

1 STATE OF OKLAHOMA

2 2nd Session of the 58th Legislature (2022)

3 COMMITTEE SUBSTITUTE
4 FOR ENGROSSED
5 HOUSE BILL NO. 3279

By: Humphrey, Pae, and Phillips
of the House

6 and

7 Jett of the Senate

8
9 COMMITTEE SUBSTITUTE

10 [technology - creating the Oklahoma Distributed
11 Ledger Technology Act - effective date]

12
13 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

14 SECTION 1. NEW LAW A new section of law to be codified
15 in the Oklahoma Statutes as Section 12001 of Title 74, unless there
16 is created a duplication in numbering, reads as follows:

17 This act shall be known and may be cited as the "Oklahoma
18 Distributed Ledger Technology Act".

19 SECTION 2. NEW LAW A new section of law to be codified
20 in the Oklahoma Statutes as Section 12002 of Title 74, unless there
21 is created a duplication in numbering, reads as follows:

22 As used in this act:

23 1. "Convertible virtual currency" means a substitute or avatar
24 for real and legally recognized currency, even though it does not

1 have the status of legal tender. Convertible virtual currency
2 includes convertible digital currency, digital assets, or
3 distributed ledger technology assets, a convertible virtual
4 currency;

5 2. "Council" means the Oklahoma Distributed Ledger Technology
6 Council;

7 3. "Customer" means any person, corporation, or entity who may
8 qualify for the required Anti-Money Laundering and Know Your
9 Customer provisions of the Bank Secrecy Act, 31 U.S.C., Section 5311
10 et seq., and thereby obtains confirmation of their identity;

11 4. "Digital contract" means a contract that functions as a
12 digital agreement which is entered into between customers, in order
13 to specify the terms and conditions of payment, custody,
14 performance, timing, delivery, tax remittance, regulatory
15 compliance, escrow, contingencies, choice of law, forum, or other
16 terms;

17 5. "Digital identity" means immutable information about an
18 entity or individual used by computer systems to record and
19 represent an external or internal agent, which may be a person,
20 organization, application, or device, and any permissive access
21 relative to such is protected with biometric identification.
22 Digital identity is programmed uniquely for the individual customer
23 and shall not be resold, duplicated, or counterfeited;

24

1 6. "Digital asset processor" means a method for recording and
2 converting virtual currency as a digital asset to and from United
3 States dollars, where both the processor and currencies use
4 distributed ledger technologies and smart contracts programmed with
5 computer code that will enable self-executing escrow accounts, also
6 referred to as an electronic funds transfer system interchange;

7 7. "Distributed ledger technology" means a type of database
8 spread across multiple sites, regions, or participants;

9 8. "Distributed ledger technology asset" means a digital unit
10 with specified characteristics, secured through a decentralized
11 ledger or database, exchangeable for goods or services, and capable
12 of being traded or transferred between persons with the use of a
13 distributed ledger technology asset offering agent and fiduciary or
14 the custodial intermediary. A distributed ledger technology asset
15 is a digital unit that is:

- 16 a. created in response to the verification or collection
17 of a specified number of transactions relating to a
18 digital ledger or database by deploying computer code
19 to a distributed ledger technology network that allows
20 for the creation of distributed ledger technology
21 assets, or
- 22 b. recorded in a digital ledger or database that is
23 chronological, consensus-based, decentralized, and

1 mathematically verified in nature, especially relating
2 to the supply of units and their distribution;

3 9. "Distributed ledger technology asset offering agent" means a
4 person who is appointed by a distributed ledger technology asset
5 offering system operator and who is a licensed attorney with at
6 least fifteen (15) years of law practice, in good standing with the
7 Oklahoma Bar Association, and is appointed as counsel by the
8 submission of registration with the Oklahoma Department of
9 Securities, the Office of Management and Enterprise Services, and
10 the Oklahoma Tax Commission;

11 10. "Electronic funds transfer" means any transfer of funds,
12 other than a transaction originated by check, draft, or similar
13 paper instrument, which is initiated through an electronic terminal,
14 telephonic instrument, computer, or magnetic tape, so as to order,
15 instruct, or authorize a financial institution to debit or credit an
16 account. Such term includes, but is not limited to, point-of-sale
17 transfers, automated teller machine transactions, automated
18 clearinghouses, direct deposits or withdrawals of funds, and
19 transfers initiated by telephone;

