



General Assembly

Substitute Bill No. 6752

January Session, 2023



AN ACT CONCERNING DIGITAL ASSETS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) For purposes of this
2 section, "commissioner" has the same meaning as provided in section
3 36a-2 of the general statutes.

4 (b) The commissioner may, in accordance with the provisions of
5 chapter 54 of the general statutes, adopt, amend and rescind
6 regulations, forms and orders governing the business use of digital
7 assets, including, but not limited to, virtual currencies, stablecoins and
8 non-fungible tokens, by entities that, and individuals who, are subject
9 to regulation by the commissioner, which regulations, forms and
10 orders shall ensure consumer protection.

11 (c) In adopting, amending or rescinding any regulation, form or
12 order pursuant to subsection (b) of this section, the commissioner may
13 consult with federal financial services regulators, financial services
14 regulators of other states, other stakeholders and industry
15 professionals to ensure that digital assets receive, to the extent
16 practicable, consistent treatment.

17 Sec. 2. Section 36a-596 of the general statutes is repealed and the
18 following is substituted in lieu thereof (*Effective October 1, 2023*):

19 As used in sections 36a-595 to 36a-612, inclusive, and section 3 of
20 this act:

21 (1) "Advertise" or "advertising" has the same meaning as provided
22 in section 36a-485.

23 (2) "Authorized delegate" means a person designated by a person
24 licensed pursuant to sections 36a-595 to 36a-612, inclusive, to provide
25 money transmission services on behalf of such licensed person.

26 (3) "Control" means (A) the power to vote, directly or indirectly, at
27 least twenty-five per cent of the outstanding voting shares or voting
28 interests of a licensee or person in control of a licensee; (B) the power
29 to elect or appoint a majority of key individuals or executive officers,
30 managers, directors, trustees or other persons exercising managerial
31 authority of a person in control of a licensee; or (C) the power to
32 exercise, directly or indirectly, a controlling influence over the
33 management or policies of a licensee or person in control of a licensee.
34 For purposes of this subdivision: (i) A person is presumed to exercise a
35 controlling influence when the person holds the power to vote, directly
36 or indirectly, at least ten per cent of the outstanding voting shares or
37 voting interests of a licensee or person in control of a licensee, (ii) a
38 person presumed to exercise a controlling influence can rebut such
39 presumption if the person is a passive investor, and (iii) to determine
40 the percentage of control, a person's interest shall be aggregated with
41 the interest of any other immediate family member, including the
42 person's spouse, parent, child, sibling, mother-in-law, father-in-law,
43 son-in-law, daughter-in-law, brother-in-law, sister-in-law and any
44 other person who shares the person's home.

45 (4) "Control person" means any individual in control of a licensee or
46 applicant, any individual who seeks to acquire control of a licensee or
47 a key individual.

48 (5) "Electronic payment instrument" means a card or other tangible
49 object for the transmission of money or monetary value or payment of

50 money which contains a microprocessor chip, magnetic stripe, or other
51 means for the storage of information, that is prefunded and for which
52 the value is decremented upon each use, but does not include a card or
53 other tangible object that is redeemable by the issuer in the issuer's
54 goods or services.

55 (6) "Holder" means a person, other than a purchaser, who is either in
56 possession of a payment instrument and is the named payee thereon or
57 in possession of a payment instrument issued or endorsed to such
58 person or bearer or in blank. "Holder" does not include any person
59 who is in possession of a lost, stolen or forged payment instrument.

60 (7) "Key individual" means any individual ultimately responsible
61 for establishing or directing policies and procedures of the licensee,
62 including, but not limited to, an executive officer, manager, director or
63 trustee.

64 (8) "Licensee" means any person licensed or required to be licensed
65 pursuant to sections 36a-595 to 36a-612, inclusive.

66 (9) "Main office" has the same meaning as provided in section 36a-
67 485.

68 (10) "Monetary value" means a medium of exchange, whether or not
69 redeemable in money.

