



# Uniform Law Commission

The National Conference of Commissioners on Uniform State Laws

## RHODE ISLAND COMMISSION ON UNIFORM STATE LAWS

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Corporations Committee  
Rhode Island House

Re: Uniform Commercial Code—emerging technology amendments  
Testimony in Support of H7210

Dear Mr. Chair and members of the Committee:

Thank you for the opportunity to testify in support of the 2022 Amendments to the Uniform Commercial Code (UCC) on behalf of the State of Rhode Island’s Commission on Uniform State Laws. For over 100 years, the Commission has been part of the Uniform Law Commission. The ULC is a government organization composed of commissions from all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Although it is state law, the UCC has effectively been the commercial “law of the land” in the US since it became the law in all US jurisdictions during the 1960s, governing business-to-business as well as consumer transactions.

The UCC governs sales and leases of goods, negotiable instruments, bank collections, drafts, and deposits, funds transfers, letters of credit, investment securities, and secured transactions in which personal property (as opposed to real property) is collateral. When you buy products from an out-of-state seller, you don’t have to worry about what state the seller is in because the governing law is the same. This uniformity, achieved by enactment in all US jurisdictions without material deviations, is why Americans have confidence to do business with strangers, and has allowed our commercial markets to develop and thrive.

The 2022 Amendments bring the UCC fully into the 21st Century. In 2019 the Uniform Law Commission and the other UCC sponsor, the American Law Institute, appointed a committee to consider any needed modifications to the UCC as a result of emerging technologies. For almost three years, the full committee met nearly two dozen times with hundreds of stakeholders representing businesses, consumers, and subject-matter experts. In addition, there were many meetings of smaller working groups and stakeholders.

The end product revises nearly every Article of the UCC. The “crown jewel” of the Amendments, however, is a new Article 12 on “controllable electronic records” or CERs. A CER is a type of digital asset—an electronic record—that can be subjected to “control.” You can think of “control” as the equivalent of “possession” of a tangible asset. CERs include digital assets

with inherent value, but also digital assets representing payment obligations. More importantly, the Article 12 regime provides a uniform system of property law for CERs that may have many important uses in the financial and securities markets.

Article 12 is drafted based on the principle of technology neutrality. It does not try to pick winners and losers among the myriad of emerging technologies. Rather, Article 12 is drafted functionally. It applies to CERs based not only on currently emerging technologies such as distributed ledgers (blockchains), but is flexible and resilient enough to accommodate future technologies that might build on or even replace blockchain someday. Article 12 provides fundamental rules of property law—a necessary predicate to support much needed future regulations of CERs.

In addition to new Article 12, the 2022 Amendments include modernizing changes to other UCC articles. For example, revisions to UCC Article 9 accommodate the use of CERs as collateral for loans and other obligations. Amendments to Articles 3 and 4 keep the law current with federal regulations allowing the deposit of checks by sending a photograph to your bank. And many provisions throughout the UCC are amended to allow for electronic documents and signatures.

The 2022 Amendments have been endorsed by the American Bar Association, the American College of Commercial Finance Lawyers, the Equipment Leasing and Finance Association, the International Factoring Association, the Kozolchyk National Law Center, the Loan Syndications and Trading Association, Unchained Capital, Inc., and XR Safety Initiative.

At least eleven states have already adopted these amendments: Alabama, California, Colorado, Hawaii, Indiana, Nevada, New Hampshire, New Mexico, North Dakota, and Washington. These amendments are pending in at least fourteen other jurisdictions, including Maine, Massachusetts, and New York.

For these reasons, we urge you to approve this bill.

We will do our best to answer any questions you may have.

Very truly yours,

*Thomas S. Hemmendinger*

Thomas S. Hemmendinger, Chair