

Jordan D. Teuscher proposes the following substitute bill:

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**Blockchain and Digital Innovation Amendments**

2025 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Jordan D. Teuscher**

Senate Sponsor:

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**LONG TITLE**

**General Description:**

This bill creates authority for the state treasurer to invest public funds in certain digital assets.

**Highlighted Provisions:**

This bill:

- defines terms;
- authorizes the state treasurer to invest certain public funds in qualifying digital assets;
- establishes requirements for the custody and management of digital assets;
- creates regulatory requirements for stablecoin investments; and
- authorizes the state treasurer to engage in staking and lending of digital assets under specified conditions.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

AMENDS:

**51-7-2**, as last amended by Laws of Utah 2024, Chapters 418, 492 and 510

ENACTS:

**7-28-101**, Utah Code Annotated 1953

**7-28-102**, Utah Code Annotated 1953

**7-28-103**, Utah Code Annotated 1953

**7-28-104**, Utah Code Annotated 1953

**10-9a-541**, Utah Code Annotated 1953

**67-4-20**, Utah Code Annotated 1953

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30 *Be it enacted by the Legislature of the state of Utah:*

31 Section 1. Section **7-28-101** is enacted to read:

32 **7-28-101 . Definitions.**

33 As used in this chapter:

34 (1) "Blockchain protocol" means any executable software deployed to enable the transfer of  
35 data and electronic records through a distributed network of nodes, including an  
36 additional standardized set of rules that uses a previously existing blockchain as a base.

37 (2) "Digital asset" means:

38 (a) virtual currency;

39 (b) cryptocurrency;

40 (c) natively electronic assets, including:

41 (i) stablecoins; and

42 (ii) non-fungible tokens; or

43 (d) other digital-only assets that confer economic, proprietary, or access rights or powers.

44 (3) "Hardware wallet" means a physical device that:

45 (a) is not continuously connected to the Internet;

46 (b) allows an individual to secure and transfer digital assets; and

47 (c) enables the owner of digital assets to retain independent control over the digital  
48 assets.

49 Section 2. Section **7-28-102** is enacted to read:

50 **7-28-102 . Permitted uses of digital assets.**

51 A state or local governmental entity may not prohibit, restrict, or impair a person's  
52 ability to:

53 (1) accept digital assets as a method of payment for legal goods and services; or

54 (2) take custody of digital assets using:

55 (a) a self-hosted wallet; or

56 (b) a hardware wallet.

57 Section 3. Section **7-28-103** is enacted to read:

58 **7-28-103 . Access to blockchain protocols and transfer of digital assets.**

59 A person may:

60 (1) operate a node for the purpose of:

61 (a) connecting to a blockchain protocol; and

62 (b) participating in the blockchain protocol's operations;

- 63 (2) develop software on a blockchain protocol;  
 64 (3) transfer digital assets to another individual or business utilizing a blockchain protocol; or  
 65 (4) participate in staking on a blockchain protocol.

66 Section 4. Section **7-28-104** is enacted to read:

67 **7-28-104 . Exemption from money transmission license.**

68 The following activities do not require an individual or business to obtain a money  
 69 transmitter license under Title 7, Chapter 25, Money Transmitter Act:

- 70 (1) operating one or more nodes on a blockchain protocol;  
 71 (2) developing software on a blockchain protocol; or  
 72 (3) operating a business or decentralized protocol that:  
 73 (a) effectuates the exchange of one digital asset for another digital asset; and  
 74 (b) does not exchange digital assets for legal tender or bank deposits.

75 Section 5. Section **10-9a-541** is enacted to read:

76 **10-9a-541 . Digital asset mining -- Zoning restrictions.**

77 (1) As used in this section:

- 78 (a) "Digital asset" means the same as that term is defined in Section 7-28-101.  
 79 (b) "Digital asset mining" means using computer hardware and software specifically  
 80 designed or utilized for validating data and securing a blockchain network.  
 81 (c) "Digital asset mining business" means a group of computers working at a single site  
 82 that:  
 83 (i) consumes more than one megawatt of energy on an average annual basis; and  
 84 (ii) operates for the purpose of generating blockchain tokens by securing a  
 85 blockchain network.

