facilitate the use of distributed ledger technology and smart contracts in Tennessee.
- According to the Department of Commerce and Insurance (DCI), passage of this legislation would not significantly change how registrations or securities offerings are currently being processed and reviewed, nor would it significantly change how examinations of firms are conducted.
- No fiscal impact on the operations of the Department of Financial Institutions (DFI).
- Any direct fiscal impact to state or local government is estimated to be not significant.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

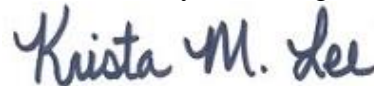
**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- Passage of this legislation will ensure that business, commercial and governmental transactions conducted through or supported by distributed ledger technology and containing smart contract terms will be enforceable in Tennessee.
- Recognition of distributed ledger technology and smart contracts as enforceable electronic transactions will provide clarity to companies interested in developing or utilizing this technology, and may ultimately impact commerce in this state.
- An exact impact to commerce or jobs in Tennessee cannot be quantified with reasonable certainty.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/vlh