

HOUSE BILL 1695

By Barrett

AN ACT to amend Tennessee Code Annotated, Title 9, Chapter 4, relative to cryptocurrency.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 9, Chapter 4, is amended by adding the following as a new part:

9-4-1601.

This part is known and may be cited as the "Tennessee Strategic Bitcoin Reserve Act."

9-4-1602.

The general assembly finds that:

- (1) Persistent increases in the general price level diminish the real purchasing power of assets held by the state of Tennessee in its general fund, revenue fluctuation reserve, and other investment pools;
- (2) Bitcoin is a decentralized digital commodity with a provably limited supply and deep, twenty-four-hour global liquidity;
- (3) A prudent investor acting in a fiduciary capacity may diversify into such a commodity to improve risk-adjusted, inflation-adjusted returns of long-horizon public portfolios; and
- (4) It is the intent of the general assembly to authorize the state treasurer to allocate a limited portion of eligible state funds to bitcoin, subject to robust custody, security, and reporting safeguards.

9-4-1603.

As used in this part, unless the context otherwise requires:

(1) "Bitcoin" means a decentralized cryptocurrency:

- (A) Created by a peer-to-peer network that operates independently of any central authority or bank;
- (B) That was invented in 2008 and first created or mined in 2009; and
- (C) Secured by a proof-of-work public blockchain;

(2) "Cryptocurrency" means a type of digital asset that utilizes cryptography to secure transactions that are digitally recorded on a ledger, such as a blockchain;

(3) "Digital commodity" means a fungible digital asset that is not an investment contract or other security as interpreted under applicable federal and state securities laws;

(4) "Exchange-traded product" or "ETP" means a security approved by the United States securities and exchange commission or the commodity futures trading commission that is listed on a United States-regulated exchange and derives its value exclusively from underlying bitcoin;

(5) "Qualified custodian" means a federal- or state-chartered bank, trust company, special-purpose depository institution, or other regulated financial institution authorized to be a custodian of digital assets; and

(6) "Secure custody solution" means a technological product or a blended product-and-service that:

- (A) Stores private cryptographic keys exclusively in encrypted, non-network-connected hardware located in at least two (2) geographically distinct, secure facilities;

- (B) Makes such keys accessible only through end-to-end-encrypted channels and never via a smartphone;
- (C) Enforces multi-party governance for transaction authorization, implements role-based access controls, and records immutable audit logs of user actions;
- (D) Is subject to an annual third-party code review and penetration test, with remediation of any discovered vulnerabilities; and
- (E) Maintains and periodically tests a disaster-recovery plan that ensures continued access to the state's assets if the service provider becomes unavailable.

9-4-1604.

- (a) Notwithstanding § 9-4-602 or another law to the contrary, the treasurer may invest funds from the following in bitcoin:
 - (1) The general fund;
 - (2) The revenue fluctuation reserve established in § 9-4-211; or
 - (3) Any other state fund the general assembly expressly designates.
- (b) The market value of bitcoin held in or for each fund listed in subsection (a) must not, at the time of purchase, exceed ten percent (10%) of that fund's total assets. Not more than five percent (5%) may be acquired in any single fiscal year until the ten-percent ceiling is reached; provided, however, that passive appreciation above the cap does not require divestment unless otherwise directed by the state treasurer.
- (c) Bitcoin acquired under this part must be held:
 - (1) Directly by the state through a secure custody solution;
 - (2) On the state's behalf by a qualified custodian; or

- (3) In the form of an exchange-traded product; provided, that any such position must be aggregated with direct holdings when applying the cap under subsection (b).
- (d) This part does not authorize public funds to be invested in a digital asset, digital commodity, or cryptocurrency other than bitcoin.

9-4-1605.

- (a) The state treasurer shall adopt written procedures for a secure custody solution governing key generation, storage, transaction authorization, incident response, and continuity of operations.
- (b) The treasurer shall ensure that any qualified custodian engaged under this part:
 - (1) Is subject to ongoing supervision by its primary banking regulator;
 - (2) Provides the state with a copy of its most recent system and organization controls (SOC) 2 Type II report; and
 - (3) Maintains insurance coverage in an amount commensurate with assets under custody.
- (c) A single private individual or private entity shall not hold or control a complete private key or key shard that enables unilateral transfer of state-owned bitcoin.
- (d) Not later than July 1, 2028, the treasurer shall design, implement, and maintain an internal self-custody procedure that complies with subsection (a). Once operational, the treasurer shall hold not less than ten percent (10%) of the aggregate bitcoin owned by the state through such self-custody procedure.

9-4-1606.

- (a) On or before October 1 of each even-numbered year, the treasurer shall publish on the treasurer's public website and transmit to the finance, ways and means

committee of the senate and the committee in the house of representatives having jurisdiction over finance-related matters a report detailing:

- (1) The quantity of bitcoin held on the final business day of the preceding fiscal biennium;
- (2) The United States-dollar equivalent of such holdings on that day and at acquisition;
- (3) A summary of purchases, sales, and transfers since the prior report;
- (4) Any realized gains or income produced by the holdings; and
- (5) A cryptographic proof, or a signed message from one (1) or more reserve addresses, sufficient for third parties to verify on-chain balances reported in subdivision (a)(1).

(b) The treasurer shall make available, upon request, any independent security-assessment executive summaries related to the secure custody solution, redacted as necessary for security.

9-4-1607.

The treasurer may promulgate rules, in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, to implement this part. On or before January 1, 2027, the treasurer shall file with the state funding board an investment-policy statement governing bitcoin allocations, including risk-management metrics and rebalancing guidelines.

9-4-1608.

- (a) The treasurer may establish a program to accept bitcoin in payment of state taxes, fees, or other obligations.

(b) Any bitcoin received under subsection (a) must be transferred to the general fund and recorded at prevailing market value. The collecting department or agency shall be reimbursed or credited in United States-dollar funds for the amount recorded.

(c) Participation by a taxpayer or payor in such a program is voluntary, and this section does not require acceptance of bitcoin by any department or agency.

9-4-1609.

The treasurer shall submit a comprehensive evaluation of the bitcoin reserve's performance and risk profile to the general assembly on or before October 1, 2032.

Upon receipt of the report, the finance, ways and means committee of the senate and the committee in the house of representatives having jurisdiction over finance-related matters shall review the findings and may recommend continuation, revision, or repeal of this part.

SECTION 2. If any provision of this act or its application to any person or circumstance is held invalid, then the invalidity does not affect other provisions or applications of the act that can be given effect without the invalid provision or application, and to that end, the provisions of this act are severable.

SECTION 3. This act takes effect July 1, 2026, the public welfare requiring it.