

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2022

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- RHODE ISLAND ECONOMIC
GROWTH BLOCKCHAIN ACT

Introduced By: Representatives Place, Filippi, Chippendale, Fenton-Fung, Newberry,
Roberts, and Price

Date Introduced: January 28, 2022

Referred To: House State Government & Elections

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND
2 GOVERNMENT" is hereby amended by adding thereto the following chapter:

3 CHAPTER 64.34

4 RHODE ISLAND ECONOMIC GROWTH BLOCKCHAIN ACT

5 **42-64.34-1. Short title.**

6 This chapter shall be known and may be cited as the "Rhode Island Economic Growth
7 Blockchain Act."

8 **42-64.34-2. Legislative Findings.**

9 The general assembly finds and declares:

10 (1) It is declared to be the policy of the state to promote a vigorous and growing economy,
11 to prevent economic stagnation, and to encourage the creation of new job opportunities in order to
12 ameliorate the hazards of unemployment and underemployment, reduce the level of public
13 assistance, increase revenues to the state and its municipalities, and to achieve a stable diversified
14 economy.

15 (2) The State of Rhode Island understands that to compete in the twenty-first century
16 economy, Rhode Island must offer one of the best business environments in the United States for
17 blockchain and technology innovators, and should offer a comprehensive regulatory technology
18 sandbox for these innovators to develop the next generation of digital products and services in

1 Rhode Island;

2 (3) Building a more robust public-private partnership framework is mandatory for
3 economic success;

4 (4) The State of Rhode Island understands that further developing technology industries
5 within a robust public-private partnership brings better efficiency, trust, and accountability between
6 Rhode Island state government, businesses, and residents.

7 (5) The state understands a public-private partnership developing an immutable
8 interagency-industry-operability blockchain filing system is vital and redevelopment investment in
9 opportunity zones that shall install, maintain, and organize within the system of blockchain records
10 throughout the state is advantageous.

11 (6) Financial and health technology is undergoing a transformational period in which new
12 technologies are providing greater automation, connectivity and transparency for provenance of
13 products and services:

14 (i) Existing legal frameworks are restricting technology innovation because these
15 frameworks were largely established at a time when technology was not a fundamental component
16 of products and services;

17 (ii) Technology innovators require a supervised, flexible regulatory sandbox to test new
18 products and services using waivers of specified statutes and rules under defined conditions;

19 (iii) Jurisdictions which establish regulatory sandboxes are more likely to provide a
20 welcoming business environment for technology innovators and may experience significant
21 business growth;

22 (iv) Other jurisdictions have enacted, or are considering, regulatory sandboxes for financial
23 technology innovators in their jurisdictions;

24 (v) Other jurisdictions have enacted, or are considering public-private partnerships for
25 health technology innovators in their jurisdictions;

26 (vi) Other jurisdictions have enacted or are considering blockchain track and trace
27 identifiers for highly regulated products and industry such as hemp; while recognizing there are
28 legitimate concerns on implementing a widespread hemp industry in the state, necessitating
29 incremental rollout of newly licensed and credentialed entities to best ensure public health and
30 safety: Rhode Island seeks to establish a best in the nation blockchain technology hub for twenty-
31 first century commerce that will increase economic opportunity; including highly regulated
32 industries that otherwise left unchecked could cause continued harm to public health and safety.

33 (7)(i) The rapid innovation of blockchain technology including the growing use of virtual
34 currency and other digital assets has resulted in many blockchain innovators being unable to access

1 secure and reliable banking services thereby hampering development of blockchain services and
2 products in the marketplace;

3 (ii) Federally insured financial institutions are not generally permitted to manage accounts
4 in virtual currency or hold other digital assets;

5 (iii) Blockchain innovators have greater compliance challenges with federal customer
6 identification, anti-money laundering and beneficial ownership requirements because of the
7 complex nature of these obligations and the unfamiliarity of regulators with blockchain innovators'
8 businesses;

9 (iv) These intricate obligations have resulted in many financial institutions in Rhode Island
10 and across the United States refusing to provide banking services to blockchain innovators and also
11 refusing to accept deposits in United States currency obtained from the sale of virtual currency or
12 other digital assets;

13 (v) Compliance with applicable federal and state laws is critical to ensuring the future
14 growth and reputation of the blockchain and technology industries as a whole;

15 (vi) Most financial institutions today do not have the requisite expertise or familiarity with
16 the challenges facing blockchain innovators which is required to provide secure and reliable
17 banking services to these innovators;

18 (vii) A new type of Rhode Island financial payments and depository institution that has
19 expertise with customer identification, anti-money laundering and beneficial ownership
20 requirements could seamlessly integrate these requirements into its operating model; and

21 (viii) Authorizing special purpose depository institutions to be chartered in Rhode Island
22 will provide a necessary and valuable service to blockchain innovators, emphasize Rhode Island's
23 partnership with the technology and financial industry and safely grow this state's developing
24 financial sector.

25 **42-64.34-3. Definitions.**

26 As used in this chapter the following words and phrases shall have the following meanings,
27 unless the context otherwise requires:

28 (1) "Agency" or "public body" means any executive, legislative, judicial, regulatory,
29 administrative body of the state, or any political subdivision thereof: including, but not limited to,
30 any department, division, agency, commission, board, office, bureau, authority, any school, fire, or
31 water district, or other agency or quasi-public agency of Rhode Island state or local government
32 which exercises governmental functions or any other public or private agency, person, partnership,
33 corporation, or business entity acting on behalf of any public agency.

34 (2) "Bank" means any corporation, excluding national banks, having a place of business

1 within this state which engages in banking business, and includes a special purpose depository
2 institution, subject to the limitations set forth in § 42-64.34-9.

3 (3) "Batch" means a specific quantity of real or digital product that is part of a regulated
4 industry, such as hemp or vital records.

5 (4) "Blockchain" means a digital ledger or database which is chronological, consensus-
6 based, decentralized and mathematically verified in nature.

7 (5) "Bureau" means an office or department in charge of administering any agency or bank
8 regulated by the provisions of this chapter.

9 (6) "Commercial hemp activity" means and includes the cultivation, possession,
10 manufacture, distribution, processing, storing, laboratory testing, packaging, labeling,
11 transportation, delivery, or sale of hemp and hemp products as provided for in this chapter.

12 (7) "Commissioner" means the state banking commissioner.

13 (8) "Compassion Center" as defined under § 21-28.6-3.

14 (9) "Consumer" means a person, whether a natural person or a legal entity, in Rhode Island
15 who purchases or enters into an agreement to receive an innovative financial product or service
16 made available through the financial technology sandbox;

17 (10) "Consumptive" means a circumstance when a token is exchangeable for, or provided
18 for the receipt of, services, software, content or real or tangible personal property, including rights
19 of access to services, content or real or tangible personal property.

20 (11) "Control" means:

21 (i) When used in reference to a transaction or relationship involving virtual currency, the
22 power to execute unilaterally or prevent indefinitely a virtual currency transaction; and

23 (ii) When used in reference to a person, the direct or indirect power to direct the
24 management, operations, or policies of the person through legal or beneficial ownership of twenty-
25 five percent (25%) or more of the voting power in the person or under a contract, arrangement, or
26 understanding.

27 (12) "Cultivation" means any activity involving the planting, growing, harvesting, drying,
28 curing, grading, or trimming of hemp.

29 (13) "Cultivation site" means a location where hemp is planted, grown, harvested, dried,
30 cured, graded, or trimmed, or a location where any combination of those activities occurs.

31 (14) "Custodial services" means the safekeeping and management of customer currency
32 and digital assets through the exercise of fiduciary and trust powers under this section as a
33 custodian, and includes fund administration and the execution of customer instructions.

34 (15) "Customer" means a natural person twenty-one (21) years of age or older or a natural

1 person eighteen (18) years of age or older who possesses a physician's recommendation, or a
2 primary caregiver.

3 (16) "Database" means a set of data held on a secured computer software program or
4 encrypted electronic storage system providing an immutable distributed ledger of records.

5 (17) "Department" means the department of business regulation, division of banking.

6 (18) "Developer" means the person primarily responsible for creating an open blockchain
7 token or otherwise designing the token, including by executing the technological processes
8 necessary to create the token;

9 (19) "Digital asset" means a representation of economic, proprietary or access rights that
10 is stored in a computer readable format, and includes digital consumer assets, digital securities and
11 virtual currency;

12 (20) "Digital consumer asset" means a digital asset that is used or bought primarily for
13 consumptive, personal or household purposes and includes:

14 (i) An open blockchain token constituting intangible personal property as otherwise
15 provided by law; and

16 (ii) Any other digital asset which does not fall within the scope of this chapter.

17 (21) "Exchange," used as a verb, means to assume control of virtual currency from or on
18 behalf of a resident, at least momentarily, to sell, trade, or convert:

19 (i) Virtual currency for legal tender, bank credit, or one or more forms of virtual currency;
20 or

21 (ii) Legal tender or bank credit for one or more forms of virtual currency.

22 (22) "Facilitator" means a person who, as a business, makes open blockchain tokens under
23 this section available for resale to the public after a token has been purchased by an initial buyer.

24 (23) "Fees" means charge(s) imposed by the private entity of a qualifying project for use
25 of all or a portion of such qualifying project pursuant to a comprehensive agreement;

26 (24) "Financial investment" means a contract, transaction or arrangement where a person
27 invests money in a common enterprise and is led to expect profits solely from the efforts of a
28 promoter or a third party.

29 (25) "Financial product or service" means a product or service related to finance, including
30 banking, securities, consumer credit or money transmission, which is subject to statutory or rule
31 requirements identified in title 19 and is under the jurisdiction of the commissioner or secretary.