20 11. "Electronic funds transfer system interchange" means a
21 distributed ledger technology asset offering, an interchange
22 platform, or digital asset processor, which operates with a protocol
23 that allows customers to acquire and transfer any fiat currencies,
24 lawful cryptocurrencies, digital assets, convertible virtual

1 currency, or distributed ledger technology assets from one form of
2 value to the other by using a convertible virtual currency to
3 acquire and to transfer;

4 12. "Distributed ledger technology asset offering system
5 operator" or "system operator" means a person or entity contracted
6 with this state or its instrumentalities, agencies, or political
7 subdivisions, which employs at least one licensed Oklahoma fiduciary
8 as its principal agent and which has general supervisory control
9 over the subject system and provides to its customers smart
10 contracts for electronic funds transfers, tax remittances, contract
11 forms, escrow, custody, and goods and services tracking that become
12 obligations for customers to pay the system operator by agreement
13 and in accordance with the terms of a designated and immutable smart
14 contract;

15 13. "Onboarding" means identifying and adding customers to a
16 system by first qualifying them with Anti-Money Laundering and Know
17 Your Customer provisions of the Bank Secrecy Act, 31 U.S.C., Section
18 5311 et seq.;

19 14. "Smart contract" means a self-executing digital contract,
20 which can be an escrow agreement, with the terms of the agreement
21 between buyer and seller directly written into lines of code wherein
22 the code and the agreement contained therein exist across a
23 distributed, decentralized, blockchain network. Smart contracts are
24 not digital assets but are software packages and use distributed

1 ledger technologies with unalterable accounting and immutable
2 identification and escrow functions;

3 15. "System" means a complex network of an interconnected
4 technology system or systems; and

5 16. "Travel Rule" means the rule promulgated under the Bank
6 Secrecy Act, 31 C.F.R., Section 1010.410(f), which requires
7 financial institutions to pass certain information on to the next
8 financial institution in certain funds transmittals involving more
9 than one financial institution.

10 SECTION 3. NEW LAW A new section of law to be codified
11 in the Oklahoma Statutes as Section 12003 of Title 74, unless there
12 is created a duplication in numbering, reads as follows:

13 A. The Office of Management and Enterprise Services shall
14 develop and employ an integrated logistics, information, and payment
15 tracking system as a publicly owned, operated, and regulated payment
16 tracking utility network:

17 1. To facilitate information and revenue recording, collection,
18 and sharing; and

19 2. To assist in the prevention of cybercrimes, black market
20 activities, money laundering, and tax evasion.

21 B. Every distributed ledger technology system described in this
22 section shall use types of software that provide for:

23 1. Representations of dollars such as convertible virtual
24 currency;

1 2. Digital representations of unique identities; or

2 3. Digital representations of contracts.

3 C. To contract with the state or any of its political
4 subdivisions, a distributed ledger technology asset offering system
5 which is equipped to license, maintain, and offer for sale software
6 and to perform electronic funds transfers and logistical tracking
7 services using digital assets or convertible virtual currencies as
8 the medium of value transfer, shall fulfill the following minimum
9 threshold securities regulatory requirements:

10 1. Prior to the acceptance by a state, county, or local
11 governmental unit or agency of a vendor's bid or offer to contract,
12 the prospective system or distributed ledger technology asset
13 offering system operator shall show proof of having successfully
14 participated in a state or federal convertible virtual currency and
15 payment gateway demonstration and no-action processes; and

16 2. Demonstrate the proper procedural protocol publicly or
17 privately in a test of the distributed ledger technology to the
18 satisfaction of the state or federal securities regulators'
19 compliance review processes.

20 D. Consideration should be given to system operator applicants
21 which have capabilities of a distributed ledger technology system
22 incubator or which have obtained United States Treasury, United
23 States Department of Agriculture, and government charters, or
24 certification as community development entities or credit programs

1 which have maintained such status for at least ten (10) years and
2 which are headed by licensed Oklahoma fiduciaries.