70 (11) "Money transmission" means engaging in the business of
71 issuing or selling payment instruments or stored value, receiving
72 money or monetary value for current or future transmission or the
73 business of transmitting money or monetary value within the United
74 States or to locations outside the United States by any and all means
75 including, but not limited to, payment instrument, wire, facsimile, [or]
76 electronic transfer or virtual currency kiosk.

77 (12) "Outstanding" means (A) in the case of a payment instrument
78 or stored value, that: (i) It is sold or issued in the United States; (ii) a
79 report of it has been received by a licensee from its authorized

80 delegates; and (iii) it has not yet been paid by the issuer, and (B) for all
81 other money transmissions, the value reported to the licensee for
82 which the licensee or any authorized delegate has received money or
83 its equivalent value from the customer for transmission, but has not
84 yet completed the money transmission by delivering the money or
85 monetary value to the person designated by the customer.

86 (13) "Passive investor" means a person that: (A) Does not have the
87 power to elect a majority of key individuals or executive officers,
88 managers, directors, trustees or other persons exercising managerial
89 authority of a person in control of a licensee; (B) is not employed by
90 and does not have any managerial duties of the licensee or person in
91 control of a licensee; (C) does not have the power to exercise, directly
92 or indirectly, a controlling influence over the management or policies
93 of a licensee or person in control of a licensee; and (D) attests to
94 subparagraphs (A), (B) and (C) of this subdivision in the form and
95 manner prescribed by the commissioner.

96 (14) "Payment instrument" means a check, draft, money order,
97 travelers check or electronic payment instrument that evidences either
98 an obligation for the transmission of money or monetary value or
99 payment of money, or the purchase or the deposit of funds for the
100 purchase of such check, draft, money order, travelers check or
101 electronic payment instrument.

102 (15) "Permissible investment" means: (A) Cash in United States
103 currency; (B) time deposits, as defined in section 36a-2, or other debt
104 instruments of a bank; (C) bills of exchange or bankers acceptances
105 which are eligible for purchase by member banks of the Federal
106 Reserve System; (D) commercial paper of prime quality; (E) interest-
107 bearing bills, notes, bonds, debentures or other obligations issued or
108 guaranteed by: (i) The United States or any of its agencies or
109 instrumentalities, or (ii) any state, or any agency, instrumentality,
110 political subdivision, school district or legally constituted authority of
111 any state if such investment is of prime quality; (F) interest-bearing
112 bills or notes, or bonds, debentures or preferred stocks, traded on any

113 national securities exchange or on a national over-the-counter market,
114 if such debt or equity investments are of prime quality; (G) receivables
115 due from authorized delegates consisting of the proceeds of the sale of
116 payment instruments which are not past due or doubtful of collection;
117 (H) gold; and (I) any other investments approved by the
118 commissioner. Notwithstanding the provisions of this subdivision, if
119 the commissioner at any time finds that an investment of a licensee is
120 unsatisfactory for investment purposes, the investment shall not
121 qualify as a permissible investment.

122 (16) "Prime quality" of an investment means that it is within the top
123 four rating categories in any rating service recognized by the
124 commissioner unless the commissioner determines for any licensee
125 that only those investments in the top three rating categories qualify as
126 prime quality.

127 (17) "Purchaser" means a person who buys or has bought a payment
128 instrument or who has given money or monetary value for current or
129 future transmission.

130 (18) "Stored value" means monetary value that is evidenced by an
131 electronic record. For the purposes of this subdivision, "electronic
132 record" means information that is stored in an electronic medium and
133 is retrievable in perceivable form.

134 (19) "Travelers check" means a payment instrument for the payment
135 of money that contains a provision for a specimen signature of the
136 purchaser to be completed at the time of a purchase of the instrument
137 and a provision for a countersignature of the purchaser to be
138 completed at the time of negotiation.

139 (20) "Unique identifier" has the same meaning as provided in
140 section 36a-485.

