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FIRST REPRINT

S.B. 163

SENATE BILL NO. 163—SENATOR KIECKHEFER

FEBRUARY 14, 2019

Referred to Committee on Judiciary

SUMMARY—Revises provisions relating to technology used by certain business entities. (BDR 7-877)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to business entities; revising the definition of “electronic transmission” as it relates to certain communications of certain business entities to include the use of a blockchain; authorizing certain business entities to store certain records on a blockchain; revising provisions authorizing the Secretary of State to adopt regulations to define certain terms to allow certain business entities to carry out their powers and duties using the most recent technology available to include the use of blockchains; revising the definition of “blockchain” to include a public blockchain; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Under existing law, a notice or other communication given or sent pursuant to the statutes or rules governing the internal affairs of a corporation or other business entity may be delivered by electronic transmission if: (1) the date of the transmission can be determined by the recipient; and (2) delivery in that manner is consented to by the recipient or consistent with those statutes and rules. (NRS 75.050, 75.150) **Section 6** of this bill revises the applicable definition of “electronic transmission” to include specifically any form or process of communication occurring through the use of or participation in a blockchain. **Section 29** of this bill revises the definition of “blockchain” to include a public blockchain, which is defined in **section 25** of this bill.

Existing law authorizes a corporation to keep records maintained by the corporation in the regular course of business on, or by means of, any information processing system or other information storage device. (NRS 78.0297) Existing law effectively provides a similar authorization for close corporations, benefit corporations, professional corporations, professional limited-liability companies, certain savings banks and captive insurers because certain provisions of existing



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law governing corporations apply generally to those entities. (NRS 78A.010, 78B.090, 89.030, 673.070, 694C.180) **Section 8** of this bill specifically authorizes a corporation to keep such records on, or by means of, a blockchain and, as a result, provides a similar authorization for close corporations, benefit corporations, professional corporations, professional limited-liability companies, certain savings banks and captive insurers. **Sections 11, 12, 14, 17, 19 and 21** of this bill adopt similar provisions for nonprofit corporations, limited-liability companies, limited partnerships and business trusts.

Existing law provides certain powers and duties for various business entities. (Chapters 78-89 of NRS) Under existing law, the Secretary of State is authorized to adopt regulations interpreting certain terms to allow such entities to carry out their powers and duties through the use of the most recent technology available, including the use of electronic communications, videoconferencing and telecommunications. (NRS 78.0285, 78A.018, 80.008, 81.0065, 84.0063, 86.137, 87.565, 87A.147, 88.318, 88A.940, 89.028) **Sections 7, 9-11, 13, 15, 16, 18, 20, 22 and 23** of this bill specify that such technologies also include the use of blockchains.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 75 of NRS is hereby amended by adding thereto a new section to read as follows:

“Blockchain” has the meaning ascribed to it in NRS 719.045.

Sec. 2. (Deleted by amendment.)

Sec. 3. (Deleted by amendment.)

Sec. 4. (Deleted by amendment.)

Sec. 5. NRS 75.010 is hereby amended to read as follows:

75.010 As used in this title, unless the context otherwise requires, the words and terms defined in NRS 75.020 to 75.090, inclusive, ***and section 1 of this act*** have the meanings ascribed to them in those sections.

Sec. 6. NRS 75.050 is hereby amended to read as follows:

75.050 “Electronic transmission” or “electronically transmitted” means any form or process of communication not directly involving the physical transfer of paper or another tangible medium, ***including, without limitation, any form or process of communication through the use of or participation in a blockchain,*** which:

1. Is suitable for the retention, retrieval and reproduction of information by the recipient; and

2. Is retrievable and reproducible in paper form by the recipient through an automated process used in conventional commercial practice, unless otherwise authorized in accordance with subsection 8 of NRS 75.150.



Sec. 7. NRS 78.0285 is hereby amended to read as follows:

78.0285 The Secretary of State may adopt regulations to define, for the purposes of certain provisions of this chapter, the terms “meeting,” “writing,” “written” and other terms to allow a corporation or other entity which is subject to the provisions of this chapter to carry out its powers and duties as prescribed by this chapter through the use of the most recent technology available including, without limitation, the use of electronic communications, videoconferencing, ~~and~~ telecommunications ~~and~~ *and blockchains.*

Sec. 8. NRS 78.0297 is hereby amended to read as follows:

78.0297 1. Except as otherwise required by federal or state law, any records maintained by a corporation in its regular course of business, including, without limitation, its stock ledger, minute books, books of account and financial records, may be kept on, or by means of, any information processing system or other information storage device or medium, *including, without limitation, a blockchain,* or in the form of an electronic record.

