

1 AN ACT relating to digital assets.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 369.130 is amended to read as follows:

4 As used in KRS 369.130 to 369.139:

5 (1) "Blockchain" means data that is:

6 (a) Shared across a peer-to-peer network to create a ledger of verified
7 transactions or information among linked network participants using
8 cryptography to:

9 1. Maintain the integrity of the ledger; or

10 2. Execute other functions; and

11 (b) Distributed in a concurrent, automated update to network participants on the
12 state of the ledger and any other functions;

13 (2) "Blockchain network" means a technical infrastructure that provides ledger and
14 smart contract services to applications;

15 (3) "Blockchain protocol" means any executable software:

16 (a) Deployed to a blockchain, including an additional standardized set of rules
17 that:

18 1. Uses an existing blockchain as a base;

19 2. Facilitates the transfer of data and electronic records;

20 3. Allows that data to be broadcast to nodes; and

21 4. Is governed by a set of predefined rules which execute autonomously
22 without human intervention and can be altered by a predetermined
23 mechanism; and

24 (b) Composed of a source code that is publicly available and accessible, including
25 a smart contract or any network of smart contracts;

26 (4) "Cryptocurrency" has the same meaning as in KRS 139.516;

27 (5) "Cryptography" means the practice of coding information to ensure only the person

1 that a message was written for can read and process that information;

2 (6) "Digital asset" means:

3 (a) Virtual currency;

4 (b) Cryptocurrency; and

5 (c) Natively electronic assets, including stablecoins, fungible tokens, and
6 nonfungible tokens;

7 that confer economic, proprietary, or access rights or powers;

8 (7) "Hardware wallet" means a physical device that:

9 (a) Stores private keys offline;

10 (b) Provides a way to sign transactions and interact with the blockchain; and

11 (c) Allows the owner to retain independent control over the digital asset
12 contained therein;

13 (8) "Natively electronic asset" means a purely digital asset that exists only on the
14 blockchain network;

15 (9) "Node" means a computer which:

16 (a) Uses software to:

17 1. Communicate with other devices or participants on a blockchain to
18 maintain consensus and integrity of that blockchain;

19 2. Create and validate transaction blocks; or

20 3. Contain and update a copy of a blockchain; and

21 (b) Does not exercise discretion over transactions initiated by the end users of the
22 blockchain protocol;

23 (10) "Nonfungible token" means a digital asset on a blockchain that:

24 (a) Has unique identification codes and metadata that are recorded;

25 (b) Has been tokenized and cannot be replicated;

26 (c) Is used to certify ownership and authenticity; and

27 (d) Represents digital or physical items including artwork or real estate;

- 1 (11) "Private key" means the access to manage digital assets at a specific internet
2 address and may be used for encryption and digital signature;
- 3 (12) "Self-hosted wallet" means a digital interface that can:
4 (a) Secure and transfer digital assets; and
5 (b) Allow its owner to retain independent control of the secured digital assets and
6 private keys;
- 7 (13) "Smart contract" has the same meaning as in KRS 42.747;
- 8 (14) "Stablecoin" means a digital asset that is:
9 (a) Issued by a corporation;
10 (b) Backed by cash or high-quality liquid assets; and
11 (c) Redeemable on demand by the holder at par for a fixed monetary value in
12 equivalent United States dollars;
- 13 (15) "Staking" means using a node to commit digital assets to a blockchain network to:
14 (a) Validate transactions;
15 (b) Propose and attest to blocks contained in the blockchain; and
16 (c) Secure the network;
- 17 (16) (a) "Staking as a service" means the provision of technical staking services by a
18 service provider on behalf of an individual or business that owns the digital
19 assets being staked.
20 (b) "Staking as a service" includes the operation of nodes and the associated
21 infrastructure necessary to facilitate participation in blockchain protocols'
22 consensus mechanisms;
- 23 (17) "Third-party wallet" means a wallet that:
24 (a) Is hosted and controlled by a party other than the owner; ~~and~~~~[which]~~
25 (b) Contains the private keys for the owner of digital assets; and
- 26 (18) "Wallet" means a digital interface or a physical device ~~that~~~~[which]~~ holds digital
27 assets or private keys, and may include a:

- 1 (a) Hardware wallet;
- 2 (b) Self-hosted wallet; and
- 3 (c) Third-party wallet.