141 (21) "Virtual currency" means any type of digital unit that is used as
142 a medium of exchange or a form of digitally stored value or that is
143 incorporated into payment system technology. Virtual currency shall

144 be construed to include digital units of exchange that (A) have a
145 centralized repository or administrator; (B) are decentralized and have
146 no centralized repository or administrator; or (C) may be created or
147 obtained by computing or manufacturing effort. Virtual currency shall
148 not be construed to include digital units that are used (i) solely within
149 online gaming platforms with no market or application outside such
150 gaming platforms, or (ii) exclusively as part of a consumer affinity or
151 rewards program, and can be applied solely as payment for purchases
152 with the issuer or other designated merchants, but cannot be converted
153 into or redeemed for fiat currency.

154 (22) "Virtual currency address" means an alphanumeric identifier
155 representing a destination for a virtual currency transfer that is
156 associated with a virtual currency wallet.

157 (23) "Virtual currency kiosk" means an electronic terminal acting as
158 a mechanical agent of the owner or operator to enable the owner or
159 operator to facilitate the exchange of virtual currency for fiat currency
160 or other virtual currency, including, but not limited to, by (A)
161 connecting directly to a separate virtual currency exchanger that
162 performs the actual virtual currency transmission, or (B) drawing upon
163 the virtual currency in the possession of the owner or operator of the
164 electronic terminal.

165 (24) "Virtual currency wallet" means a software application or other
166 mechanism providing a means for holding, storing and transferring
167 virtual currency.

168 Sec. 3. (NEW) (*Effective October 1, 2023*) (a) The owner or operator of
169 a virtual currency kiosk shall, in establishing a relationship with a
170 customer and prior to entering into an initial virtual currency
171 transaction for, on behalf of or with the customer, disclose in clear,
172 conspicuous and legible writing in the English language all material
173 risks associated with virtual currency generally, including, but not
174 limited to, the following:

175 (1) A disclosure, which shall be acknowledged by the customer,
176 provided separately from the disclosures provided pursuant to
177 subdivisions (2) to (9), inclusive, of this subsection and written
178 prominently and in bold type, stating the following: "WARNING:
179 LOSSES DUE TO FRAUDULENT OR ACCIDENTAL
180 TRANSACTIONS MAY NOT BE RECOVERABLE AND
181 TRANSACTIONS IN VIRTUAL CURRENCY ARE IRREVERSIBLE.";

182 (2) Virtual currency is not backed or insured by the government and
183 accounts and value balances are not subject to Federal Deposit
184 Insurance Corporation, National Credit Union Administration or
185 Securities Investor Protection Corporation protections;

186 (3) Some virtual currency transactions shall be deemed to be made
187 when recorded on a public ledger, which may not be the date or time
188 when the customer initiates the virtual currency transaction;

189 (4) The value of virtual currency may be derived from the continued
190 willingness of market participants to exchange fiat currency for virtual
191 currency, which may result in the permanent and total loss of the value
192 of a particular virtual currency, if the market for that virtual currency
193 disappears;

194 (5) There is no assurance that a person who accepts a virtual
195 currency as payment today will continue to do so in the future;

196 (6) The volatility and unpredictability of the price of virtual
197 currency relative to fiat currency may result in a significant loss over a
198 short period of time;

199 (7) The nature of virtual currency may lead to an increased risk of
200 fraud or cyber attack;

201 (8) The nature of virtual currency means that any technological
202 difficulties experienced by the owner or operator may prevent access
203 to or use of a customer's virtual currency; and

204 (9) Any bond maintained by the owner or operator for the benefit of
205 the customers of such owner or operator may not be sufficient to cover
206 all losses incurred by such customers.