32 (26) "Financial technology sandbox" means the program created by this chapter which
33 allows a person to make an innovative financial product or service available to consumers during
34 a sandbox period through a waiver of existing statutory and rule requirements, or portions thereof,

1 by the commissioner or secretary.

2 (27) "Hemp" means marijuana and all parts of the plant of the genus hemp, whether
3 growing or not; the seeds thereof; the resin extracted from any part of the plant; and every
4 compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. It
5 does not include hemp, the mature stalks of the plant, fiber produced from the stalks, oil or cake
6 made from the seeds of the plant, or any other compound, manufacture, salt, derivative, mixture,
7 or preparation of the mature stalks (except the resin extracted from it), fiber, oil, or cake, or the
8 sterilized seed of the plant that is incapable of germination.

9 (28) "Hemp cultivation facility" means an entity that is licensed pursuant to chapter 26 of
10 title 2, to be exempt from state penalties for manufacturing hemp or hemp products, cultivating,
11 preparing, packaging, and selling hemp to a retailer, processor, or another hemp cultivation facility,
12 but not for selling hemp products or selling hemp to the general public.

13 (29) "Hemp processor" means an entity licensed pursuant to chapter 26 of title 2 to be
14 exempt from state penalties for purchasing hemp from hemp cultivation facilities, manufacturing
15 hemp products, and selling, giving, or transferring hemp products to a hemp retailer or a hemp
16 testing facility.

17 (29) "Hemp products" means all parts of the plant hemp sativa linnaeus, hemp indica, or
18 hemp ruderalis, whether growing or not.

19 (30) "Hemp testing facility" means an entity that is licensed pursuant to chapter 26 of title
20 2 to be exempt from state penalties for testing hemp and hemp products for potency and
21 contaminants.

22 (31) "Innovative" means new or emerging technology, or new uses of existing technology,
23 that provides a product, service, business model or delivery mechanism to the public and has no
24 substantially comparable, widely available analogue in Rhode Island including blockchain
25 technology.

26 (32) "Issuer" means a person that issues or proposes to issue a security

27 (33) "Legal tender" means a medium of exchange or unit of value, including the coin or
28 paper money of the United States, issued by the United States or by another government.

29 (34) "License" means a state license issued under this division, and includes both a
30 cultivation license and a medicinal use license, as well as a testing laboratory license.

31 (35) "Licensee" means any person holding a license under this chapter, regardless of the
32 license held, and includes the holder of a testing laboratory license.

33 (36) "Licensing authority" means the state agency responsible for the issuance, renewal, or
34 reinstatement of the license, or the state agency authorized to take disciplinary action against the

1 licensee.

2 (37) "Local jurisdiction" means a city or town.

3 (38) "M-license" means a state license issued for commercial activity involving hemp or
4 medicinal cannabis.

5 (39) "M-licensee" means any person holding a license under this chapter for commercial
6 hemp activity involving hemp or medicinal cannabis.

7 (40) "Manufacture" means to compound, blend, extract, infuse, or otherwise make or
8 prepare a hemp product.

9 (41) "Manufacturer" means a licensee that conducts the production, preparation,
10 propagation, or compounding of hemp or hemp products either directly or indirectly or by
11 extraction methods or independently by means of chemical synthesis, or by a combination of
12 extraction and chemical synthesis at a fixed location that packages or repackages hemp or hemp
13 products or labels or relabels its container.

14 (42) "Medicinal cannabis" or "medicinal cannabis product" means cannabis or a cannabis
15 product, respectively, intended to be sold for use, pursuant to chapter 28.6 of title 21, by a medicinal
16 cannabis patient in Rhode Island who possesses a physician's recommendation.

17 (43) "Monetary value" means a medium of exchange, whether or not redeemable in money.

18 (44) "Nursery" means a licensee that produces only clones, immature plants, seeds, and
19 other agricultural products used specifically for the propagation and cultivation of hemp.

20 (45) "Open blockchain token" means a digital unit which is:

21 (i) Created in response to the verification or collection of a specified number of transactions
22 relating to a digital ledger or database;

23 (ii) Created by deploying computer code to a digital ledger or database, which may include
24 a blockchain, that allows for the creation of digital tokens or other units;

25 (iii) Created by using a combination of the methods specified in §§ 42-64.34-8 or 42-64.34-

26 9.

27 (iv) Recorded to a digital ledger or database, which may include a blockchain; or

28 (v) Capable of being traded or transferred between persons without an intermediary or
29 custodian of value.

30 (46) "Operation" means any act for which licensure is required under the provisions of this
31 chapter, or any commercial transfer of hemp or hemp products.

32 (47) "Opportunity zones" means designated areas included in the Tax cuts and Jobs Act of
33 2017. Rhode Island opportunity zones are located in twenty-five (25) census tracts spread across
34 the following fifteen (15) municipalities: Bristol, Central Falls, Cranston, Cumberland, East

1 Providence, Narragansett, Newport, North Providence, Pawtucket, Providence, South Kingstown.
2 Warren, West Warwick, Westerly, and Woonsocket.

3 (48) "Owner" means any of the following:

4 (i) A person with an aggregate ownership interest of twenty percent (20%) or more in the
5 person applying for a license or a licensee, unless the interest is solely a security, lien, or
6 encumbrance;

7 (ii) The chief executive officer of a nonprofit or other entity;

8 (iii) A member of the board of directors of a nonprofit;

9 (iv) An individual who will be participating in the direction, control, or management of the
10 person applying for a license.

11 (49) "Person" means and includes any individual, firm, partnership, joint venture,
12 association, corporation, limited-liability company, estate, trust, business trust, receiver, syndicate,
13 or any other group or combination acting as a unit, and the plural as well as the singular.

14 (50) "Premises" means the designated structure or structures and land specified in the
15 application that is owned, leased, or otherwise held under the control of the applicant or licensee
16 where the commercial hemp activity will be or is conducted. The premises shall be a contiguous
17 area and shall only be occupied by one licensee.

18 (51) "Private entity" means any natural person, corporation, general partnership, limited
19 liability company, limited partnership, joint venture, business trust, public benefit corporation,
20 nonprofit entity, or one other private business entity.

21 (52) "Proposal" means a plan for a qualifying project with detail beyond a conceptual level
22 for which terms such as fixing costs, payment schedules, financing, deliverables, and project
23 schedules are defined.

24 (53) "Public record(s)" means all documents, papers, letters, maps, books, tapes,
25 photographs, films, sound recordings, or other material regardless of physical form or
26 characteristics made or received pursuant to law or ordinance or in connection with the transaction
27 of official business by any agency.

28 (54) "Purchaser" means the customer who is engaged in a transaction with a licensee for
29 purposes of obtaining hemp or hemp products.

30 (55) "Qualifying project" means:

31 (i) A facility or project that serves a public purpose, including, but not limited to, any ferry
32 or mass transit facility, vehicle parking facility, airport or seaport facility, rail facility or project,
33 transportation facilities, technology infrastructure, fuel supply facility, oil or gas pipeline, medical
34 or nursing care facility, or educational facility or other building or facility that is used or will be

1 used by a public educational institution, or any other public facility or infrastructure that is used or
2 will be used by the public at large or in support of an accepted public purpose or activity;

3 (ii) An improvement, including equipment, of a building that will be principally used by a
4 public entity or the public at large or that supports a service delivery system in the public sector;

5 (iii) A water, wastewater, or surface water management facility or other related
6 infrastructure; or

7 (iv) Notwithstanding any provision of this section, for projects that involve a facility owned
8 or operated by the governing board of a city or town, district, or hospital or health care system, or
9 projects that involve a facility owned or operated by an electric utility, only those projects that the
10 governing board designates as qualifying projects pursuant to this section.

11 (56) "Reciprocity agreement" means an arrangement between the department and the
12 appropriate licensing agency of another state that permits a licensee operating under a license
13 granted by the other state to engage in currency transmission business activity with or on behalf of
14 a resident.

15 (57) "Record" means information that is inscribed on a tangible medium or that is stored
16 in an electronic or other medium and is retrievable in perceivable form.

17 (58) "Registry" means the Nationwide Multistate Licensing System.

18 (59) "Regulated Products" means any raw materials, ingredients, pharmaceuticals,
19 fabricated devices, manufactured goods, media, health, finance, identification records, or other
20 goods and services requiring local, state, or federal regulatory compliance.

21 (60) "Resident" means a person that:

22 (i) Is domiciled in this state;

23 (ii) Is physically located in this state for more than one hundred eighty-three (183) days of
24 the previous three hundred sixty-five (365) days; or

25 (iii) Has a place of business in this state and includes a legal representative of a person that
26 satisfies subsection (60)(i) of this section.

27 (61) "Responsible individual" means an individual who has managerial authority with
28 respect to a licensee's currency transmission business activity with or on behalf of a resident.

29 (62) "Responsible public entity" means the state, a city, town, district, school board, or any
30 other political subdivision of the state; a public body corporate and politic; or a regional entity that
31 serves a public purpose and is authorized to develop or operate a qualifying project.

32 (63) "Revenue" means the income, earnings, user fees, lease payments, or other service
33 payments relating to the development or operation of a qualifying project, including, but no limited
34 to, money received as grants or otherwise from the federal government, a public entity, or an agency

1 or instrumentality thereof in aid of the qualifying project.

2 (64) "Sandbox period" means the period of time, initially not longer than twenty-four (24)
3 months, in which the commissioner or secretary has authorized an innovative financial product or
4 service to be made available to consumers, which shall also encompass any extension granted under
5 §§ 42-64.34-1 through 42-64.34-9.