3 E. Vendors shall adhere to all applicable state and federal
4 laws.

5 F. A convertible virtual currency or digital asset designed and
6 used by the state and any of its agencies or political subdivisions
7 shall be prepaid and stable and shall be designed for correlated
8 payment and the tracking of goods, services, and custodians.

9 G. Every distributed ledger technology asset offering system
10 shall be designed as a publicly owned, operated, and regulated
11 entity and as the property of the State of Oklahoma and to become
12 autonomous and disintermediated by using programmable smart
13 contracts managed by algorithms and encoded with relevant state,
14 county, local, tribal, or federal laws and regulations for taxation,
15 accounting, escrows, remittances, custody tracking, and other
16 applications.

17 H. Every vendor operating within this act shall tailor its
18 technology to comply with and conform to the state's records laws
19 and to include regulations, wherever applicable, for dispute
20 resolution, evidentiary proceedings, money services businesses, tax
21 revenue remittance, tax reporting, securities, and escrow.

22 I. For logistical tracking and recording, the system shall use
23 correlated payment-custodian-product registries, technologies, or
24

1 other vendors with lawfully permissive technology for the state and
2 the system to achieve their requirements.

3 J. Pursuant to the system's requirements, agencies, customers,
4 or users of the software shall:

5 1. Create an unalterable recorded digital identity or digital
6 account or technology such as a lawful digital wallet; and

7 2. Open a digital or smart contract account which shall enable
8 the customer or user to interact within the system.

9 SECTION 4. NEW LAW A new section of law to be codified
10 in the Oklahoma Statutes as Section 12004 of Title 74, unless there
11 is created a duplication in numbering, reads as follows:

12 A. There is hereby created the Oklahoma Distributed Ledger
13 Technology Council. The Council shall consist of nine (9) members.
14 Appointments shall be for three-year terms. Members of the Council
15 shall serve at the pleasure of and may be removed from office by the
16 appointing authority. Members shall continue to serve until their
17 successors are appointed. Any vacancy shall be filled in the same
18 manner as the original appointments. Five members shall constitute
19 a quorum.

20 B. The Council shall be composed as follows:

21 1. The Governor shall appoint three members:

22 a. one member shall be a former agency director or member
23 of agency leadership,

24 b. one member representing law enforcement, and

1 c. one member representing a political subdivision of the
2 state who shall be a member of the local governing
3 body of a city or town;

4 2. The President Pro Tempore of the Senate shall appoint three
5 members as follows:

6 a. one member with a background in software or computer
7 engineering,

8 b. one member from the general public, and

9 c. one member who formerly served in the Senate; and

10 3. The Speaker of the House of Representatives shall appoint
11 three members as follows:

12 a. one member with a background in finance or the
13 securities industry,

14 b. one member from the general public, and

15 c. one member who formerly served in the House.

16 C. The Council shall elect a chair and a cochair from among its
17 members. The Council shall meet as required for rule development,
18 review, and recommendation and for such other purposes specified by
19 law. Special meetings may be called by the chair or by the
20 concurrence of any three members.

21 D. The Council shall:

22 1. Have authority to recommend rules to the Office of
23 Management and Enterprise Services (OMES);

1 2. Before recommending any permanent rules, give public notice,
2 offer opportunity for public comment, and conduct a public
3 rulemaking hearing as required by the Administrative Procedures Act;

4 3. Have the authority to make written recommendations to OMES
5 which have been agreed upon by at least a majority of the membership
6 of the Council;

7 4. Have the authority to provide a public forum for the
8 discussion of issues it considers relevant to its area of
9 jurisdiction, and to:

10 a. pass nonbinding resolutions expressing the purpose of
11 the Council, and

12 b. make recommendations to OMES concerning the need and
13 the desirability of conducting meetings, workshops,
14 and seminars; and

15 5. Cooperate with the public, OMES, and other agencies in order
16 to coordinate the rules within their respective jurisdictional areas
17 and to achieve maximum efficiency and effectiveness in furthering
18 the objectives of this act.

19 E. The Council shall not recommend rules for promulgation by
20 OMES unless all applicable requirements of the Administrative
21 Procedures Act have been followed including, but not limited to,
22 notice, rule impact statement, and rulemaking hearings.

