

# HB2540



## 101ST GENERAL ASSEMBLY

### State of Illinois

2019 and 2020

**HB2540**

by Rep. Sonya M. Harper

#### SYNOPSIS AS INTRODUCED:

New Act

Creates the Blockchain Business Development Act. Provides for the creation and regulation of personal information protection companies. Provides for the creation and regulation of blockchain-based limited liability companies as businesses that utilize blockchain technology for a material portion of their business activities. Provides for a public record blockchain study and report. Provides for a blockchain insurance and banking study and report. Requires the Department of Commerce and Economic Opportunity to incorporate into one or more of its economic development marketing and business support programs, events, and activities topics concerning blockchain technology and financial technology. Defines terms.

LRB101 06907 RJF 51939 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning business.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the  
5 Blockchain Business Development Act.

6 Section 5. Definitions. As used in this Act:

7 "Blockchain" means cryptographically secured,  
8 chronological, and decentralized consensus ledger or consensus  
9 database maintained via Internet, peer-to-peer network, or  
10 other interaction.

11 "Blockchain technology" means computer software or  
12 hardware or collections of computer software or hardware, or  
13 both, that utilize or enable a blockchain.

14 "Department" means the Department of Financial and  
15 Professional Regulation.

16 "Participant" means: (1) each person that has a partial or  
17 complete copy of the decentralized consensus ledger or database  
18 utilized by the blockchain technology, or otherwise  
19 participates in the validation processes of such ledger or  
20 database; (2) each person in control of any digital asset  
21 native to the blockchain technology; and (3) each person that  
22 makes a material contribution to the protocols.

23 "Personal information" means data capable of being

1 associated with a particular natural person, including gender  
2 identification, birth information, marital status, citizenship  
3 and nationality, biometric records, government identification  
4 designations, and personal, educational, and financial  
5 histories.

6 "Personal information protection company" means a business  
7 that is organized for the primary purpose of providing personal  
8 information protection services to individual consumers.

9 "Personal information protection services" means  
10 receiving, holding, and managing the disclosure or use of  
11 personal information concerning an individual consumer: (1)  
12 pursuant to a written agreement in which the person receiving  
13 the individual consumer's information agrees to serve as a  
14 personal information protection company, and which specifies  
15 the types of personal information to be held and the scope of  
16 services to be provided on behalf of the consumer; and (2) in  
17 the best interests and for the protection and benefit of the  
18 consumer.

19 "Protocols" means the designated regulatory model of the  
20 software that governs the rules, operations, and communication  
21 between nodes on the network utilized by the participants.

22 "Virtual currency" means a digital representation of value  
23 that: (1) is used as a medium of exchange, unit of account, or  
24 store of value; and (2) is not legal tender, whether or not  
25 denominated in legal tender.

1 Section 10. Qualified personal information protection  
2 company.

3 (a) A personal information protection company shall  
4 qualify to conduct its business under the terms of this Act and  
5 applicable rules adopted by the Department of Financial and  
6 Professional Regulation.

7 (b) A person shall not engage in business as a personal  
8 information protection company in this State without first  
9 obtaining authorization from the Department.

10 (c) A personal information protection company shall:

11 (1) be organized or authorized to do business under the  
12 laws of this State;

13 (2) maintain a place of business in this State;

14 (3) appoint a registered agent to accept service of  
15 process and to otherwise act on its behalf in this State;  
16 provided that, whenever the registered agent cannot with  
17 reasonable diligence be found at the Illinois registered  
18 office of the company, the Secretary of State shall be an  
19 agent of the company upon whom any process, notice, or  
20 demand may be served;

21 (4) annually hold at least one meeting of its governing  
22 body in this State, at which meeting one or more members of  
23 the body are physically present; and

24 (5) develop, implement, and maintain a comprehensive  
25 information security program that contains administrative,  
26 technical, and physical safeguards sufficient to protect

1 personal information, and which may include the use of  
2 blockchain technology in some or all of its business  
3 activities.

4 (d) A personal information protection company that accepts  
5 personal information based upon to a written agreement to  
6 provide personal information protection services has a  
7 fiduciary responsibility to the consumer when providing  
8 personal protection services.

9 Section 15. Personal information protection company name;  
10 conduct of business.

11 (a) A personal information protection company shall file  
12 with the Department the name it proposes to use in connection  
13 with its business, which the Department shall not approve if it  
14 determines that the name may be misleading, likely to confuse  
15 the public, or deceptively similar to any other business name  
16 in use in this State.

17 (b) A personal information protection company may:

18 (1) operate through remote interaction with the  
19 individuals entrusting personal information to the  
20 company, and there shall be no requirement of Illinois  
21 residency or other contact for any such individual to  
22 establish such a relationship with the company; and

23 (2) subject to applicable fiduciary duties, the terms  
24 of any agreement with the individual involved, and any  
25 applicable statutory or regulatory provision:

1 (A) provide elements of personal information to  
2 third parties with which the individual seeks to have a  
3 transaction, a service relationship, or other  
4 particular purpose interaction;

5 (B) provide certification or validation concerning  
6 personal information; and

7 (C) receive compensation for acting in these  
8 capacities.

9 (c) An authorization to provide personal information may be  
10 either particular or general, provided it meets the terms of  
11 any agreement with the individual involved and any rules  
12 adopted by the Department.

13 Section 20. Assessment of fees; authority of the Department  
14 regarding personal information protection companies;  
15 implementation report.

16 (a) The Department of Financial and Professional  
17 Regulation shall assess the following fees for a personal  
18 information protection company:

19 (1) an initial registration fee of \$1,000, consisting a  
20 licensing fee of \$500 and an investigation fee of \$500;

21 (2) an annual renewal fee of \$500; and

22 (3) a change in address fee of \$100.

23 (b) The Department shall have the authority to bill a  
24 personal information protection company for examination time  
25 at its standard rate.

1 (c) In addition to other powers conferred under this Act,  
2 the Department shall have the authority to review records,  
3 conduct examinations, and require annual audits of a personal  
4 information protection company.

5 (d) The Department may prescribe by rule the timing and  
6 manner of reports by a personal information protection company  
7 to the Department.

8 (e) The Department may adopt rules to govern other aspects  
9 of the business of a personal information protection company,  
10 including its protection and safeguarding of personal  
11 information and its interaction with third parties with respect  
12 to personal information it holds.

13 (f) Within 2 years after the effective date of this Act,  
14 the Department shall submit to the Governor and General  
15 Assembly a progress report that addresses:

16 (1) the implementation of the provisions concerning  
17 the regulation of personal information protection  
18 companies under this Act; and

19 (2) the status of any rulemaking pursuant to its  
20 authority under this Section.

21 Section 25. Blockchain-based limited liability company.

22 (a) For the purposes of this Section, "company" means a  
23 blockchain-based limited liability company.

24 (b) A limited liability company organized under the Limited  
25 Liability Company Act for the purpose of operating a business