6 (65) "Secretary" means the secretary of state;

7 (66) "Sell" or "sale" means any transaction whereby, for any consideration, title to hemp
8 or hemp products is transferred from one person to another, and includes the delivery of hemp or
9 hemp products pursuant to an order placed for the purchase of the same and soliciting or receiving
10 an order for the same, but does not include the return of hemp or hemp products by a licensee to
11 the licensee from whom the hemp or hemp product was purchased.

12 (67) "Seller" means a person who makes an open blockchain token available for purchase
13 to an initial buyer.

14 (68) "Service contract" means a contract between a public entity and the private entity
15 which defines the terms of the services to be provided with respect to a qualifying project.

16 (69) "Sign" means with present intent to authenticate or adopt a record, to execute or adopt
17 a tangible symbol or to attach to or logically associate with the record an electronic symbol, sound,
18 or process.

19 (70) "Special purpose depository institution" means a corporation operating pursuant to §
20 42-64.34-9;

21 (71) "State" means a state of the United States, the District of Columbia, Puerto Rico, the
22 United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the
23 United States.

24 (72) "Store," except in the phrase "store of value," means to maintain control of virtual
25 currency on behalf of a resident by a person other than the resident. "Storage" and "storing" have
26 corresponding meanings.

27 (73) "Supervisor of the regulatory body" means the chief or head of a section having
28 enforcement responsibility for a particular statute or set of rules and regulations within a regulatory
29 agency

30 (74) "System of vital records" means the registration, collection, preservation, amendment,
31 and certification of vital statistics records, and activities related to them including the tabulation,
32 analysis, and publication of statistical data derived from those records.

33 (75) "Transfer" means to assume control of virtual currency from or on behalf of a resident
34 and to:

1 (i) Credit the virtual currency to the account of another person;
2 (ii) Move the virtual currency from one account of a resident to another account of the
3 same resident; or

4 (iii) Relinquish control of virtual currency to another person.

5 (76) "Unique identifier" means an alphanumeric code or designation used for reference to
6 a specific plant on a licensed premises and any hemp or hemp product derived or manufactured
7 from that plant.

8 (77) "U.S. Dollar equivalent of virtual currency" means the equivalent value of a particular
9 virtual currency in United States dollars shown on a virtual currency exchange based in the United
10 States for a particular date or period specified in this chapter. Virtual currency or a digital security,
11 as defined in §§ 19-14-1 and 19-14.3-1.1, shall not constitute an open blockchain token as defined
12 within §§ 42-64.34-8 and 42-64.34-9.

13 **42-64.34-4. Council established.**

14 There is hereby created a Rhode Island blockchain technology advisory council to consist
15 of thirteen (13) members: three (3) of whom shall be appointed by the governor, with two (2) of
16 those so appointed to be designated by the governor as co-chairs; six (6) of whom shall be directors
17 from the Rhode Island commerce corporation, as established by chapter 64 of title 42; four (4)
18 members shall be appointed by majority of the nine (9) members appointed by the governor and
19 Rhode Island commerce corporation; two (2) of the four members shall be appointed from the
20 private sector: with one holding expertise in complex financial services, and one with expertise in
21 cybersecurity; two (2) of the four members shall be appointed from academia: with one holding
22 expertise in financial systems, and one with expertise in computer engineering The membership of
23 said council shall receive no compensation for their services. The council shall support the state's
24 research institutions, promote entrepreneurial development, enable all organizations to become
25 more innovative, and perform any other advisory functions as the legislature may designate.

26 **42-64.34-5. Filing System.**

27 Relating to § 42-64.34-4 authorizing the thirteen (13) member council to develop and
28 implement a blockchain filing system specific only to record council actions; authorizing the
29 promulgation of rules; and providing for an effective date.

30 (a) Not later than December 31, 2023, the council may develop and implement an industry
31 leading filing system through which the council shall endeavor to use blockchain technology and
32 include an application programming interface as components of the filing system, as well as robust
33 security measures and other components determined by the secretary of state to be best practices
34 or which are likely to increase the effective and efficient administration of the laws of this state, if

1 adapted by future legislation. The council may create a blockchain for the purposes of this section
2 or contract for the use of a privately created blockchain to best meet its needs.

3 (b) The council may:

4 (i) Consult with all interested parties before developing the filing system specified by §§
5 42-64.34-5 through 4-64.34-9, including businesses, registered agents, attorneys, law enforcement
6 and other interested persons;

7 (ii) If possible, partner with technology innovators and private companies to develop
8 necessary components of the system.

9 **42-64.34-6. Coordination with existing programs.**

10 (a) To the maximum extent possible, the directors of the departments shall provide special
11 assistance to the council for review of blockchain and related technology, and provide opinions as
12 to how all the administrative powers and duties vested by law in the several state departments,
13 boards, divisions, bureaus, commissions, and other agencies vested in the following departments
14 and other agencies which are specified in this chapter might benefit from further innovation of
15 blockchain technology:

16 (1) Executive department (chapter 7 of title 42);

17 (2) Department of state (chapter 8 of title 42);

18 (3) Department of the attorney general (chapter 9 of title 42);

19 (4) Treasury department (chapter 10 of title 42);

20 (5) Department of administration (chapter 11 of title 42);

21 (6) Department of business regulation (chapter 14 of title 42);

22 (7) Department of children, youth and families (chapter 72 of title 42);

23 (8) Department of corrections (chapter 56 of title 42);

24 (9) Department of elderly affairs (chapter 66 of title 42);

25 (10) Department of elementary and secondary education (chapter 60 of title 16);

26 (11) Department of environmental management (chapter 17.1 of title 42);

27 (12) Department of health (chapter 18 of title 42);

28 (13) Board of governors for higher education (chapter 59 of title 16);

29 (14) Department of labor and training (chapter 16.1 of title 42);

30 (15) Department of behavioral healthcare, developmental disabilities and hospitals (chapter
31 12.1 of title 42);

32 (16) Department of human services (chapter 12 of title 42);

33 (17) Department of transportation (chapter 13 of title 42);

34 (18) Public utilities commission (chapter 14.3 of title 42);

1 (19) Department of revenue (chapter 142 of title 42);

2 (20) Department of public safety (chapter 7.3 of title 42);

3 This shall include, but not be limited to:

4 (i) Expedited processing;

5 (ii) Priority funding;

6 (iii) Program set asides.

7 **42-64.34-7. Track and Trace.**

8 (a) The council, in consultation with the governor, shall appoint the appropriate
9 departments to establish a track and trace program for reporting the movement of regulated
10 products. In order to facilitate a universal system that tracks payments and taxation accountability,
11 promotes public trust, protects public safety and health, the council shall establish a program to
12 utilize blockchain track and trace framework for the state's highly regulated industries. For
13 development purposes, the council will focus on establishing a program for hemp within this
14 section as defined under chapter 26 of title 2, (the "hemp growth act"), and as related within chapter
15 28.6 of title 21, ("The Edward O. Hawkins and Thomas C. Slater medical marijuana act"), as well
16 as other regulated real or digital products throughout the distribution chain that utilizes a unique
17 identifier as defined in § 42-64.34-3, secure packaging, and is capable of providing information
18 that captures, at a minimum, all of the following:

19 (1) The licensee receiving the product;

20 (2) The transaction date;

21 (3) The cultivator, manufacturer, or data exchange from which the product originates,
22 including the associated unique identifier as defined in § 42-64.34-3.

23 (b) The department, in consultation with the general assembly and the Rhode Island
24 commerce corporation, shall create an algorithm computerized electronic digital database
25 information which shall include:

26 (1) The variety and quantity or weight of products shipped;

27 (2) The estimated times of departure and arrival;

28 (3) The variety and quantity or weight of products received;

29 (4) The actual time of departure and arrival;

30 (5) A categorization of the product; and

31 (6) The license number and the unique identifier pursuant to § 42-64.34-6 issued by the
32 licensing authority for all licensees involved in the shipping process, including, but not limited to,
33 cultivators, manufacturers, distributors, and compassion centers.

34 (c) The database shall be designed to flag irregularities for all licensing authorities in this

1 chapter to investigate. All licensing authorities pursuant to this chapter may access the database
2 and share information related to licensees under this chapter, including social security and
3 individual taxpayer identification numbers and other identifying information.

4 (d) The department shall immediately inform the bureau upon the finding of an irregularity
5 or suspicious finding related to a licensee, applicant, or commercial hemp activity for investigatory
6 purposes.

7 (e) Licensing authorities and state and local agencies may, at any time, inspect shipments
8 and request documentation for current inventory.

9 (f) The council shall have twenty-four (24) hour access to the electronic database
10 administered by the department. The council shall have read access to the electronic database for
11 the purpose of taxation and regulation of hemp and hemp products.

12 (g) The department shall be authorized to enter into memoranda of understandings with
13 licensing authorities for data sharing purposes, as deemed necessary by the department.

14 (h) Information received and contained in records kept by the department or licensing
15 authorities for the purposes of administering this chapter are confidential and shall not be disclosed
16 pursuant to relevant Rhode Island general law except as necessary for authorized employees of the
17 State of Rhode Island or any city or town to perform official duties pursuant to this chapter or any
18 related local ordinance.

19 (i) Upon the request of a state or local law enforcement agency, licensing authorities shall
20 allow access to or provide information contained within the database to assist law enforcement in
21 their duties and responsibilities pursuant to this chapter.

22 (j) The department, in consultation with the council shall ensure that the track and trace
23 program can also track and trace the amount of the cultivation tax due. The track and trace program
24 shall include an electronic seed to sale software tracking system with data points for the different
25 stages of commercial activity, including, but not limited to, cultivation, harvest, processing,
26 distribution, inventory, and sale.