23 F. Members of the Council shall serve without compensation but
24 may be reimbursed expenses incurred in the performance of their

1 duties, as provided in the State Travel Reimbursement Act. The
2 Council is authorized to utilize the conference rooms of OMES and to
3 obtain administrative assistance from OMES as needed.

4 SECTION 5. NEW LAW A new section of law to be codified
5 in the Oklahoma Statutes as Section 12005 of Title 74, unless there
6 is created a duplication in numbering, reads as follows:

7 A distributed ledger technology asset offering system operator
8 shall provide relevant tax revenue and information sharing
9 optimization models, designs, and processes to the Office of
10 Management and Enterprise Services and the Oklahoma Tax Commission,
11 and shall aid in the prevention of tax evasion and other financial
12 crimes.

13 SECTION 6. NEW LAW A new section of law to be codified
14 in the Oklahoma Statutes as Section 12006 of Title 74, unless there
15 is created a duplication in numbering, reads as follows:

16 The Oklahoma Tax Commission and the Office of Management and
17 Enterprise Services shall promulgate rules to allow for the orderly
18 implementation of payments by digital assets and distributed ledger
19 technologies using the services of a system operator.

20 SECTION 7. NEW LAW A new section of law to be codified
21 in the Oklahoma Statutes as Section 12007 of Title 74, unless there
22 is created a duplication in numbering, reads as follows:

23 A. The Oklahoma Tax Commission shall promulgate rules and
24 regulations on how to collect taxes using a convertible virtual

1 currency, by and through the services of distributed ledger
2 technology asset offering system operators, to provide a functional
3 electronic funds transfer asset offering system interchange platform
4 and network.

5 B. The Tax Commission may appoint a qualified system operator
6 as its agent to assist in collecting taxes using distributed ledger
7 technologies and for enforcing the tax laws by examination and
8 investigation.

9 SECTION 8. NEW LAW A new section of law to be codified
10 in the Oklahoma Statutes as Section 12008 of Title 74, unless there
11 is created a duplication in numbering, reads as follows:

12 A. Every distributed ledger technology asset offering system
13 operator is required to appoint, and always have in place, a
14 distributed ledger technology asset offering agent:

15 1. Who shall be a licensed attorney in good standing with the
16 Oklahoma Bar Association; and

17 2. Whose representation is made known to the Oklahoma
18 Department of Securities, the Office of Management and Enterprise
19 Services, and the Oklahoma Tax Commission.

20 B. The distributed ledger technology asset offering agent
21 shall:

22 1. Advise and guide their system operator as to its
23 responsibilities and obligations to ensure compliance with the
24

1 provisions of this act, any rules or regulations issued thereunder,
2 and maintain responsibility for federal and state compliance; and

3 2. Notify the Office of Management Enterprise Services or the
4 Tax Commission in writing without delay of the distributed ledger
5 technology asset offering agent's resignation or intent to surrender
6 their appointment. If terminated, sufficient relevant facts or
7 circumstances thereto are to be disclosed by the agent. A copy of
8 such notices shall be sent to the system operator.

9 C. In discharging his or her obligations under subsection B of
10 this section, a distributed ledger technology asset offering agent
11 shall:

12 1. Deal with the Oklahoma Department of Securities, Office of
13 Management and Enterprise Services, and the Tax Commission in an
14 open and cooperative manner; and

15 2. Provide upon request, and without unreasonable delay, data
16 to the Legislative Office of Fiscal Transparency.

17 SECTION 9. NEW LAW A new section of law to be codified
18 in the Oklahoma Statutes as Section 12009 of Title 74, unless there
19 is created a duplication in numbering, reads as follows:

20 A distributed ledger technology asset offering system operator
21 shall:

22 1. Identify and manage any conflict of interest that may arise;

23 2. Have effective arrangements in place for the protection of
24 stakeholders' and customers' funds;

1 3. Maintain all of its systems and security access protocols to
2 appropriate and applicable standards; and

3 4. When a system operator maintains a website and is required
4 to make public disclosures, make public any information or provide
5 notice to the public on its website as required by law.

