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## A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that leading industries  
2 and governments are quickly adopting innovative technology to  
3 defend against cyber-attacks and revolutionize products and  
4 services for the twenty-first century. The legislature also  
5 finds that the State, through thoughtful and considered  
6 regulation, encourages businesses to explore and adopt new  
7 technologies to promote economic growth.

8           An example of new technology that is being used around the  
9 world is "blockchain", a novel peer to peer networking and  
10 distributed data storage technology that shifts the primary  
11 locus of control from centralized services to individuals or key  
12 holders. Blockchain's structure is naturally cyber-resilient,  
13 redundant, immutable, and verifiable. Initially built as the  
14 underlying structure for a digital cash system known as bitcoin,  
15 blockchain can be used in many other areas, including  
16 cybersecurity, disaster recovery, clearance and settlement,



1 supply chain transparency, title registries, communications, and  
2 document verification.

3 The legislature recognizes the vast potential for this  
4 technology to drastically change and improve public sector  
5 operations and private industry capabilities. Blockchain  
6 technology is poised to change multiple industries, including  
7 the following:

- 8 (1) Identity and access management - Verification and  
9 identification using advanced cryptography and  
10 blockchain technology for digital IDs. Practical  
11 applications include verifiable identity for drivers'  
12 licenses, tax payments, voting, and other electronic  
13 government services;
- 14 (2) Health care - Revolutionary enablement of patients'  
15 rights to their health care records, and utilization  
16 of blockchain technology for "Internet of things"  
17 medical devices, increased accountability of health  
18 care providers via authentication and record keeping;
- 19 (3) Legal - Tracking, verification, authentication, and  
20 record keeping of court orders, contracts, titles, and  
21 records. This would allow "smart contracts", verified



1 by and recorded on blockchain technology, as immutable  
2 records, allowing transparency for the citizens of  
3 Hawaii;

4 (4) Financial Services - Blockchain technology is already  
5 widely used in the financial services industry, and is  
6 poised to remove billions of dollars in overhead and  
7 intermediary fees and services;

8 (5) Manufacturing - Utilizing blockchains to provide  
9 accountability and transparency over provenance of  
10 goods and services will reduce counterfeit products  
11 and improve competitiveness for local businesses; and

12 (6) Tourism - Digital currencies such as bitcoin have  
13 broad benefits for Hawaii. A large portion of  
14 Hawaii's tourism market comes from Asia where the use  
15 of bitcoin as a virtual currency is expanding. Hawaii  
16 has the unique opportunity to explore the use of  
17 blockchain technology to make it easier for visitors  
18 to consume local goods and services and to drive the  
19 tourism economy.

20 The legislature finds that highly innovative technologies  
21 such as blockchain require an educated and measured approach so



1 that regulations do not stymie innovation and growth in this  
2 State.

3 Therefore, the purpose of this Act is to establish a  
4 working group consisting of representation from the public and  
5 private sectors to examine, educate, and promote best practices  
6 for enabling blockchain technology to benefit local industries,  
7 residents, and the State of Hawaii.

8 SECTION 2. Chapter 201, Hawaii Revised Statutes, is  
9 amended by adding a new section to part I to be appropriately  
10 designated and to read as follows:

11 "§201- Hawaii blockchain technology and digital  
12 currency working group. (a) There is established within the  
13 department a Hawaii blockchain technology and digital currency  
14 working group.

15 (b) The working group shall consist of the following  
16 members:

17 (1) The director or the director's designee, who shall  
18 serve as chairperson of the working group;

19 (2) The chairperson of the board of land and natural  
20 resources, or the chairperson's designee;



- 1        (3) The chief information officer of the office of
- 2            enterprise technology services, or the chief
- 3            information officer's designee;
- 4        (4) The director of taxation, or the director's designee;
- 5        (5) The chief election officer, or the chief election
- 6            officer's designee;
- 7        (6) The chair of the house of representatives committee on
- 8            economic development and business;
- 9        (7) The chair of the senate committee on economic
- 10           development, tourism, and technology;
- 11        (8) The mayor of each county, or the mayor's designee;
- 12        (9) A representative of the Hawaii information consortium;
- 13        (10) Members appointed by the director with experience in
- 14           the following industries:
- 15           (A) Cyber security;
- 16           (B) Retail;
- 17           (C) Real estate;
- 18           (D) Tourism;
- 19           (E) Transportation;
- 20           (F) Health care;
- 21           (G) Financial services;



- 1           (H) Agriculture, aquaculture, and farming;
- 2           (I) Manufacturing;
- 3           (J) Logistics;
- 4           (K) Supply chain management;
- 5           (L) Technology;
- 6           (M) Emerging industries, including marijuana; and
- 7           (N) Other key industries or stakeholders that the
- 8                   director determines to be necessary; and
- 9           (11) Three members appointed by the director with expertise
- 10                   and experience in blockchain technology.
- 11           (c) The working group shall not be subject to section 26-
- 12 34. The working group shall:
- 13           (1) Study the uses of blockchain technology;
- 14           (2) Develop methods of providing education on blockchain
- 15                   technology; and
- 16           (3) Determine and promote best practices for enabling
- 17                   blockchain technology to benefit of the State of
- 18                   Hawaii, local businesses, and residents.
- 19           (d) The working group shall report its findings and
- 20                   recommendations to the legislature, including any proposed



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1 legislation, not later than twenty days prior to the convening  
2 of each regular session."

3 SECTION 3. New statutory material is underscored.

4 SECTION 4. This Act shall take effect upon its approval.

5

INTRODUCED BY:

A handwritten signature in black ink, appearing to read 'H. K. ...', is written over a horizontal line. Below the line, there is a second, shorter handwritten signature.

JAN 25 2017



# H.B. NO. 1481

**Report Title:**

Blockchain Technology and Digital Currency Working Group

**Description:**

Establishes a working group to study the uses of and best practices regarding blockchain technology.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

