

Jordan D. Teuscher proposes the following substitute bill:

Blockchain and Digital Innovation Amendments

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jordan D. Teuscher

Senate Sponsor: Kirk A. Cullimore

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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

17-27a-536, Utah Code Annotated 1953

29 **67-4-20**, Utah Code Annotated 1953

30

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

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

33 **7-28-101 . Definitions.**

34 As used in this chapter:

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

38 (2) "Digital asset" means:

39 (a) virtual currency;

40 (b) cryptocurrency;

41 (c) natively electronic assets, including:

42 (i) stablecoins; and

43 (ii) non-fungible tokens; or

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

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

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

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

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

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

51 **7-28-102 . Permitted uses of digital assets.**

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

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

55 (2) take custody of digital assets using:

56 (a) a self-hosted wallet; or

57 (b) a hardware wallet.

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

59 **7-28-103 . Access to blockchain protocols and transfer of digital assets.**

60 A person may:

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

62 (a) connecting to a blockchain protocol; and

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

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

68 **7-28-104 . Exemption from money transmission license.**

69 The following activities do not require an individual or business to obtain a money

70 transmitter license under Title 7, Chapter 25, Money Transmitter Act:

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

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

77 **10-9a-541 . Digital asset mining -- Zoning restrictions.**

- 78 (1) As used in this section:
- 79 (a) "Digital asset" means the same as that term is defined in Section 7-28-101.
- 80 (b) "Digital asset mining" means using computer hardware and software specifically
- 81 designed or utilized for validating data and securing a blockchain network.
- 82 (c) "Digital asset mining business" means a group of computers working at a single site
- 83 that:
- 84 (i) consumes more than one megawatt of energy on an average annual basis; and
- 85 (ii) operates for the purpose of generating blockchain tokens by securing a
- 86 blockchain network.
- 87 (2) A political subdivision of the state may not enact an ordinance, resolution, or rule that:
- 88 (a) for digital asset mining businesses located in areas zoned for industrial use, imposes
- 89 sound restrictions on digital asset mining businesses that are more stringent than the
- 90 generally applicable limits set for industrial-zoned areas; or
- 91 (b) prevents a digital asset mining business from operating in an area zoned for
- 92 industrial use if the digital asset mining business meets other requirements for
- 93 industrial use.

94 Section 6. Section **17-27a-536** is enacted to read:

95 **17-27a-536 . Digital asset mining -- Zoning restrictions.**

- 96 (1) As used in this section:

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

- 105 (2) A political subdivision of the state may not enact an ordinance, resolution, or rule that:
106 (a) for digital asset mining businesses located in areas zoned for industrial use, imposes
107 sound restrictions on digital asset mining businesses that are more stringent than the
108 generally applicable limits set for industrial-zoned areas; or
109 (b) prevents a digital asset mining business from operating in an area zoned for
110 industrial use if the digital asset mining business meets other requirements for
111 industrial use.

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

113 **51-7-2 . Exemptions from chapter.**

- 114 (1) Except as provided in Subsection (2), the following funds are exempt from this chapter:
115 (a) funds invested in accordance with the participating employees' designation or
116 direction pursuant to a public employees' deferred compensation plan established and
117 operated in compliance with Section 457 of the Internal Revenue Code of 1986, as
118 amended;
119 (b) funds of the Utah State Retirement Board;
120 (c) funds of the Utah Housing Corporation;
121 (d) endowment funds of higher education institutions, including funds of the Higher
122 Education Student Success Endowment, created in Section 53B-7-802;
123 (e) permanent and other land grant trust funds established pursuant to the Utah Enabling
124 Act and the Utah Constitution;
125 (f) the State Post-Retirement Benefits Trust Fund;
126 (g) the funds of the Utah Educational Savings Plan;
127 (h) funds of the permanent state trust fund created by and operated under Utah
128 Constitution, Article XXII, Section 4;
129 (i) the funds in the Navajo Trust Fund;
130 (j) the funds in the Radioactive Waste Perpetual Care and Maintenance Account;