2. A corporation shall convert within a reasonable time any ~~electronic~~ records *that are kept in a manner described in subsection 1* into clear and legible paper form upon the request of any person entitled to inspect the records maintained by the corporation pursuant to any provision of this chapter. *If a requested record is kept on, or by means of, a blockchain, the corporation is not required to convert the entire blockchain into paper form but shall be deemed to comply with the requirements of this subsection by converting the requested record into paper form.*

3. A clear and legible paper form produced from ~~electronic~~ records *that are kept in a manner described in subsection 1* is admissible in evidence and accepted for all other purposes to the same extent as an original paper record with the same information ~~provided that~~ if the paper form portrays the record accurately.

Sec. 9. NRS 78A.018 is hereby amended to read as follows:

78A.018 The Secretary of State may adopt regulations to define, for the purposes of certain provisions of this chapter, the terms “meeting,” “writing,” “written” and other terms to allow a close corporation or other entity which is subject to the provisions of this chapter to carry out its powers and duties as prescribed by this chapter through the use of the most recent technology available including, without limitation, the use of electronic communications, videoconferencing, ~~and~~ telecommunications ~~and~~ *and blockchains.*

Sec. 10. NRS 80.008 is hereby amended to read as follows:

80.008 The Secretary of State may adopt regulations to define, for the purposes of certain provisions of this chapter, the terms “meeting,” “writing,” “written” and other terms to allow a foreign corporation or other entity which is subject to the provisions of this



chapter to carry out its powers and duties as prescribed by this chapter through the use of the most recent technology available including, without limitation, the use of electronic communications, videoconferencing, ~~{and}~~ telecommunications ~~{and}~~ *and blockchains*.

Sec. 11. NRS 81.0065 is hereby amended to read as follows:

81.0065 The Secretary of State may adopt regulations to define, for the purposes of certain provisions of this chapter, the terms "meeting," "writing," "written" and other terms to allow a corporation, association, organization or other entity which is subject to the provisions of this chapter to carry out its powers and duties as prescribed by this chapter through the use of the most recent technology available including, without limitation, the use of electronic communications, videoconferencing, ~~{and}~~ telecommunications ~~{and}~~ *and blockchains*.

Sec. 12. Chapter 82 of NRS is hereby amended by adding thereto a new section to read as follows:

1. Except as otherwise required by federal or state law, any records maintained by a corporation in its regular course of business may be kept on, or by means of, any information processing system or other information storage device or medium, including, without limitation, a blockchain, or in the form of an electronic record.

2. A corporation shall convert within a reasonable time any records that are kept in a manner described in subsection 1 into clear and legible paper form upon the request of any person entitled to inspect the records maintained by the corporation pursuant to any provision of this chapter. If a requested record is kept on, or by means of, a blockchain, the corporation is not required to convert the entire blockchain into paper form but shall be deemed to comply with the requirements of this subsection by converting the requested record into paper form.

3. A clear and legible paper form produced from records that are kept in a manner described in subsection 1 is admissible in evidence and accepted for all other purposes to the same extent as an original paper record with the same information if the paper form portrays the record accurately.

Sec. 13. NRS 84.0063 is hereby amended to read as follows:

84.0063 The Secretary of State may adopt regulations to define, for the purposes of certain provisions of this chapter, the terms "meeting," "writing," "written" and other terms to allow a corporation sole or other entity which is subject to the provisions of this chapter to carry out its powers and duties as prescribed by this chapter through the use of the most recent technology available including, without limitation, the use of electronic communications, videoconferencing, ~~{and}~~ telecommunications ~~{and}~~ *and blockchains*.



