
**Innovation, Technology & Economic
Development Committee**

SSB 5638

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 Summary of Substitute Bill

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

Hearing Date: 3/19/19

Staff: Yelena Baker (786-7301).

Background:

A blockchain is an electronic ledger of digital records, events, or transactions that is authenticated and maintained through a distributed or shared network of participants using a group consensus protocol.

Blockchain technology does not provide for storage of records or transactions but instead encrypts the contents of a record or a transaction, plus a few key pieces of metadata (such as the timestamp and the parties involved), into an output known as a hash, which is a short digest, or representation, of the record. Blockchain technology does not verify the accuracy of a record's contents; instead, it confirms the party submitting a record to a blockchain, the time and date of its submission, and the contents of the record at the time of submission. In certain situations, this process allows for elimination of a third-party intermediary.

In the private sector, blockchain technology is in the early stages of adoption, and while it is most commonly associated with the cryptocurrency Bitcoin, other evolving applications can

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include insurance policies, property and real estate records, copyrights and licenses, supply chain tracking, and financial services industry. Another blockchain application is smart contracts, where payouts between the contracted parties are embedded in the blockchain and automatically execute when contractual conditions have been met.

Several states have formed blockchain task forces to identify opportunities, risks, and governance issues related to blockchain technology. Several other states have introduced or passed blockchain-specific legislation specifying the permitted uses and the limitations to the use of blockchain technology in transactions and legal proceedings, requiring state agencies to consider the use of blockchain when accepting business licensing records, and authorizing certain business entities to use distributed ledgers for recordkeeping requirements.

Some states that have adopted the Uniform Electronic Transactions Act (UETA), which provides that a record or a signature may not be denied legal effect or enforceability solely because it is in electronic form, have extended the UETA provisions to signatures or records secured through blockchain technology.

Washington state law provides that state and local agencies may use and accept electronic signatures with the same force and effect as that of a signature affixed by hand, and where a "writing" is required by statute, an electronic record may be used. Each agency may determine whether and to what extent it uses and relies on electronic records and electronic signatures. A state agency is not required to send or accept electronic records or electronic signatures for an agency transaction.

Summary of Bill:

An electronic record may not be denied legal effect, validity, or enforceability solely because it is generated, communicated, received, or stored using distributed ledger technology.

"Electronic record" means a record generated, communicated, received, or stored by electronic means for use in an information system or for transmission from one information system to another.

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

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

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.