86 (2) A political subdivision of the state may not enact an ordinance, resolution, or rule that:

- 87 (a) for digital asset mining businesses located in areas zoned for industrial use:  
 88 (i) places specific limits on sound decibels generated from a digital asset mining  
 89 business; or  
 90 (ii) imposes sound restrictions other than generally applicable limits set for  
 91 industrial-zoned areas; or  
 92 (b) prevents a digital asset mining business from operating in an area zoned for  
 93 industrial use if the digital asset mining business meets other requirements for  
 94 industrial use.

95 Section 6. Section **51-7-2** is amended to read:

96 **51-7-2 . Exemptions from chapter.**

- 97 (1) Except as provided in Subsection (2), the following funds are exempt from this chapter:
- 98 (a) funds invested in accordance with the participating employees' designation or
- 99 direction pursuant to a public employees' deferred compensation plan established and
- 100 operated in compliance with Section 457 of the Internal Revenue Code of 1986, as
- 101 amended;
- 102 (b) funds of the Utah State Retirement Board;
- 103 (c) funds of the Utah Housing Corporation;
- 104 (d) endowment funds of higher education institutions, including funds of the Higher
- 105 Education Student Success Endowment, created in Section 53B-7-802;
- 106 (e) permanent and other land grant trust funds established pursuant to the Utah Enabling
- 107 Act and the Utah Constitution;
- 108 (f) the State Post-Retirement Benefits Trust Fund;
- 109 (g) the funds of the Utah Educational Savings Plan;
- 110 (h) funds of the permanent state trust fund created by and operated under Utah
- 111 Constitution, Article XXII, Section 4;
- 112 (i) the funds in the Navajo Trust Fund;
- 113 (j) the funds in the Radioactive Waste Perpetual Care and Maintenance Account;
- 114 (k) the funds in the Employers' Reinsurance Fund;
- 115 (l) the funds in the Uninsured Employers' Fund;
- 116 (m) the Utah State Developmental Center Long-Term Sustainability Fund, created in
- 117 Section 26B-1-331;
- 118 (n) the funds in the Risk Management Fund created in Section 63A-4-201;
- 119 (o) the Utah fund of funds created in Section 63N-6-401;
- 120 (p) the funds deposited into the Utah Homes Investment Program from the
- 121 Transportation Infrastructure General Fund Support Subfund created in Section
- 122 72-2-134;[~~and~~]
- 123 (q) subject to Subsection 67-4-19(2), the portion of the funds in the following accounts
- 124 invested by the state treasurer in precious metals:
- 125 (i) the State Disaster Recovery Restricted Account, created in Section 53-2a-603;
- 126 (ii) the General Fund Budget Reserve Account, created in Section 63J-1-312;
- 127 (iii) the Income Tax Fund Budget Reserve Account, created in Section 63J-1-313; and
- 128 (iv) the Medicaid Growth Reduction and Budget Stabilization Account, created in
- 129 Section 63J-1-315;[~~and~~]
- 130 (r) subject to Subsection 67-4-20(2), the portion of the funds in the following accounts

131 invested by the state treasurer in qualifying digital assets:  
 132 (i) the State Disaster Recovery Restricted Account, created in Section 53-2a-603;  
 133 (ii) the General Fund Budget Reserve Account, created in Section 63J-1-312;  
 134 (iii) the Income Tax Fund Budget Reserve Account, created in Section 63J-1-313; and  
 135 (iv) the Medicaid Growth Reduction and Budget Stabilization Account, created in  
 136 Section 63J-1-315.

137 (2) Except for the funds of the Utah State Retirement Board and the Utah Educational  
 138 Savings Plan, the funds described in Subsection (1) are not exempt from Subsections  
 139 51-7-14(2) and (3).

140 (3) Notwithstanding Title 52, Chapter 4, Open and Public Meetings Act, a public body that  
 141 administers a fund described in Subsection (1) may hold a closed meeting to discuss the  
 142 sale or purchase of identifiable securities, investment funds, or investment contracts.