27 (k) The department, in consultation with the council, shall ensure that licensees under this
28 chapter are allowed to use third-party applications, programs, and information technology systems
29 to comply with the requirements of the expanded track and trace program described in this section
30 to report the movement of hemp and hemp products throughout the distribution chain and
31 communicate the information to licensing agencies as required by law.

32 (l) Any blockchain software, database, or other information technology system utilized by
33 the department to implement the expanded track and trace program shall support interoperability
34 with third-party hemp business software applications and allow all licensee-facing system activities

1 to be performed through a secure application programming interface, ("API"), or comparable
2 technology that is well documented, bi-directional, and accessible to any third-party application
3 that has been validated and has appropriate credentials. The API or comparable technology shall
4 have version control and provide adequate notice of updates to third-party applications. The system
5 should provide a test environment for third-party applications to access that mirrors the production
6 environment.

7 (m) The track and trace blockchain shall be used to expand a hemp cultivation program to
8 be administered by the secretary. The secretary shall administer this section as it pertains to the
9 cultivation of hemp. For purposes of this chapter, hemp is an agricultural product.

10 (n) A person or entity shall not cultivate hemp without first obtaining a state license issued
11 by the department pursuant to this chapter.

12 (o) The department, in consultation with, but not limited to, the council, shall implement a
13 unique identification program for hemp and regulated products. In implementing the program, the
14 department shall consider issues including, but not limited to, water use and environmental impacts.
15 If the state finds, based on substantial evidence, that cultivation is causing significant adverse
16 impacts on the environment in a watershed or other geographic area, the department shall not issue
17 new licenses or increase the total number of plant identifiers within that watershed or area.

18 (p) The department shall establish a program for the identification of permitted hemp plants
19 at a cultivation site during the cultivation period. A unique identifier shall be issued for each hemp
20 plant. The department shall ensure that unique identifiers are issued as quickly as possible to ensure
21 the implementation of this chapter. The unique identifier shall be attached at the base of each plant
22 or as otherwise required by law or regulation.

23 (1) Unique identifiers shall only be issued to those persons appropriately licensed by this
24 section.

25 (2) Information associated with the assigned unique identifier and licensee shall be
26 included in the track and trace program specified in this section.

27 (3) The department may charge a fee to cover the reasonable costs of issuing the unique
28 identifier, monitoring, tracking, and inspecting each hemp plant.

29 (4) The department may promulgate regulations to implement this section.

30 (r) The department shall take adequate steps to establish protections against fraudulent
31 unique identifiers and limit illegal diversion of unique identifiers to unlicensed persons.

32 (s) A city or town may administer and issue unique identifiers and associated identifying
33 information but those identifiers shall not supplant the department's track and trace program.

34 (t) This section applies to the cultivation of hemp in accordance with chapter 26 of title 2,

1 (the "hemp growth act") and chapter 28.6 of title 21, ("The Edward O. Hawkins and Thomas C.
2 Slater medical marijuana act").

3 (u) The secretary may enter into a cooperative agreement with other state or local agencies
4 to assist the department in implementing the provisions of this chapter related to administration,
5 investigation, inspection, fee collection, document management, education and outreach,
6 distribution of individual licenses approved by the secretary, and technical assistance pertaining to
7 the cultivation of hemp. The department shall pay compensation under a cooperative agreement
8 from fees collected and deposited pursuant to this chapter and shall provide reimbursement to the
9 state, or local agency for associated costs. The secretary shall not delegate through a cooperative
10 agreement, or otherwise, its authority to issue cultivation licenses to any local agency, or other state
11 agency. The secretary shall provide notice of any cooperative agreement entered into pursuant to
12 this chapter to other relevant state agencies involved in the regulation of hemp cultivation.

13 **42-64.34-8. Financial Sandbox -Financial technology sandbox waiver; applicability of**
14 **criminal and consumer protection statutes; referral to investigatory agencies; civil liability.**

15 (a) Notwithstanding any other provision of law, a person who makes an innovative
16 financial product or service available to consumers in the financial technology sandbox may be
17 granted a waiver of specified requirements imposed by statute or rule, or portions thereof, if these
18 statutes or rules do not currently permit the product or service to be made available to consumers.
19 A waiver under this subsection shall be no broader than necessary to accomplish the purposes and
20 standards set forth in this act, as determined by the commissioner or secretary.

21 (b) A person who makes an innovative financial product or service available to consumers
22 in the financial technology sandbox is:

23 (1) Not immune from civil damages for acts and omissions relating to this act; and

24 (2) Subject to all criminal and consumer protection laws, including, but not limited to,
25 violations of any provisions of title 11, title 19, and title 21.

26 (c) The commissioner or secretary may refer suspected violations of law relating to this
27 chapter to appropriate state or federal agencies for investigation, prosecution, civil penalties and
28 other appropriate enforcement actions, including, but not limited to, suspension or revocation of
29 any license or authorization granted under this chapter.

30 (d) If service of process, relative to any civil proceeding, on a person making an innovative
31 financial product or service available to consumers in the financial technology sandbox is not
32 feasible, service on the secretary of state shall be deemed service on the person.

33 (e) Financial technology sandbox application; standards for approval; consumer protection:
34 A person shall apply to the commissioner or secretary to make an innovative financial product or

1 service available to consumers in the financial technology sandbox, based on the office that
2 administers the statute, regulation, rule or portion thereof, for which a waiver is sought. If both the
3 commissioner and the secretary jointly administer a statute or regulation or rule, or if the
4 appropriate office is not known, an application may be filed with either the commissioner or the
5 secretary. If an application is filed with an office that does not administer the statute, regulation or
6 rule for which a waiver is sought, the receiving office shall forward the application to the correct
7 office. The person shall specify in an application the statutory or rule requirements for which a
8 waiver is sought and the reasons why these requirements prohibit the innovative financial product
9 or service from being made available to consumers. The application shall also contain the elements
10 required for authorization which are set forth in § 42-64.34-7. The commissioner and secretary
11 shall each, by rule, prescribe a method of application.

12 (f) A business entity making an application under this section shall be a domestic
13 corporation or other organized domestic entity with a physical presence, other than that of a
14 registered office or agent, in Rhode Island.

15 (g) Before an employee applies on behalf of an institution, firm or other entity intending to
16 make an innovative financial product or service available through the financial technology sandbox,
17 the employee shall obtain the consent of the institution, firm or entity before filing an application
18 under this section.

19 (h) The individual filing an application under this section and the individuals who are
20 substantially involved in the development, operation or management of the innovative financial
21 product or service shall, as a condition of an application, submit to a criminal history background
22 check with the department of attorney general.

23 (i) An application made under this section shall be accompanied by a fee of five hundred
24 dollars (\$500). The fee shall be deposited into the financial technology innovation account as
25 required by title 19.

26 (j) The commissioner or secretary, as applicable, shall authorize or deny a financial
27 technology sandbox application in writing within ninety (90) days of receiving the application. The
28 commissioner or secretary and the person who has made an application may jointly agree to extend
29 the time beyond ninety (90) days. The commissioner or secretary may impose conditions on any
30 authorization, consistent with this chapter. In deciding to authorize or deny an application under
31 this section, the commissioner or secretary shall consider each of the following:

32 (1) The nature of the innovative financial product or service proposed to be made available
33 to consumers in the sandbox, including all relevant technical details which may include whether
34 the product or service utilizes blockchain technology;

1 (2) The potential risk to consumers and methods which will be used to protect consumers
2 and resolve complaints during the sandbox period;

3 (3) A business plan proposed by the person, including proof of capital requirements;

4 (4) Whether the person has the necessary personnel, adequate financial and technical
5 expertise and a sufficient plan to test, monitor and assess the innovative financial product or service;

6 (5) Whether any person substantially involved in the development, operation or
7 management of the innovative financial product or service has been convicted of, or is currently
8 under investigation for, fraud, state or federal securities violations or any property based offense;

9 (6) A copy of the disclosures required under this chapter that will be provided to
10 consumers;

11 (7) Any other factor that the commissioner or secretary determines to be relevant.

12 (k) If an application is authorized under subsection (j) of this section, the commissioner or
13 secretary shall specify the statutory or rule requirements, or portions thereof, for which a waiver is
14 granted and the length of the initial sandbox period. The commissioner or secretary shall also post
15 notice of the approval of a sandbox application under this section, a summary of the innovative
16 financial product or service and the contact information of the person making the product or service
17 available through the sandbox on the Internet website of the commissioner or secretary.

18 (l) A person authorized under section (j) of this section to enter into the financial
19 technology sandbox shall post a consumer protection bond with the commissioner or secretary as
20 security for potential losses suffered by consumers. The bond amount shall be determined by the
21 commissioner or secretary in an amount not less than ten thousand dollars (\$10,000) and shall be
22 commensurate with the risk profile of the innovative financial product or service. The
23 commissioner or secretary may require that a bond under this subsection be increased or decreased
24 at any time based on risk profile. Unless the bond is enforced, the commissioner or secretary shall
25 cancel or allow the bond to expire two (2) years after the date of the conclusion of the sandbox
26 period.

27 (m) A person authorized under subsection (j) of this section to enter into the financial
28 technology sandbox shall be deemed to possess an appropriate license for the purposes of federal
29 law requiring state licensure or authorization.

30 (n) Authorization under subsection (j) of this section shall not be construed to create a
31 property right.

32 (o) Financial technology innovation account:

33 (1) There is created the financial technology innovation account. Funds within the account
34 shall only be expended by legislative appropriation. All funds within the account shall be invested

1 by the state treasurer and all investment earnings from the account shall be credited to the general
2 fund. The account shall be divided into two (2) subaccounts controlled by the commissioner and
3 secretary, respectively, for the purposes of administrative management. For the purposes of
4 accounting and investing only, the subaccounts shall be treated as separate accounts.