1 **Sec. 14.** Chapter 86 of NRS is hereby amended by adding
2 thereto a new section to read as follows:

3 **1. Except as otherwise required by federal or state law, any**
4 **records maintained by a limited-liability company in its regular**
5 **course of business may be kept on, or by means of, any**
6 **information processing system or other information storage device**
7 **or medium, including, without limitation, a blockchain, or in the**
8 **form of an electronic record.**

9 **2. A limited-liability company shall convert within a**
10 **reasonable time any records that are kept in a manner described**
11 **in subsection 1 into clear and legible paper form upon the request**
12 **of any person entitled to obtain or examine the records maintained**
13 **by the company pursuant to any provision of this chapter. If a**
14 **requested record is kept on, or by means of, a blockchain, the**
15 **limited-liability company is not required to convert the entire**
16 **blockchain into paper form but shall be deemed to comply with the**
17 **requirements of this subsection by converting the requested record**
18 **into paper form.**

19 **3. A clear and legible paper form produced from records that**
20 **are kept in a manner described in subsection 1 is admissible in**
21 **evidence and accepted for all other purposes to the same extent as**
22 **an original paper record with the same information if the paper**
23 **form portrays the record accurately.**

24 **Sec. 15.** NRS 86.137 is hereby amended to read as follows:

25 86.137 The Secretary of State may adopt regulations to define,
26 for the purposes of certain provisions of this chapter, the terms
27 “meeting,” “writing,” “written” and other terms to allow a limited-
28 liability company or other entity which is subject to the provisions
29 of this chapter to carry out its powers and duties as prescribed by
30 this chapter through the use of the most recent technology available
31 including, without limitation, the use of electronic communications,
32 videoconferencing, ~~and~~ telecommunications ~~and~~ **and blockchains.**

33 **Sec. 16.** NRS 87.565 is hereby amended to read as follows:

34 87.565 The Secretary of State may adopt regulations to define,
35 for the purposes of certain provisions of this chapter, the terms
36 “meeting,” “writing,” “written” and other terms to allow a
37 partnership or other entity which is subject to the provisions of this
38 chapter to carry out its powers and duties as prescribed by this
39 chapter through the use of the most recent technology available
40 including, without limitation, the use of electronic communications,
41 videoconferencing, ~~and~~ telecommunications ~~and~~ **and blockchains.**

42 **Sec. 17.** Chapter 87A of NRS is hereby amended by adding
43 thereto a new section to read as follows:

44 **1. Except as otherwise required by federal or state law, any**
45 **records maintained by a limited partnership in its regular course**



1 of business may be kept on, or by means of, any information
2 processing system or other information storage device or medium,
3 including, without limitation, a blockchain, or in the form of an
4 electronic record.

5 2. A limited partnership shall convert within a reasonable
6 time any records that are kept in a manner described in subsection
7 1 into clear and legible paper form upon the request of any person
8 entitled to inspect the records maintained by the limited
9 partnership pursuant to any provision of this chapter. If a
10 requested record is kept on, or by means of, a blockchain, the
11 limited partnership is not required to convert the entire blockchain
12 into paper form but shall be deemed to comply with the
13 requirements of this subsection by converting the requested record
14 into paper form.

15 3. A clear and legible paper form produced from records that
16 are kept in a manner described in subsection 1 is admissible in
17 evidence and accepted for all other purposes to the same extent as
18 an original paper record with the same information if the paper
19 form portrays the record accurately.

20 **Sec. 18.** NRS 87A.147 is hereby amended to read as follows:

21 87A.147 The Secretary of State may adopt regulations
22 to define, for the purposes of certain provisions of this chapter,
23 the terms "meeting," "writing," "written" and other similar terms
24 to allow a limited partnership or other entity which is subject
25 to the provisions of this chapter to carry out its powers and
26 duties as prescribed by this chapter through the use of the most
27 recent technology available including, without limitation, the
28 use of electronic communications, videoconferencing , ~~and~~
29 telecommunications ~~and~~ and blockchains.

30 **Sec. 19.** Chapter 88 of NRS is hereby amended by adding
31 thereto a new section to read as follows:

32 1. Except as otherwise required by federal or state law, any
33 records maintained by a limited partnership in its regular course
34 of business may be kept on, or by means of, any information
35 processing system or other information storage device or medium,
36 including, without limitation, a blockchain, or in the form of an
37 electronic record.

38 2. A limited partnership shall convert within a reasonable
39 time any records that are kept in a manner described in subsection
40 1 into clear and legible paper form upon the request of any person
41 entitled to inspect the records maintained by the limited
42 partnership pursuant to any provision of this chapter. If a
43 requested record is kept on, or by means of, a blockchain, the
44 limited partnership is not required to convert the entire blockchain
45 into paper form but shall be deemed to comply with the



requirements of this subsection by converting the requested record into paper form.

3. A clear and legible paper form produced from records that are kept in a manner described in subsection 1 is admissible in evidence and accepted for all other purposes to the same extent as an original paper record with the same information if the paper form portrays the record accurately.