- 131 (k) the funds in the Employers' Reinsurance Fund;
- 132 (l) the funds in the Uninsured Employers' Fund;
- 133 (m) the Utah State Developmental Center Long-Term Sustainability Fund, created in
134 Section 26B-1-331;
- 135 (n) the funds in the Risk Management Fund created in Section 63A-4-201;
- 136 (o) the Utah fund of funds created in Section 63N-6-401;
- 137 (p) the funds deposited into the Utah Homes Investment Program from the
138 Transportation Infrastructure General Fund Support Subfund created in Section
139 72-2-134;[-and]
- 140 (q) subject to Subsection 67-4-19(2), the portion of the funds in the following accounts
141 invested by the state treasurer in precious metals:
- 142 (i) the State Disaster Recovery Restricted Account, created in Section 53-2a-603;
- 143 (ii) the General Fund Budget Reserve Account, created in Section 63J-1-312;
- 144 (iii) the Income Tax Fund Budget Reserve Account, created in Section 63J-1-313; and
- 145 (iv) the Medicaid Growth Reduction and Budget Stabilization Account, created in
146 Section 63J-1-315[-] ; and
- 147 (r) subject to Subsection 67-4-20(2), the portion of the funds in the following accounts
148 invested by the state treasurer in qualifying digital assets:
- 149 (i) the State Disaster Recovery Restricted Account, created in Section 53-2a-603;
- 150 (ii) the General Fund Budget Reserve Account, created in Section 63J-1-312;
- 151 (iii) the Income Tax Fund Budget Reserve Account, created in Section 63J-1-313; and
- 152 (iv) the Medicaid Growth Reduction and Budget Stabilization Account, created in
153 Section 63J-1-315.
- 154 (2) Except for the funds of the Utah State Retirement Board and the Utah Educational
155 Savings Plan, the funds described in Subsection (1) are not exempt from Subsections
156 51-7-14(2) and (3).
- 157 (3) Notwithstanding Title 52, Chapter 4, Open and Public Meetings Act, a public body that
158 administers a fund described in Subsection (1) may hold a closed meeting to discuss the
159 sale or purchase of identifiable securities, investment funds, or investment contracts.
- 160 (4) A paper, electronic, or other depiction or record of information relating to investment
161 activities of a fund described in Subsection (1) is not subject to Title 63G, Chapter 2,
162 Government Records Access and Management Act.
- 163 Section 8. Section **67-4-20** is enacted to read:
- 164 **67-4-20 . Investments of public funds in digital assets by state treasurer -- Digital**

165 **asset investment study and report to Legislature.**166 (1) As used in this section:167 (a) "Digital asset" means virtual currency, cryptocurrencies, natively electronic assets,
168 including stablecoins and non-fungible tokens, and other digital-only assets that
169 confer economic, proprietary, or access rights or powers.170 (b) "Qualified custodian" means an entity that manages digital assets and is:171 (i) a federal or state-chartered bank;172 (ii) a trust company;173 (iii) a special purpose depository institution;174 (iv) a federal or state-chartered credit union; or175 (v) a company regulated by the state.176 (c) "Qualifying digital asset" means:177 (i) a digital asset with a market capitalization of over \$500 billion averaged over the
178 previous 12 months; or179 (ii) a stablecoin.180 (d) "Secure custody solution" means a technological product or blended product and
181 service that:182 (i) maintains cryptographic private keys that secure digital assets exclusively known
183 by and accessible by the government entity;184 (ii) contains cryptographic private keys exclusively within an encrypted environment
185 accessible only via end-to-end encrypted channels;186 (iii) does not allow cryptographic private keys to be accessible by or controllable via
187 a smartphone;188 (iv) maintains hardware containing cryptographic private keys in at least two
189 geographically diversified specially designated secure data centers;190 (v) enforces a multi-party governance structure for authorizing transactions, user
191 access controls, and logs all user-initiated actions;192 (vi) implements a disaster recovery protocol ensuring customer access to assets if the
193 provider becomes unavailable; and194 (vii) undergoes regular code audits and penetration testing from audit firms with
195 prompt remedy of identified vulnerabilities.196 (e) "Stablecoin" means a digital asset that:197 (i) is issued by a corporation;198 (ii) is backed by dollars or high-quality liquid assets;

- 199 (iii) is redeemable on demand by the holder at par for United States dollars; and
200 (iv) has received appropriate regulatory approval from:
201 (A) the United States of America; or
202 (B) a state of the United States of America.
- 203 (2)(a) For the following accounts, in addition to other authorized investments, the state
204 treasurer may invest a portion of public funds in qualifying digital assets:
205 (i) the State Disaster Recovery Restricted Account, created in Section 53-2a-603;
206 (ii) the General Fund Budget Reserve Account, created in Section 63J-1-312;
207 (iii) the Income Tax Fund Budget Reserve Account, created in Section 63J-1-313; and
208 (iv) the Medicaid Growth Reduction and Budget Stabilization Account, created in
209 Section 63J-1-315.
- 210 (b)(i) The amount of public funds that the state treasurer may invest under Subsection
211 (2)(a) may not, at the time the investment is made, exceed 5% of the total amount
212 of public funds in that account.
213 (ii) The requirements of Subsections 51-7-14(2) and (3) apply to the state treasurer's
214 investments under Subsection (2)(a).
- 215 (3) The state treasurer shall hold digital assets acquired under this section:
216 (a) directly through the use of a secure custody solution;
217 (b) through a qualified custodian on behalf of the state; or
218 (c) in the form of an exchange traded product issued by a registered investment company.
- 219 (4) The state treasurer may engage in staking of qualifying digital assets if:
220 (a) the treasurer's office retains legal ownership of the digital asset; and
221 (b) the staking is conducted using a third-party solution.
- 222 (5) The state treasurer may loan qualifying digital assets if:
223 (a) the loan does not increase the financial risk to the state; and
224 (b) the loan complies with rules established by the treasurer.

225 **Section 9. Effective Date.**

226 This bill takes effect on May 7, 2025.