5 (2) Subject to legislative appropriation, application fees remitted to the account shall be
6 deposited into the subaccount controlled by the commissioner or secretary, as applicable, based on
7 the receiving official. These funds, and any additional funds appropriated by the legislature, shall
8 be used only for the purposes of administering this act, including processing of sandbox
9 applications and monitoring, examination and enforcement activities relating to this chapter.

10 (p) Operation of financial technology sandbox:

11 (1) Except as otherwise provided under chapter 56 of title 6 ("uniform supplemental
12 commercial law for the uniform regulation of virtual-currency businesses act"), chapter 14 of title
13 19 ("licensed activities"), and chapter 14.3 of title 19 ("currency transmissions"). a person
14 authorized under this chapter to enter into the financial technology sandbox may make an
15 innovative financial product or service available to consumers during the sandbox period.

16 (2) The commissioner or secretary may, on a case by case basis, specify the maximum
17 number of consumers permitted to receive an innovative financial product or service, after
18 consultation with the person authorized under this chapter to make the product or service available
19 in the financial technology sandbox.

20 (3) Before a consumer purchases or enters into an agreement to receive an innovative
21 financial product or service through the financial technology sandbox the person making the
22 product or service available shall provide a written statement of the following to the consumer:

23 (i) The name and contact information of the person making the product or service available
24 to consumers;

25 (ii) That the product or service has been authorized to be made available to consumers for
26 a temporary period by the commissioner or secretary, as applicable, under the laws of Rhode Island;

27 (iii) That the State of Rhode Island does not endorse the product or service and is not
28 subject to liability for losses or damages caused by the product or service;

29 (iv) That the product or service is undergoing testing, may not function as intended and
30 may entail financial risk;

31 (v) That the person making the product or service available to consumers is not immune
32 from civil liability for any losses or damages caused by the product or service;

33 (vi) The expected end date of the sandbox period;

34 (vii) The name and contact information of the commissioner or secretary, as applicable,

1 and notification that suspected legal violations, complaints or other comments related to the product
2 or service may be submitted to the commissioner or secretary;

3 (viii) Any other statements or disclosures required by rule of the commissioner or secretary
4 which are necessary to further the purposes of this act.

5 (q) A person authorized to make an innovative financial product or service available to
6 consumers in the financial technology sandbox shall maintain comprehensive records relating to
7 the innovative financial product or service. The person shall keep these records for not less than
8 five (5) years after the conclusion of the sandbox period. The commissioner and secretary may
9 specify further records requirements under this subsection by rule.

10 (r) The commissioner or secretary, as applicable, may examine the records maintained
11 under by any depository or financial technology innovation account opened pursuant to this
12 chapter, with or without notice. All direct and indirect costs of an examination conducted under
13 this subsection shall be paid by the person making the innovative financial product or service
14 available in the financial technology sandbox. Records made available to the commissioner or
15 secretary under this subsection shall be confidential and shall not be subject to disclosure under the
16 Rhode Island public records act but may be released to appropriate state and federal agencies for
17 the purposes of investigation.

18 (s) Unless granted an extension pursuant to not less than thirty (30) days before the
19 conclusion of the sandbox period, a person who makes an innovative financial product or service
20 available in the financial technology sandbox shall provide written notification to consumers
21 regarding the conclusion of the sandbox period and shall not make the product or service available
22 to any new consumers after the conclusion of the sandbox period until legal authority outside of
23 the sandbox exists to make the product or service available to consumers. The person shall wind
24 down operations with existing consumers within sixty (60) days after the conclusion of the sandbox
25 period, except that, after the sixtieth day, the person may:

26 (1) Collect and receive money owed to the person and service loans made by the person,
27 based on agreements with consumers made before the conclusion of the sandbox period;

28 (2) Take necessary legal action; and

29 (3) Take other actions authorized by the commissioner or secretary by rule which are not
30 inconsistent with this subsection.

31 (t) The commissioner and the secretary may, jointly or separately, enter into agreements
32 with state, federal or foreign regulatory agencies to allow persons who make an innovative financial
33 product or service available in Rhode Island through the financial technology sandbox to make
34 their products or services available in other jurisdictions and to allow persons operating in similar

1 financial technology sandboxes in other jurisdictions to make innovative financial products and
2 services available in Rhode Island under the standards of this chapter.

3 (u) Revocation or suspension of financial technology sandbox authorization:

4 (1) The commissioner or secretary may, by order, revoke or suspend authorization granted
5 to a person under this chapter if:

6 (i) The person has violated or refused to comply with this chapter or any lawful rule, order
7 or decision adopted by the commissioner or secretary;

8 (ii) A fact or condition exists that, if it had existed or become known at the time of the
9 financial technology sandbox application, would have warranted denial of the application or the
10 imposition of material conditions;

11 (iii) A material error, false statement, misrepresentation or material omission was made in
12 the financial technology sandbox application; or

13 (iv) After consultation with the person, continued testing of the innovative financial
14 product or service would:

15 (A) Be likely to harm consumers; or

16 (B) No longer serve the purposes of this chapter because of the financial or operational
17 failure of the product or service.

18 (v) Written notification of a revocation or suspension order made under subsection (c) of
19 this section shall be served using any means authorized by law, and if the notice relates to a
20 suspension, include any conditions or remedial action which shall be completed before the
21 suspension will be lifted by the commissioner or secretary.

22 (w) Extension of sandbox period:

23 (1) A person granted authorization under subsection (j) of this section may apply for an
24 extension of the initial sandbox period for not more than twelve (12) additional months. An
25 application for an extension shall be made not later than sixty (60) days before the conclusion of
26 the initial sandbox period specified by the commissioner or secretary. The commissioner or
27 secretary shall approve or deny the application for extension in writing not later than thirty-five
28 (35) days before the conclusion of the initial sandbox period. An application for extension by a
29 person shall cite one of the following reasons as the basis for the application and provide all relevant
30 supporting information that:

31 (i) Statutory or rule amendments are necessary to conduct business in Rhode Island on a
32 permanent basis; or

33 (ii) An application for a license or other authorization required to conduct business in
34 Rhode Island on a permanent basis has been filed with the appropriate office and approval is

1 currently pending.

2 (x) Rules and orders; enforcement of bond; restitution:

3 (1) The commissioner and secretary shall each adopt rules to implement this act. The rules
4 adopted by the commissioner and secretary under this chapter shall be as consistent as reasonably
5 possible, but shall account for differences in the statutes and programs administered by the
6 commissioner and secretary.

7 (2) The commissioner or secretary may issue:

8 (i) All necessary orders to enforce this chapter, including, but not limited to, ordering the
9 payment of restitution and enforcement of these orders in any court of competent jurisdiction;

10 (ii) An order under subsection (x)(2)(i) of this section to enforce the bond or portion of the
11 bond posted under this chapter, and use proceeds from the bond to offset losses suffered by
12 consumers as a result of an innovative financial product or service.

13 (3) All actions of the commissioner or secretary under this chapter shall be subject to the
14 rules and regulations under title 19 and chapter 14 of title 42.

15 (y) Access to, and dissemination of, information:

16 (1) Criminal history record information shall be disseminated by criminal justice agencies
17 in this state, whether directly or through any intermediary, only to the banking commissioner or the
18 secretary of state for purposes of obtaining background information on persons applying for
19 financial technology sandbox authorization; provided, however, that all officers and directors
20 subsequently hired or appointed, shall be required to submit to a criminal history background check.

21 (z) State or national criminal history record information:

22 (1) The following persons shall be required to submit to fingerprinting in order to obtain
23 state and national criminal history record information:

24 (i) Applicants for a financial technology sandbox authorization:

25 (aa) General applicability:

26 (1) Section 42-64.34-7 applies to all banks in this state organized under this action and to
27 national banks where specifically provided by the text.

28 (bb) The financial technology sandbox definitions shall apply to this chapter.

29 (cc) Electronic records and signatures; applicability:

30 (1) This act modifies, limits, and supersedes the federal Electronic Signatures in Global
31 and National Commerce Act, but does not modify, limit, or supersede section 101(c) of that act (15
32 U.S.C. § 7001 (c)) or authorize electronic delivery of any of the notices described in section 103(b)
33 of that act (15 U.S.C. § 7003(b)). This chapter authorizes the filing of records and signatures, when
34 specified by provisions of this chapter or by a rule adopted or order issued under this chapter, in a

1 manner consistent with section 104(a) of that act (15 U.S.C. § 7004(a)).

2 (dd) Reservation of power to amend or repeal § 42-64.34-7; applicability:

3 (1) The legislature has power to amend or repeal all or part of § 42-64.34-7 at any time and
4 all domestic and foreign corporations subject to this act are governed by the amendment or repeal.

5 (2) Unless displaced by particular provisions of this chapter, the principles of law and
6 equity supplement § 42-64.34-7.

7 (3) The banking commissioner and the secretary of state shall adopt rules to implement §
8 42-64.34-7 on or before January 1, 2023.

9 **42-64.34-9. Special depository institutions.**

10 (a) The legislature shall create special purpose depository institutions as a new financial
11 institution, providing that the following rules shall apply to these institutions:

12 (1) Special purpose depository institutions shall be corporations;

13 (2) Require that depositors be business entities;

14 (3) Specify compliance with applicable federal laws;

15 (4) Establish procedures for the incorporation, chartering and operation of special purpose
16 depository institutions;

17 (5) Establish procedures for liquidation, conservatorship and voluntary dissolution;

18 (6) Require a surety bond or pledged investments and specified private insurance;

19 (7) Authorize special purpose depository institutions to obtain federal deposit insurance;

20 (8) Make conforming amendments;

21 (9) Authorize positions;

22 (10) Provide an appropriation; and

23 (11) Provide for effective dates.