6 SECTION 10. NEW LAW A new section of law to be codified
7 in the Oklahoma Statutes as Section 12010 of Title 74, unless there
8 is created a duplication in numbering, reads as follows:

9 A. The Office of Management and Enterprise Services shall
10 promulgate rules to implement the provisions of this act including,
11 without limitation, the implementation of methods to validate
12 transactions for distributed ledger technologies.

13 B. The Office of Management and Enterprise Services may
14 contract with third-party vendors to carry out the respective duties
15 and functions as specified in this act, and may work with the
16 Oklahoma Tax Commission, the Banking Department, the State
17 Treasurer, and the Oklahoma Development Finance Authority to develop
18 good practices and standards for banking and finance for distributed
19 ledger technology assets offering businesses.

20 C. The Office of Management and Enterprise Services, Secretary
21 of State, Oklahoma Development Finance Authority, and the Tax
22 Commission shall be authorized to enter and negotiate the terms of
23 any memorandums of understanding between themselves and other
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1 states, federal, tribal, county, and local governments and agencies
2 thereof in effectuating the terms of this act.

3 D. The Office of Management and Enterprise Services, the Tax
4 Commission, the Secretary of State, the Banking Department, the
5 Oklahoma State Bureau of Investigation, the Oklahoma Department of
6 Securities, Oklahoma Development Finance Authority, and the State
7 Treasurer may participate in an interagency working group, assisted
8 by system operators designated by the agencies, for implementing
9 data-driven solutions for sustainable economic development,
10 protections against financial crimes, and tax evasion problems by
11 using distributed ledger technologies.

12 E. The Office of Management and Enterprise Services may
13 coordinate with any designated system operator to determine the
14 funding requirements and information data points state agencies and
15 local governments need in order to optimize their regulatory duties
16 for compliance and enforcement and for using fintech and databases.
17 The Office of Management and Enterprise Services and the Tax
18 Commission shall appoint a steering committee or working group to
19 determine the compliance burdens and optimal revenue sharing
20 formulas between the local and state governmental subunits.
21 Thereafter, there shall be developed a formula for revenue-sharing
22 or apportioning regulatory funding based upon the needs and burdens
23 of state agencies and local governments, all to be memorialized by a
24 memorandum of understanding.

1 SECTION 11. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 12011 of Title 74, unless there
3 is created a duplication in numbering, reads as follows:

4 No cause of action brought pursuant to this act shall be
5 certified as a class action.

6 SECTION 12. NEW LAW A new section of law to be codified
7 in the Oklahoma Statutes as Section 12012 of Title 74, unless there
8 is created a duplication in numbering, reads as follows:

9 A. An individual filing any pleading that raises or attempts to
10 raise a claim under this act must file at the same time as filing
11 the pleading a surety bond or other security if the pendency of the
12 case would impede or interfere with:

13 1. The operation of any distributed ledger technology asset
14 offering system operator;

15 2. The collection of any tax;

16 3. The tracking of products, payments, or custodians; or

17 4. Any other state or local governmental function under this
18 act.

19 B. The surety bond or other security required by subsection A
20 of this section must be approved by the Oklahoma Tax Commission and
21 shall be in such form and amount as applicable tax law shall require
22 or, in the absence of a specific requirement, in such amount as the
23 Tax Commission may require, and shall be signed as surety by a
24 surety company authorized to transact business in this state. In

1 lieu of such surety bond, a claimant may file with the court clerk
2 security in the form of a negotiable bond or other obligation of the
3 United States or this state of an actual market value not less than
4 the amount fixed by applicable law or the Tax Commission.

5 C. The surety bond or other security required by this section
6 shall not exceed Twenty-five Million Dollars (\$25,000,000.00).

7 SECTION 13. NEW LAW A new section of law to be codified
8 in the Oklahoma Statutes as Section 12013 of Title 74, unless there
9 is created a duplication in numbering, reads as follows:

10 The provisions of this act are severable and if any part of this
11 act be decided by the courts to be unconstitutional or invalid, the
12 same shall not affect the validity of this act as a whole, or any
13 part thereof other than the part so decided to be unconstitutional
14 or invalid.

15 SECTION 14. This act shall become effective November 1, 2022.

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