

HOUSE BILL NO. 1184

Introduced by

Representatives Toman, Christy, Heilman, Hendrix, D. Johnston, S. Olson, Porter

Senators Barta, Cory, Meyer, Paulson

1 A BILL for an Act to create and enact a new section to chapter 15-01, a new section to chapter
2 21-10, and a new section to chapter 54-11 of the North Dakota Century Code, relating to digital
3 asset and precious metal investments.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1.** A new section to chapter 15-01 of the North Dakota Century Code is created
6 and enacted as follows:

7 **Digital asset and precious metal investments.**

- 8 1. The board of university and school lands may invest up to ten percent of the funds that
9 are managed by the board, including the strategic investment and improvements fund
10 and the permanent funds under section 15-01-02, in precious metals, digital assets
11 with a market capitalization exceeding five hundred billion dollars averaged over the
12 previous year, or stablecoins, as defined in section 2 of this Act.
- 13 2. Digital asset investments by the board of university and school lands under this
14 section must be held directly by the board through a secure custody solution or on
15 behalf of the state through a qualified custodian or exchange-traded product.
- 16 3. Precious metal investments by the board of university and school lands under this
17 section must be held directly by the board in a secure facility or on behalf of the state
18 through a qualified custodian or exchange-traded product.
- 19 4. The board of university and school lands may:
- 20 a. Use staking with a third-party solution if the state retains legal ownership of the
21 digital asset.
- 22 b. Lend a digital asset if lending the digital asset increases the investment return
23 and does not increase the financial risk to the state.

1 **SECTION 2.** A new section to chapter 21-10 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Digital asset and precious metal investments.**

- 4 1. The state investment board may invest up to ten percent of the funds that are
5 managed by the board under section 21-10-06 in precious metals, digital assets with a
6 market capitalization exceeding five hundred billion dollars averaged over the previous
7 year, or stablecoins, as defined in section 2 of this Act.
- 8 2. Digital asset investments by the state investment board under this section must be
9 held directly by the state retirement and investment office through a secure custody
10 solution or on behalf of the state through a qualified custodian or exchange-traded
11 product.
- 12 3. Precious metal investments by the state investment board under this section must be
13 held directly by the state retirement and investment office in a secure facility or on
14 behalf of the state through a qualified custodian or exchange-traded product.
- 15 4. The state investment board may:
- 16 a. Use staking with a third-party solution if the state retains legal ownership of the
17 digital asset.
- 18 b. Lend a digital asset if lending the digital asset increases the investment return
19 and does not increase the financial risk to the state.

20 **SECTION 3.** A new section to chapter 54-11 of the North Dakota Century Code is created
21 and enacted as follows:

22 **Digital asset and precious metal investments - General fund.**

- 23 1. For purposes of this section:
- 24 a. "Digital asset" means a virtual currency, cryptocurrency, natively electronic asset,
25 nonfungible token, or other electronic asset that confers economic, proprietary, or
26 access rights.
- 27 b. "Exchange-traded product" means any financial instrument approved by the
28 securities and exchange commission, commodities future trading commission, or
29 state securities commissioner that is traded on an American-regulated exchange
30 and derives its value from an underlying pool of assets, such as stocks, bonds,
31 commodities, or indexes.

- 1 c. "Precious metal" means gold, platinum, or silver in either coin, bullion, or other
2 form.
- 3 d. "Private key" means a unique element of cryptographic data used for signing
4 transactions on a blockchain and is known only to its owner.
- 5 e. "Qualified custodian" means any federal or state-chartered bank, trust company,
6 special purpose depository institution, or a company regulated by the state which
7 holds custody of digital assets for an approved exchange-traded product.
- 8 f. "Secure custody solution" means a technological product or blended product and
9 service in which:
- 10 (1) The cryptographic private key securing a digital asset is:
- 11 (a) Exclusively accessible by its owner;
- 12 (b) Exclusively contained within an encrypted environment and
13 accessible only through end-to-end encrypted channels;
- 14 (c) Not contained by, accessible by, or controllable by a smartphone; and
- 15 (d) Maintained by hardware located in at least two geographically
16 diversified and specifically designated secure data centers;
- 17 (2) Enforcement includes a multiparty governance structure for authorizing
18 transactions, user access controls, and logs of all user-initiated actions;
- 19 (3) A disaster recovery protocol is implemented to ensure customer access to
20 assets if the provider becomes unavailable; and
- 21 (4) The code and system undergo regular audits and penetration testing from
22 audit firms with any identified vulnerabilities promptly remedied.
- 23 g. "Stablecoin" means a digital asset issued by a corporation backed by dollars or
24 high-quality liquid assets and redeemable on demand by the holder at par for a
25 fixed monetary value in equivalent United States dollars.
- 26 h. "Staking" means committing digital assets to a blockchain network to participate
27 in the blockchain network's operations by validating transactions, proposing and
28 attesting to blocks, and securing the network.
- 29 2. Notwithstanding section 6-09-07, the state treasurer may invest up to ten percent of all
30 funds that are deposited in the state treasury and invested by the state treasurer,
31 including the general fund, in precious metals, digital assets with a market

- 1 capitalization exceeding five hundred billion dollars averaged over the previous year,
2 or stablecoins.
- 3 3. Digital asset investments by the state treasurer under this section must be held
4 directly by the state treasurer through a secure custody solution or on behalf of the
5 state through a qualified custodian or exchange-traded product.
- 6 4. Precious metal investments by the state treasurer under this section must be held
7 directly by the state treasurer in a secure facility or on behalf of the state through a
8 qualified custodian or exchange-traded product.
- 9 5. The state treasurer may:
- 10 a. Use staking with a third-party solution if the state retains legal ownership of the
11 digital asset.
- 12 b. Lend a digital asset if lending the digital asset increases the investment return
13 and does not increase the financial risk to the state.