24 (b) Applicability of other provisions. Except as otherwise provided in this section, if any
25 provision of law conflicts with this chapter, this chapter shall control, except as to those chapters
26 set forth in §42-64.34-10.

27 (c) Special purpose depository institutions created as corporations; operating authority;
28 powers; prohibition on lending.

29 (1) Consistent with this chapter, special purpose depository institutions shall be organized
30 as corporations under chapter 1.2 of title 7, (the "Rhode Island business corporation act"), to
31 exercise the powers set forth in this section;

32 (2) Each special purpose depository institution may:

33 (i) Make contracts as a corporation under Rhode Island law;

34 (ii) Sue and be sued;

1 (iii) Receive notes and buy and sell gold and silver coins and bullion as permitted by federal
2 law;

3 (iv) Carry on a non-lending banking business for depositors, consistent with subsection (d)
4 of this section;

5 (v) Provide payment services upon the request of a depositor;

6 (vi) Make an application to become a member bank of the Federal Reserve System;

7 (vii) Engage in any other activity that is usual or incidental to the business of banking,
8 subject to the prior written approval of the commissioner. The commissioner shall not approve a
9 request to engage in an incidental activity if he or she finds that the requested activity will adversely
10 affect the solvency or the safety and soundness of the special purpose depository institution or
11 conflict with any provision of this chapter;

12 (viii) Exercise powers and rights otherwise authorized by law which are not inconsistent
13 with this chapter.

14 (d) Except as otherwise provided in this subsection, a special purpose depository institution
15 shall not make loans, including the provision of temporary credit relating to overdrafts. A special
16 purpose depository institution may purchase debt obligations consistent with provisions of title 19.

17 (e) A special purpose depository institution shall maintain its principal operating
18 headquarters and the primary office of its chief executive officer in Rhode Island.

19 (f) As otherwise authorized by this section, the special purpose depository institution may
20 conduct business with depositors outside this state.

21 (g) Subject to the laws of the host state, a special purpose depository institution may open
22 a branch in another state upon obtaining a certificate of good standing from the commissioner or
23 secretary, as long as any new branch located outside of this state is in compliance with state and
24 federal regulations. A special purpose depository institution, including any branch of the institution,
25 may only accept deposits or provide other services under this chapter to depositors engaged in a
26 bona fide business which is lawful under the laws of Rhode Island, the laws of the host state and
27 federal law.

28 (h) Requirements relating to depositors; nature of business:

29 (1) No depositor shall maintain an account with a special purpose depository institution or
30 otherwise receive any services from the institution unless the depositor meets the criteria of this
31 subsection. A depositor shall:

32 (i) Be a legal entity other than a natural person;

33 (ii) Be in good standing with the jurisdiction in the United States in which it is incorporated
34 or organized;

1 (iii) Maintain deposits with the institution totaling not less than five thousand dollars
2 (\$5,000);

3 (iv) Be engaged in a lawful, bona fide business; and

4 (v) Make sufficient evidence available to the special purpose depository institution to
5 enable compliance with anti-money laundering practices, customer identification and beneficial
6 ownership requirements, as determined by the institution.

7 (2) A depositor which meets the criteria of subsection (h) of this section shall be issued a
8 depository account and otherwise receive services from the special purpose depository institution
9 contingent on the availability of sufficient insurance as required under § 19-4-10.

10 (3) Consistent with subsection (h) of this section and in addition to any requirements
11 specified by federal law, a special purpose depository institution shall require that a potential
12 depositor provide reasonable evidence that the person is engaged in a lawful, bona fide business or
13 is likely to open a lawful, bona fide business within the next six (6) months. As used in this
14 subsection, "reasonable evidence" includes business entity filings, articles of incorporation or
15 organization, bylaws, operating agreements, business plans, promotional materials, financing
16 agreements or other evidence.

17 (i) Required liquid assets:

18 (1) At all times, a special purpose depository institution shall maintain unencumbered
19 liquid assets valued at not less than one hundred percent (100%) of its depository liabilities;

20 (2) As used in this section, "liquid assets" means:

21 (i) United States currency held on the premises of the special purpose depository
22 institution;

23 (ii) United States currency held for the special purpose depository institution by a federal
24 reserve bank or a federally insured financial institution;

25 (iii) Investments which are highly liquid, and obligations of the United States treasury or
26 other federal agency obligations consistent with rules adopted by the commissioner.

27 (j) Required contingency account:

28 (1) A special purpose depository institution shall maintain a contingency account to
29 account for unexpected losses and expenses. A special purpose depository institution may require
30 the payment of contributions from depositors to fund a contingency account. Sufficient funding as
31 determined and required by the commissioner for the initial capitalization shall constitute
32 compliance with this subsection for the first three (3) years a special purpose depository institution
33 is in operation. After the conclusion of the first three (3) years of operation, a special purpose
34 depository institution shall maintain a contingency account totaling not less than two percent (2%)

1 of the depository liabilities of the special purpose depository institution; provided, however, that
2 the contingency account shall be adequate and reasonable in light of current and prospective
3 business conditions. as determined by the commissioner;

4 (2) A depositor shall obtain a refund of any contingency account contributions made under
5 this subsection after closing an account with the special purpose depository institution.

6 (k) Applicable federal and state law. A special purpose depository institution shall comply
7 with all applicable federal laws, including, but not limited to, those relating to anti-money
8 laundering practices, customer identification and beneficial ownership.

9 (l) Required disclosures:

10 (1) A special purpose depository institution shall display on any Internet website it
11 maintains, and at each window or place where it accepts deposits, a sign conspicuously stating that
12 deposits are not insured by the federal deposit insurance corporation, if applicable.

13 (2) Upon opening an account and if applicable, a special purpose depository institution
14 shall require each depositor to execute a statement acknowledging that all deposits at the special
15 purpose depository institution are not insured by the federal deposit insurance corporation. The
16 special purpose depository institution shall permanently retain this acknowledgment;

17 (3) A special purpose depository institution shall include in all advertising a disclosure that
18 deposits are not insured by the federal deposit insurance corporation, if applicable.

19 (m) Formation; articles of incorporation:

20 (1) Except as otherwise provided, five (5) or more adult persons may form a special purpose
21 depository institution. The incorporators shall subscribe the articles of incorporation and transmit
22 them to the commissioner as part of an application for a charter under title 19.

23 (2) The articles of incorporation shall include the following information:

24 (i) The corporate name;

25 (ii) The purpose for which the corporation is organized;

26 (iii) The term of its existence, which may be perpetual;

27 (iv) The place where its office shall be located and its operations conducted;

28 (v) The amount of capital stock and the number of shares;

29 (vi) The name and residence of each shareholder subscribing to more than ten percent
30 (10%) of the stock and the number of shares owned by that shareholder;

31 (vii) The number of directors and the names of those who shall manage the affairs of the
32 corporation for the first year; and

33 (viii) A statement that the articles of incorporation are made to enable the incorporators to
34 avail themselves of the advantages of the laws of the state.

1 (n) Copies of all amended articles of incorporation shall be filed in the same manner as the
2 original articles of incorporation.

3 (o) The incorporators shall raise sufficient capital prior to filing an application for a charter
4 with the commissioner, consistent with § 19-2-2. In the event an application for a charter is not
5 filed or is denied by the board, all capital shall be promptly returned without loss, to each person
6 or entity investing.

7 (p) Subject to applicable federal and state law, a bank holding company may apply to hold
8 a special purpose depository institution to raise required initial capital and surplus and additional
9 capital.

10 (q) The capital stock of each special purpose depository institution chartered under this
11 chapter shall be subscribed for as fully paid stock. No special purpose depository institution shall
12 be chartered with capital stock less than five million dollars (\$5,000,000).

13 (r) No special purpose depository institution shall commence business until the full amount
14 of its authorized capital is subscribed and all capital stock is fully paid in. No special purpose
15 depository institution may be chartered without a paid up surplus fund of not less than three (3)
16 years of estimated operating expenses in an amount to be determined by the commissioner;

17 (s) A special purpose depository institution may acquire additional capital prior to the
18 granting of a charter and may report this capital in its charter application.

19 (t) Application for charter; fee; subaccount created:

20 (1) No person shall act as a special purpose depository institution without first obtaining a
21 charter and certificate of authority to operate from the commissioner under this chapter

22 (2) The incorporators, under title 19, shall apply to the commissioner for a charter. The
23 application shall contain the special purpose depository institution's articles of incorporation, a
24 detailed business plan, a comprehensive estimate of operating expenses for the first three (3) years
25 of operation, a complete proposal for compliance with the provisions of this chapter and evidence
26 of the capital as required under subsection (s) of this section. The commissioner may prescribe the
27 form of application by rule.

28 (3) Each application for a charter shall be accompanied by an application fee established
29 by the commissioner pursuant to rule, which shall be no greater than the costs incurred by the
30 commissioner in reviewing the application. The application fee shall be credited to the special
31 purpose depository institutions subaccount created by subsection (o) of this section

32 (u) Special purpose depository institutions subaccount. Funds in the subaccount shall be
33 used by the commissioner to supervise special purpose depository institutions and to otherwise
34 carry out the duties specified by this chapter. Funds in the subaccount are continuously appropriated

1 to the subaccount and shall not lapse at the end of any fiscal period. For purposes of accounting
2 and investing only the special purpose depository institutions subaccount shall be treated as a
3 separate account from the financial institutions administration account.