Sec. 20. NRS 88.318 is hereby amended to read as follows:

88.318 The Secretary of State may adopt regulations to define, for the purposes of certain provisions of this chapter, the terms “meeting,” “writing,” “written” and other terms to allow a limited partnership or other entity which is subject to the provisions of this chapter to carry out its powers and duties as prescribed by this chapter through the use of the most recent technology available including, without limitation, the use of electronic communications, videoconferencing, ~~and~~ telecommunications ~~and~~ *and blockchains.*

Sec. 21. Chapter 88A of NRS is hereby amended by adding thereto a new section to read as follows:

1. Except as otherwise required by federal or state law, any records maintained by a business trust in its regular course of business may be kept on, or by means of, any information processing system or other information storage device or medium, including, without limitation, a blockchain, or in the form of an electronic record.

2. A business trust shall convert within a reasonable time any records that are kept in a manner described in subsection 1 into clear and legible paper form upon the request of any person entitled to inspect the records maintained by the business trust pursuant to any provision of this chapter. If a requested record is kept on, or by means of, a blockchain, the business trust is not required to convert the entire blockchain into paper form but shall be deemed to comply with the requirements of this subsection by converting the requested record into paper form.

3. A clear and legible paper form produced from records that are kept in a manner described in subsection 1 is admissible in evidence and accepted for all other purposes to the same extent as an original paper record with the same information if the paper form portrays the record accurately.

Sec. 22. NRS 88A.940 is hereby amended to read as follows:

88A.940 The Secretary of State may adopt regulations to define, for the purposes of certain provisions of this chapter, the terms “meeting,” “writing,” “written,” and other terms to allow a business trust or other entity which is subject to the provisions of this chapter to carry out its powers and duties as prescribed by this chapter through the use of the most recent technology available,



including, without limitation, the use of electronic communications, videoconferencing, ~~and~~ telecommunications ~~and~~ *and blockchains.*

Sec. 23. NRS 89.028 is hereby amended to read as follows:

89.028 The Secretary of State may adopt regulations to define, for the purposes of certain provisions of this chapter, the terms “meeting,” “writing,” “written” and other terms to allow a professional entity, professional association or other entity which is subject to the provisions of this chapter to carry out its powers and duties as prescribed by this chapter through the use of the most recent technology available including, without limitation, the use of electronic communications, videoconferencing, ~~and~~ telecommunications ~~and~~ *and blockchains.*

Sec. 24. Chapter 719 of NRS is hereby amended by adding thereto the provisions set forth as sections 25, 26 and 27 of this act.

Sec. 25. *“Public blockchain” means an electronic record of transactions or other data which:*

1. Is uniformly ordered;

2. Is processed using a decentralized method by which two or more unaffiliated computers or machines verify the recorded transactions or other data;

3. Is redundantly maintained by two or more unaffiliated computers or machines to guarantee the consistency or nonrepudiation of the recorded transactions or other data;

4. Is validated by the use of cryptography; and

5. Does not restrict the ability of any computer or machine to:

(a) View the network on which the record is maintained; or

(b) Maintain or validate the state of the public blockchain.

Sec. 26. *“State of the public blockchain” means the cumulative record of data on a public blockchain, consisting of the first block of the public blockchain, all finalized transactions on the public blockchain and all block rewards recorded on the public blockchain.*

Sec. 27. *“Unaffiliated computers or machine” means computers or machines that are not under common ownership or control.*

Sec. 28. NRS 719.020 is hereby amended to read as follows:

719.020 As used in this chapter, unless the context otherwise requires, the words and terms defined in NRS 719.030 to 719.180, inclusive, *and sections 25, 26 and 27 of this act* have the meanings ascribed to them in those sections.

Sec. 29. NRS 719.045 is hereby amended to read as follows:

719.045 *1. “Blockchain” means an electronic record of transactions or other data which is:*

~~and~~ *(a) Uniformly ordered;*



- 1 ~~[2.]~~ (b) *Processed using a decentralized method by which one*
2 *or more computers or machines verify the recorded transactions*
3 *or other data;*
4 (c) Redundantly maintained ~~for-processed~~ by one or more
5 computers or machines to guarantee the consistency or
6 nonrepudiation of the recorded transactions or other data; and
7 ~~[3.]~~ (d) Validated by the use of cryptography.
8 2. *The term includes, without limitation, a public blockchain.*

