

SENATE BILL REPORT

SSB 5638

As Passed Senate, March 6, 2019

Title: An act relating to recognizing the validity of distributed ledger technology.

Brief Description: Recognizing the validity of distributed ledger technology.

Sponsors: Senate Committee on Environment, Energy & Technology (originally sponsored by Senators Brown, Rivers, Becker and Short).

Brief History:

Committee Activity: Environment, Energy & Technology: 2/13/19, 2/19/19 [DPS].

Floor Activity:

Passed Senate: 3/06/19, 46-0.

Brief Summary of First Substitute Bill

- Provides that an electronic record may not be denied legal effect because it is generated or stored using distributed ledger technology.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Majority Report: That Substitute Senate Bill No. 5638 be substituted therefor, and the substitute bill do pass.

Signed by Senators Carlyle, Chair; Palumbo, Vice Chair; Ericksen, Ranking Member; Fortunato, Assistant Ranking Member, Environment; Sheldon, Assistant Ranking Member, Energy & Technology; Billig, Brown, Das, Hobbs, Liias, McCoy, Nguyen, Rivers, Short and Wellman.

Staff: Angela Kleis (786-7469)

Background: The National Conference of Commissioners on Uniform State Laws (NCCUSL) adopted the Uniform Electronic Transactions Act (UETA) in 1999. UETA established the general rule of validity of electronic signatures and records relating to a transaction, defined as those interactions between people relating to business, commercial, and governmental affairs.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

On June 30, 2000, the federal Electronic Signatures in Global and National Commerce Act (ESIGN) established electronic signatures, contracts, and records are valid or enforceable if they meet certain criteria. In general, a state law may only modify or supersede the provisions of ESIGN if the law or regulation:

- constitutes a conforming enactment of the 1999 NCCUSL version of UETA; or
- provides alternative procedures for using electronic signatures or records consistent with ESIGN and do not require, or give greater legal effect, to a specific technology.

If a law is enacted after June 30, 2000, it must make reference to the subsection in ESIGN regarding exemption to preemption.

Summary of First Substitute Bill: An electronic record may not be denied legal effect because it is generated or stored using distributed ledger technology.

Distributed ledger technology means any distributed ledger protocol and supporting infrastructure, including blockchain, using a distributed, decentralized, shared, and replicated ledger.

Blockchain means a cryptographically secured, chronological, and decentralized consensus ledger or consensus database maintained via internet, peer-to-peer network, or other similar interaction.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on First Substitute: PRO: This bill recognizes the legality of a valid record on the blockchain. We support this technical bill. There is enormous activity in this field and formal recognition in law will speed growth.

Persons Testifying: PRO: Senator Sharon Brown, Prime Sponsor; Joseph Williams, ICT Sector Lead, Commerce.

Persons Signed In To Testify But Not Testifying: No one.