4 (v) Procedure upon filing application:

5 (1) Upon receiving an application for a special purpose depository charter, the
6 commissioner shall notify the applicants in writing within thirty (30) calendar days of any
7 deficiency in the required information or that the application has been accepted for filing. When
8 the commissioner is satisfied that all required information has been furnished, he or she shall notify
9 the chairman of the board who shall establish a time and place for a public hearing which shall be
10 conducted not less than sixty (60) days, nor more than one hundred twenty (120) days, after notice
11 from the commissioner to the applicants that the application is in order.

12 (2) Within thirty (30) days after receipt of notice of the time and place of the public hearing
13 the applicants shall cause notice of filing of the application and the hearing to be published at the
14 applicant's expense in a newspaper of general circulation within the county where the proposed
15 special purpose depository institution is to be located. Publication shall be made at least once a
16 week for three (3) consecutive weeks before the hearing and shall state: the proposed location of
17 the special purpose depository institution; the names of the applicants for a charter; the nature of
18 the activities to be conducted by the proposed institution and other information required by rule.
19 The applicants shall furnish proof of publication to the commissioner not more than ten (10) days
20 prior to the hearing. The commissioner shall send notice of the hearing to state and national banks,
21 federal savings and loan associations and other financial institutions in the state and federal
22 agencies who have requested notice from the commissioner.

23 (w) Procedure for hearings on charter applications. The hearing for a charter application
24 shall be conducted as a contested case under chapter 35 of title 42 ("administrative procedures")
25 and shall comply with the requirements of that act.

26 (x) Investigation and examination by commissioner:

27 (1) Upon receiving the articles of incorporation, the application for a charter and other
28 information required by the commissioner, the commissioner shall make a careful investigation and
29 examination of the following:

30 (i) The character, reputation, financial standing and ability of the incorporators;

31 (ii) The character, financial responsibility, banking or other financial experience and
32 business qualifications of those proposed as officers and directors; and

33 (iii) The application for a charter, including the adequacy and plausibility of the business
34 plan of the special purpose depository institution and whether the institution has offered a complete

1 proposal for compliance with the provisions of this chapter.

2 (2) The commissioner shall submit the results of his or her investigation and examination
3 at the public hearing on the charter application and shall be subject to cross examination by any
4 interested party. No relevant information shall be excluded by the board as hearsay.

5 (y) Approval or disapproval of application; criteria for approval; action upon application:

6 (1) Within ninety (90) days after receipt of the transcript of the public hearing the board
7 shall render a decision on the charter application based solely on the following criteria:

8 (i) Whether the character, reputation, financial standing and ability of the incorporators is
9 sufficient to afford reasonable promise of a successful operation;

10 (ii) Whether the character, financial responsibility, banking or other financial experience
11 and business qualifications of those proposed as officers and directors is sufficient to afford
12 reasonable promise of a successful operation;

13 (iii) The adequacy and plausibility of the business plan of the special purpose depository
14 institution;

15 (iv) Compliance with the capital and surplus requirements as set forth in this section;

16 (v) The special purpose depository institution is being formed for no other purpose than
17 legitimate objectives authorized by law;

18 (vi) That the name of the proposed special purpose depository institution does not resemble
19 so closely the name of any other financial institution transacting business in the state so as to cause
20 confusion; and

21 (vii) Whether the applicants have complied with all applicable provisions of state law.

22 (2) The board shall approve an application upon making favorable findings on the criteria
23 set forth in this section. If necessary, the board may either conditionally approve an application by
24 specifying conditions relating to the criteria or may disapprove the application. The board shall
25 state findings of fact and conclusions of law as part of its decision. If the board approves the
26 application, the commissioner shall endorse upon the articles of incorporation the approval of the
27 board and shall transmit one copy to the secretary of state, retain one copy and return a copy to the
28 applicants within twenty (20) days after the date of the decision of the board approving the
29 application. If the board conditionally approves an application and upon compliance with necessary
30 conditions required by the board, the commissioner shall proceed as provided in the preceding
31 sentence. If the board disapproves the application, the commissioner shall mail notice of the
32 disapproval to the applicants within twenty (20) days of the board's disapproval.

33 (z) Certificate of authority to commence business required; application; approval or denial;
34 failure to commence business;

1 (1) If an application is approved and a charter granted by the board, the special purpose
2 depository institution shall not commence business before receiving a certificate of authority to
3 operate from the commissioner. The application for a certificate of authority shall be made to the
4 commissioner and shall certify the address at which the special purpose depository institution will
5 operate and that all adopted bylaws of the institution have been attached as an exhibit to the
6 application. The application shall state the identities and contact information of officers and
7 directors. The commissioner shall approve or deny an application for a certificate of authority to
8 operate within thirty (30) days after a complete application has been filed. The authority of the
9 commissioner to disapprove any application shall be restricted solely to noncompliance with this
10 section; provided that, if the commissioner approves the application, he or she shall issue a
11 certificate of authority to the applicants within twenty (20) days. If the commissioner denies the
12 application he or she shall mail a notice of denial to the applicants within twenty (20) days, stating
13 the reasons for denying the application, and grant to the applicants a period of ninety (90) days to
14 resubmit the application with the necessary corrections. If the applicants fail to comply with
15 requirements of the notice of denial within ninety (90) days from the receipt of the notice, the
16 charter of the special purpose depository institution shall be revoked by the commissioner. The
17 failure of the commissioner to act upon an application for a certificate of authority within thirty
18 (30) days shall be deemed an approval

19 (2) If an approved special purpose depository institution fails to commence business in
20 good faith within six (6) months after the issuance of a certificate of authority to operate by the
21 commissioner, the charter and certificate of authority shall expire. The board, for good cause and
22 upon an application filed prior to the expiration of the six (6) month period, may extend the time
23 within which the special purpose depository institution may open for business.

24 (aa) Decisions by board appealable. Grounds. Any decision of the board or commissioner
25 in approving, conditionally approving or disapproving a charter for a special purpose depository
26 institution or the issuance or denial of a certificate of authority to operate is appealable to the district
27 court of the county in which the institution is to be located, in accordance with the provisions of
28 chapter 35 of title 42 ("administrative procedures"). In addition to the grounds for appeal contained
29 in chapter 35 of title 42 ("administrative procedures"), an appellant may appeal if the board or the
30 commissioner fails to make any of the required findings or otherwise take an action required by
31 law.

32 (bb) Surety bond; pledged investments; investment income; bond or pledge increases-
33 hearings:

34 (1) Except as otherwise provided by this section, a special purpose depository institution

1 shall, before transacting any business, pledge or furnish a surety bond to the commissioner to cover
2 costs likely to be incurred by the commissioner in a liquidation or conservatorship of the special
3 purpose depository institution. The amount of the surety bond or pledge of assets under this section
4 shall be determined by the commissioner in an amount sufficient to defray the costs of a liquidation
5 or conservatorship.

6 (2) In lieu of a bond, a special purpose depository institution may irrevocably pledge
7 specified capital equivalent to a bond to satisfy this section. Any capital pledged to the
8 commissioner under this subsection shall be held in a state or nationally chartered bank or savings
9 and loan association having a principal or branch office in this state. All costs associated with
10 pledging and holding such capital are the responsibility of the special purpose depository
11 institution.

12 (3) Capital pledged to the commissioner shall be of the same nature and quality as those
13 required for state financial institutions under title 19.

14 (4) Surety bonds shall run to the state of Rhode Island, and shall be approved under the
15 terms and conditions established by the commissioner pursuant to his/her authority under title 19.

16 (5) The commissioner may adopt rules to establish additional investment guidelines or
17 investment options for purposes of the pledge or surety bond required by this section.

18 (6) In the event of a liquidation or conservatorship of a special purpose depository
19 institution pursuant chapters 10, 11 or 12 of title 19, the commissioner may, without regard to
20 priorities, preferences or adverse claims, reduce the surety bond or capital pledged under this
21 section to cash as soon as practicable and utilize the cash to defray the costs associated with the
22 liquidation or conservatorship.

23 (7) Income from capital pledged under subsection (cc)(2) of this section shall be paid to
24 the special purpose depository institution, unless a liquidation or conservatorship takes place.

25 (8) Upon evidence that the current surety bond or pledged capital is insufficient, the
26 commissioner may require a special purpose depository institution to increase its surety bond or
27 pledged capital by providing not less than thirty (30) days' written notice to the institution. The
28 special purpose depository institution may request a hearing before the board not more than thirty
29 (30) days after receiving written notice from the commissioner under this subsection. Any hearing
30 before the board shall be held pursuant to chapter 35 of title 42 ("administrative procedures").

31 (cc) Reports and examinations; supervisory fees: required private insurance or bond:

32 (1) The commissioner may call for reports verified under oath from a special purpose
33 depository institution at any time as necessary to inform the commissioner of the condition of the
34 institution.

1 (2) All reports required of special purpose depository institutions by the commissioner and
2 all materials relating to examinations of these institutions shall be subject to the provisions of
3 chapter 4 of title 19.

4 (3) Every special purpose depository institution is subject to the examination of the
5 commissioner. The commissioner or a duly appointed examiner shall visit and examine special
6 purpose depository institutions on a schedule established by rule. The commissioner or a duly
7 appointed examiner shall make a complete and careful examination of the condition and resources
8 of a special purpose depository institution, the mode of managing institution affairs and conducting
9 business, the actions of officers and directors in the investment and disposition of funds, the safety
10 and prudence of institution management, compliance with the requirements of this chapter and such
11 other matters as the commissioner may require. After an examination, the special purpose
12 depository institution shall remit to the commissioner an amount equal to the total cost of the
13 examination. This amount shall be remitted to the state treasurer and deposited into the special
14 purpose depository institutions subaccount established under this chapter.

