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**Statement of Uniform Law Commissioner Edwin Smith to the Alaska House Judiciary Committee in Support of SB 252 to amend Alaska's Uniform Commercial Code**

**May 11, 2026**

Chair Gray, Vice-Chair Kopp, and Members of the Committee –

Senate Bill 252 enacts the latest amendments to the Uniform Commercial Code, or “UCC.” Although it is state law, the UCC has effectively been the commercial “law of the land” in the United States since it became the law in all US jurisdictions during the 1960s, governing business-to-business as well as consumer transactions.

When you buy products on Amazon or eBay, you don’t have to worry about what state the seller is in because the governing law – the UCC – is the same in every state. Likewise, Alaska businesses can deal with suppliers in any state. This uniformity of commercial law is why American consumers and businesses have confidence to do business with strangers across state lines, and it has allowed our commercial markets to develop and thrive.

Alaska’s UCC was last amended in 2013. Senate Bill 252 will enact UCC amendments approved by the American Law Institute and the Uniform Law Commission in 2018 and 2022, and bring Alaska’s UCC statute fully up to date. These amendments were drafted in a series of public drafting committee meetings over a three-year period and have so far been adopted in 34 states and the District of Columbia. Bills are currently under consideration in several other states in addition to Alaska, and I am hopeful that we will have uniform adoption within the next year or two.

I want to stress also that the UCC is not regulatory law – it imposes no regulations or taxes on businesses. Instead, it consists mostly of default rules that the parties to a transaction are free to alter by contract. Unless the parties agree to different terms, the UCC codifies established business practices into a law that everyone can rely on for commercial transactions. It provides the legal infrastructure to make transactions enforceable under the law – which is necessary for our commercial markets to develop and thrive.

This bill includes minor amendments to nearly every article of the UCC to address various emerging technologies, but the most significant change is the addition of a new Article 12 that provides rules for a new type of property called “controllable electronic records” or CERs. CERs include virtual or “crypto” currencies like bitcoin, but also other digital assets that may be linked to other property, such as rights to electronic payments, smart contracts, and even rights to access certain artwork embedded in so-called NFTs or “non-fungible tokens.” In the coming years CERs are likely to have many important uses in the financial and securities markets.

A CER is a particular type of digital asset—an electronic record of data—that can be subjected to “control.” You can think of “control” in this context as the equivalent of “possession” of a tangible asset. If you have control, you can use the asset for your own purpose and prevent others from using it. You can also transfer the asset to another person. Article 12 does two important things to facilitate the use of these assets in commerce. First, it establishes clear rules for proving who has control of a CER. This is critical because some individuals and businesses are already entering into transactions involving these assets without a reliable legal regime for control, causing unnecessary litigation when there is a dispute. The second important innovation of Article 12 is that it makes CERs negotiable. This means that a person who takes control of a CER in good faith, in exchange for value, and without knowledge of a competing property claim in a CER can rely on the finality of the transaction. The UCC already has similar rules for cash, checks, and electronic payments; if someone gives you money to pay for goods or services that you provide, you do not have to check the public records for competing claims to that money. This second innovation, the “take free” rule, is important to facilitate the use of CERs in commerce.

Today CERs are typically based on a distributed ledger involving blockchain technology and public-private key cryptography. But importantly Article 12 is not limited to blockchain applications because it is drafted functionally. It will also apply to CERs based on any future technologies that either build on or replace blockchain.

In addition to new Article 12, the UCC Amendments include modernizing changes to other UCC articles. Article 1 of the UCC contains general provisions and definitions of important terms. Several definitions had to be updated to account for new technologies, including CERs, also electronic signatures, and remote notarizations.

Revisions to UCC Article 9 will accommodate the use of CERs as collateral for loans and other obligations. Banks and other lenders in Alaska will be able to lend against these digital assets with confidence that they are protected by having legally enforceable control of the collateral in case of a default. It also revises the rules for “chattel paper,” which is a dual purpose document serving as both a contract for payment and a security agreement in specific collateral. The documents governing a car loan is a common example. This bill will facilitate the use of electronic chattel paper as an alternative to traditional paper documents.

Amendments to Articles 3 and 4, which govern negotiable instruments and bank collections update the rights and protections granted under state law for consistency with recent federal regulations that allow the deposit of a check by sending a photograph of it to your bank.

Articles 2 and 2A of the UCC traditionally governed sales and leases of goods, but not contracts for services. But many transactions today involve a combination of goods and services, such as contracts for access to software or programming. Amendments to Articles 2 and 2A codify sometimes inconsistent case law governing these hybrid transactions to clarify when the UCC rules apply and when they do not.

Another amendment to Article 9 eliminates a potential conflict between the UCC and state laws governing partnerships and LLCs, preserving the rights of business owners to choose their partners rather than being forced into a business relationship with a creditor.

Finally, many provisions throughout the UCC are amended to modernize the language regarding electronic documents and signatures, language that had been developed and codified in inconsistent ways over the past 45 years.

I hope this brief introduction to the UCC Amendments is helpful to explain why every state should adopt them to ensure the continued integration of state laws to facilitate interstate commerce. I ask for your support to advance this bill and welcome any questions from the committee.