207 (b) The owner or operator of a virtual currency kiosk shall, when
208 opening an account for a new customer and prior to entering into an
209 initial virtual currency transaction for, on behalf of or with such
210 customer, disclose in clear, conspicuous and legible writing in the
211 English language, using not less than forty-eight point sans-serif-type
212 font, all relevant terms and conditions associated with the products,
213 services and activities of the owner or operator and virtual currency
214 generally, including, but not limited to, the following:

215 (1) The customer's liability for unauthorized virtual currency
216 transactions;

217 (2) The customer's right to stop payment of a preauthorized virtual
218 currency transfer and the procedure used to initiate a stop-payment
219 order;

220 (3) Under what circumstances the owner or operator will, absent a
221 court or government order, disclose information concerning the
222 customer's account to third parties;

223 (4) The customer's right to receive periodic account statements and
224 valuations from the owner or operator;

225 (5) The customer's right to receive a receipt, trade ticket or other
226 evidence of a virtual currency transaction;

227 (6) The customer's right to prior notice of a change in the rules or
228 policies of the owner or operator; and

229 (7) Other disclosures that are customarily provided in connection
230 with the opening of customer accounts.

231 (c) The owner or operator of a virtual currency kiosk shall, prior to

232 each transaction in virtual currency for, on behalf of or with a
233 customer, disclose to such customer in clear, conspicuous and legible
234 writing in the English language, using not less than forty-eight point
235 sans-serif-type font, the terms and conditions of the virtual currency
236 transaction, including, but not limited to, the following:

237 (1) The amount of the transaction;

238 (2) Any fees, expenses and charges borne by the customer,
239 including, but not limited to, applicable exchange rates;

240 (3) The type and nature of the virtual currency transaction;

241 (4) A warning that, once executed, the virtual currency transaction
242 may not be undone, if applicable;

243 (5) A daily virtual currency transaction limit not to exceed five
244 hundred dollars;

245 (6) The difference in the sale price of the virtual currency versus the
246 current market price; and

247 (7) Other disclosures that are customarily given in connection with
248 such a virtual currency transaction.

249 (d) The owner or operator of a virtual currency kiosk shall ensure
250 that each customer acknowledges receipt of all disclosures required
251 under this section.

252 (e) The owner or operator of a virtual currency kiosk shall, upon the
253 completion of any virtual currency transaction, provide to the
254 customer a receipt containing the following information:

255 (1) The name of, and contact information for, the owner or operator,
256 including a telephone number established by the owner or operator to
257 answer questions and register complaints;

258 (2) The type, value, date and precise time of such virtual currency

- 259 transaction, and each virtual currency address;
- 260 (3) The fee charged;
- 261 (4) The exchange rate, if applicable;
- 262 (5) A statement of the liability of the owner or operator for
 263 nondelivery or delayed delivery;
- 264 (6) A statement of the refund policy of the owner or operator; and
- 265 (7) Any additional information the Banking Commissioner may
 266 require.
- 267 (f) The Banking Commissioner may establish a schedule of
 268 maximum fees that an owner or operator of a virtual currency kiosk
 269 may charge for specific services.
- 270 (g) The owner or operator of a virtual currency kiosk shall, within
 271 seven days after a virtual currency transaction, allow the customer to
 272 cancel and receive a full refund for the virtual currency transaction if
 273 such virtual currency transaction: (1) Is the customer's first virtual
 274 currency transaction with such owner or operator; and (2) is to a
 275 foreign virtual currency wallet or exchange.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>October 1, 2023</i>	36a-596
Sec. 3	<i>October 1, 2023</i>	New section

Statement of Legislative Commissioners:

In Section 1(c), "In prescribing regulations, forms and orders" was changed to "In adopting, amending or rescinding any regulation, form or order" for internal consistency; in Section 2(23), "by (A)" and "(B)" were added for clarity; Section 3(a)(1) was redrafted for clarity; in Section 3(a)(9), "by customers" was changed to "by such customers" for clarity; and in Section 3(g), "seven days of" was changed to "seven days

after" for clarity and "such virtual currency transaction," was changed to "the virtual currency transaction" for internal consistency.

BA *Joint Favorable Subst.*