143 (4) A paper, electronic, or other depiction or record of information relating to investment  
 144 activities of a fund described in Subsection (1) is not subject to Title 63G, Chapter 2,  
 145 Government Records Access and Management Act.

146 Section 7. Section **67-4-20** is enacted to read:

147 **67-4-20 . Investments of public funds in digital assets by state treasurer -- Digital**  
 148 **asset investment study and report to Legislature.**

149 (1) As used in this section:

150 (a) "Digital asset" means virtual currency, cryptocurrencies, natively electronic assets,  
 151 including stablecoins and non-fungible tokens, and other digital-only assets that  
 152 confer economic, proprietary, or access rights or powers.

153 (b) "Qualified custodian" means an entity that manages digital assets and is:

154 (i) a federal or state-chartered bank;

155 (ii) a trust company;

156 (iii) a special purpose depository institution;

157 (iv) a federal or state-chartered credit union; or

158 (v) a company regulated by the state.

159 (c) "Qualifying digital asset" means:

160 (i) a digital asset with a market capitalization of over \$500 billion averaged over the  
 161 previous 12 months; or

162 (ii) a stablecoin.

163 (d) "Secure custody solution" means a technological product or blended product and  
 164 service that:

- 165           (i) maintains cryptographic private keys that secure digital assets exclusively known  
166           by and accessible by the government entity;
- 167           (ii) contains cryptographic private keys exclusively within an encrypted environment  
168           accessible only via end-to-end encrypted channels;
- 169           (iii) does not allow cryptographic private keys to be accessible by or controllable via  
170           a smartphone;
- 171           (iv) maintains hardware containing cryptographic private keys in at least two  
172           geographically diversified specially designated secure data centers;
- 173           (v) enforces a multi-party governance structure for authorizing transactions, user  
174           access controls, and logs all user-initiated actions;
- 175           (vi) implements a disaster recovery protocol ensuring customer access to assets if the  
176           provider becomes unavailable; and
- 177           (vii) undergoes regular code audits and penetration testing from audit firms with  
178           prompt remedy of identified vulnerabilities.
- 179       (e) "Stablecoin" means a digital asset that:
- 180           (i) is issued by a corporation;
- 181           (ii) is backed by dollars or high-quality liquid assets;
- 182           (iii) is redeemable on demand by the holder at par for United States dollars; and
- 183           (iv) has received appropriate regulatory approval from:
- 184               (A) the United States of America; or
- 185               (B) a state of the United States of America.
- 186       (2)(a) For the following accounts, in addition to other authorized investments, the state  
187       treasurer may invest a portion of public funds in qualifying digital assets:
- 188           (i) the State Disaster Recovery Restricted Account, created in Section 53-2a-603;
- 189           (ii) the General Fund Budget Reserve Account, created in Section 63J-1-312;
- 190           (iii) the Income Tax Fund Budget Reserve Account, created in Section 63J-1-313; and
- 191           (iv) the Medicaid Growth Reduction and Budget Stabilization Account, created in  
192           Section 63J-1-315.
- 193       (b)(i) The amount of public funds that the state treasurer may invest under Subsection  
194       (2)(a) may not, at the time the investment is made, exceed 5% of the total amount  
195       of public funds in that account.
- 196           (ii) The requirements of Subsections 51-7-14(2) and (3) apply to the state treasurer's  
197           investments under Subsection (2)(a).
- 198       (3) The state treasurer shall hold digital assets acquired under this section:

- 199 (a) directly through the use of a secure custody solution;
- 200 (b) through a qualified custodian on behalf of the state; or
- 201 (c) in the form of an exchange traded product issued by a registered investment company.
- 202 (4) The state treasurer may engage in staking of qualifying digital assets if:
- 203 (a) the treasurer's office retains legal ownership of the digital asset; and
- 204 (b) the staking is conducted using a third-party solution.
- 205 (5) The state treasurer may loan qualifying digital assets if:
- 206 (a) the loan does not increase the financial risk to the state; and
- 207 (b) the loan complies with rules established by the treasurer.

208 Section 8. **Effective Date.**

209 This bill takes effect on May 7, 2025.