15 (4) On or before January 31 and July 31 of each year, a special purpose depository
16 institution shall compute and pay supervisory fees to the commissioner based on the total assets of
17 the special purpose depository institution as of the preceding December 31 and June 30
18 respectively. Supervisory fees under this section shall provide for the operating costs of the office
19 of the commissioner and the administration of the laws governing special purpose depository
20 institutions. Such fees shall be established by rule of the commissioner and shall be adjusted by the
21 commissioner to ensure consistency with the cost of supervision. Supervisory fees shall be
22 deposited by the commissioner with the state treasurer and credited to the special purpose
23 depository institutions subaccount established under this chapter

24 (5) A special purpose depository institution shall maintain appropriate insurance or a bond
25 covering the operational risks of the institution, which shall include coverage for directors' and
26 officers' liability, errors and omissions liability and information technology infrastructure and
27 activities liability.

28 (dd) Suspension or revocation of charter:

29 (1) The commissioner may suspend or revoke the charter of a special purpose depository
30 institution if, after notice and opportunity for a hearing, the commissioner determines that:

31 (i) The special purpose depository institution has failed or refused to comply with an order
32 issued by the commissioner or other regulatory body;

33 (ii) The application for a charter contained a false statement or material misrepresentation
34 or material omission; or

1 (iii) An officer, director or agent of the special purpose depository institution, in connection
2 with an application for a charter, examination, report or other document filed with the
3 commissioner, knowingly made a false statement, material misrepresentation or material omission
4 to the board, the commissioner or the duly authorized agent of the board or commissioner.

5 (ee) Continuing jurisdiction. If the charter of a special purpose depository institution is
6 surrendered, suspended or revoked, the institution shall continue to be subject to the provisions of
7 this chapter during any liquidation or conservatorship.

8 (ff) Failure of institution; unsound or unsafe condition; applicability of other insolvency
9 and conservatorship provisions:

10 (1) If the commissioner finds that a special purpose depository institution has failed or is
11 operating in an unsafe or unsound condition, as defined in this section, that has not been remedied
12 within the time prescribed under chapter 4 of title 19 or an order of the commissioner, the
13 commissioner shall conduct a liquidation or appoint a conservator pursuant to chapters 11 or 12 of
14 title 19;

15 (2) As used in this section:

16 (i) "Failed" or "failure" means, consistent with rules adopted by the commissioner, a
17 circumstance when a special purpose depository institution has not:

18 (A) Complied with the requirements of this chapter;

19 (B) Maintained a contingency account, as required by this section;

20 (C) Paid, in the manner commonly accepted by business practices, its legal obligations to
21 depositors on demand or to discharge any certificates of deposit, promissory notes or other
22 indebtedness when due.

23 (ii) "Unsafe or unsound condition" means, consistent with rules adopted by the
24 commissioner, a circumstance relating to a special purpose depository institution which is likely
25 to:

26 (A) Cause the failure of the institution as defined in subsection (2)(i) of this subsection;

27 (B) Cause a substantial dissipation of assets or earnings;

28 (C) Substantially disrupt the services provided by the institution to depositors;

29 (D) Otherwise substantially prejudice the depository interests of depositors.

30 (gg) Voluntary dissolution of special purpose depository institution; liquidation;
31 reorganization; application for dissolution; filing fee; filing with the secretary of state; revocation
32 of charter.

33 (1) A special purpose depository institution may voluntarily dissolve in accordance with
34 the provisions of this section. Voluntary dissolution shall be accomplished by either liquidating the

1 special purpose depository institution or reorganizing the institution into an appropriate business
2 entity that does not engage in any activity authorized only for a special purpose depository
3 institution. Upon complete liquidation or completion of the reorganization, the commissioner shall
4 revoke the charter of the special purpose depository institution and afterward, the company shall
5 not use the word "special purpose depository institution" or "bank" in its business name or in
6 connection with its ongoing business.

7 (2) The special purpose depository institution may dissolve its charter either by liquidation
8 or reorganization. The board of directors shall file an application for dissolution with the
9 commissioner, accompanied by a filing fee established by rule of the commissioner. The
10 application shall include a comprehensive plan for dissolution setting forth the proposed disposition
11 of all assets and liabilities, in reasonable detail to effect a liquidation or reorganization, and any
12 other plans required by the commissioner. The plan of dissolution shall provide for the discharge
13 or assumption of all of the known and unknown claims and liabilities of the special purpose
14 depository institution. Additionally, the application for dissolution shall include other evidence,
15 certifications, affidavits, documents or information as the commissioner may require, including a
16 demonstration of how assets and liabilities will be disposed, the timetable for effecting disposition
17 of the assets and liabilities and a proposal of the special purpose depository institution for
18 addressing any claims that are asserted after dissolution has been completed. The commissioner
19 shall examine the application for compliance with this section, the business entity laws applicable
20 to the required type of dissolution and applicable rules. The commissioner may conduct a special
21 examination of the special purpose depository institution consistent with chapter 4 of title 19 and
22 the guidelines set forth in this chapter for purposes of evaluating the application.

23 (3) If the commissioner finds that the application is incomplete, the commissioner shall
24 return it for completion not later than sixty (60) days after it is filed. If the application is found to
25 be complete by the commissioner, the commissioner shall approve or disapprove the application
26 not later than thirty (30) days after it is filed. If the commissioner approves the application the
27 special purpose depository institution may proceed with the dissolution pursuant to the plan
28 outlined in the application subject to any further conditions the commissioner may prescribe. If the
29 special purpose depository institution subsequently determines that the plan of dissolution needs to
30 be amended to complete the dissolution, it shall file an amended plan with the commissioner and
31 obtain approval to proceed under the amended plan. If the commissioner does not approve the
32 application or amended plan, the special purpose depository institution may appeal the decision to
33 the board pursuant to chapter 35 of title 42 ("administrative procedures").

34 (4) Upon completion of all actions required under the plan of dissolution and satisfaction

1 of all conditions prescribed by the commissioner, the special purpose depository institution shall
2 submit a written report of its actions to the commissioner. The report shall contain a certification
3 made under oath that the report is true and correct. Following receipt of the report, the
4 commissioner, no later than sixty (60) days after the filing of the report, shall examine the special
5 purpose depository institution to determine whether the commissioner is satisfied that all required
6 actions have been taken in accordance with the plan of dissolution and any conditions prescribed
7 by the commissioner. If all requirements and conditions have been met, the commissioner shall,
8 within thirty (30) days of the examination, notify the special purpose depository institution in
9 writing that the dissolution has been completed and issue a certificate of dissolution.

10 (5) Upon receiving a certificate of dissolution, the special purpose depository institution
11 shall surrender its charter to the commissioner. The special purpose depository institution shall then
12 file articles of dissolution and other documents required by § 7-1.2-1309. In the case of
13 reorganization, the special purpose depository institution shall file the documents required by the
14 secretary of state to finalize the reorganization.

15 (6) If the commissioner determines that all required actions under the plan for dissolution,
16 or as otherwise required by the commissioner, have not been completed the commissioner shall
17 notify the special purpose depository institution not later than thirty (30) days after this
18 determination, in writing what additional actions shall be taken in order for the institution to be
19 eligible for a certificate of dissolution. The commissioner shall establish a reasonable deadline for
20 the submission of evidence that additional actions have been taken and the commissioner may
21 extend any deadline upon good cause. If the special purpose depository institution fails to file a
22 supplemental report showing that the additional actions have been taken before the deadline, or
23 submits a report that is found not to be satisfactory by the commissioner, the commissioner shall
24 notify the special purpose depository institution in writing that its voluntary dissolution is not
25 approved, and the institution may appeal the decision to the board pursuant to chapter 35 of title 42
26 ("administrative procedures").

27 (hh) Failure to submit required report; fees; rules. If a special purpose depository institution
28 fails to submit any report required by this chapter or by rule within the prescribed period, the
29 commissioner may impose and collect a fee of up to one thousand dollars (\$1000) for each day the
30 report is overdue, as established by rule.

31 (ii) Willful failure to perform duties imposed by law; removal:

32 (1) Each officer, director, employee or agent of a special purpose depository institution,
33 following written notice from the commissioner is subject to removal upon order of the
34 commissioner if he/she knowingly or willfully fails to:

1 (i) Perform any duty required by this chapter or other applicable law; or

2 (ii) Conform to any rule or order of the commissioner.

3 **42-64.34-10. Severability in a pari material construction with other chapters.**

4 (a) Except as provided in subsection (b) of this section, if any provision of this chapter or
5 the application of this chapter to any person or circumstances is held invalid or unconstitutional,
6 the invalidity or unconstitutionality shall not affect other provisions or applications of this chapter
7 that can be given effect without the invalid or unconstitutional provision or application, and to this
8 end the provisions of this chapter are declared to be severable.

9 (b) The provisions of this chapter 64.34 of title 42 ("this chapter") shall be interpreted to
10 be in pari materia with, consistent with, and harmonized with the provisions of chapter 56 of title
11 6 ("uniform supplemental commercial law for the uniform regulation of virtual-currency businesses
12 act"), chapter 14 of title 19 ("licensed activities"), and chapter 14.3 of title 19 ("currency
13 transmissions"). To the extent any provision of this chapter 64.3 of title 42 is determined to be
14 inconsistent with and cannot be harmonized with the provisions of any of the aforesaid chapters,
15 the provisions of chapter 56 of title 6, chapter 14 of title 19, and chapter 14.3 of title 19 shall control
16 and prevail over the provisions of this chapter.

17 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- RHODE ISLAND ECONOMIC
GROWTH BLOCKCHAIN ACT

- 1 This act would establish an economic growth blockchain act, set regulations for the sale of
- 2 hemp, regulate virtual and digital assets, and establish depository banks for these purposes.
- 3 This act would take effect upon passage.

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