



Substitute House Bill No. 6752

Public Act No. 23-82

AN ACT CONCERNING DIGITAL ASSETS.

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

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

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

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

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 Section 36a-596 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

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

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act:

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

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

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

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

(5) "Electronic payment instrument" means a card or other tangible

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

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

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

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

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

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

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

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(12) "Outstanding" means (A) in the case of a payment instrument or stored value, that: (i) It is sold or issued in the United States; (ii) a report of it has been received by a licensee from its authorized delegates; and (iii) it has not yet been paid by the issuer, and (B) for all other money transmissions, the value reported to the licensee for which the licensee or any authorized delegate has received money or its equivalent value from the customer for transmission, but has not yet completed the money transmission by delivering the money or monetary value to the person designated by the customer.

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

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

(15) "Permissible investment" means: (A) Cash in United States currency; (B) time deposits, as defined in section 36a-2, or other debt instruments of a bank; (C) bills of exchange or bankers acceptances which are eligible for purchase by member banks of the Federal Reserve System; (D) commercial paper of prime quality; (E) interest-bearing bills, notes, bonds, debentures or other obligations issued or guaranteed

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by: (i) The United States or any of its agencies or instrumentalities, or (ii) any state, or any agency, instrumentality, political subdivision, school district or legally constituted authority of any state if such investment is of prime quality; (F) interest-bearing bills or notes, or bonds, debentures or preferred stocks, traded on any national securities exchange or on a national over-the-counter market, if such debt or equity investments are of prime quality; (G) receivables due from authorized delegates consisting of the proceeds of the sale of payment instruments which are not past due or doubtful of collection; (H) gold; and (I) any other investments approved by the commissioner. Notwithstanding the provisions of this subdivision, if the commissioner at any time finds that an investment of a licensee is unsatisfactory for investment purposes, the investment shall not qualify as a permissible investment.

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

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

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

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

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

(21) "Virtual currency" means any type of digital unit that is used as a medium of exchange or a form of digitally stored value or that is incorporated into payment system technology. Virtual currency shall be construed to include digital units of exchange that (A) have a centralized repository or administrator; (B) are decentralized and have no centralized repository or administrator; or (C) may be created or obtained by computing or manufacturing effort. Virtual currency shall not be construed to include digital units that are used (i) solely within online gaming platforms with no market or application outside such gaming platforms, or (ii) exclusively as part of a consumer affinity or rewards program, and can be applied solely as payment for purchases with the issuer or other designated merchants, but cannot be converted into or redeemed for fiat currency.

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

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

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

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

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

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

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

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

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

(6) The volatility and unpredictability of the price of virtual currency

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relative to fiat currency may result in a significant loss over a short period of time;

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

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

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

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

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

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

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

(4) The customer's right to receive periodic account statements and

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valuations from the owner or operator;

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

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

(c) The owner or operator of a virtual currency kiosk shall, prior to each transaction in virtual currency for, on behalf of or with a customer, disclose to such customer in clear, conspicuous and legible writing in the English language, using not less than twenty-four point sans-serif-type font, the terms and conditions of the virtual currency transaction, including, but not limited to, the following:

(1) The amount of the transaction;

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

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

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

(5) A daily virtual currency transaction limit in accordance with subsection (g) of this section; and

(6) The difference in the sale price of the virtual currency versus the current market price.

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

(e) The owner or operator of a virtual currency kiosk shall, upon the

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completion of any virtual currency transaction, provide to the customer a receipt containing the following information:

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

(2) The type, value, date and precise time of such virtual currency transaction, and each virtual currency address;

(3) The fee charged;

(4) The exchange rate, if applicable;

(5) A statement of the liability of the owner or operator for nondelivery or delayed delivery;

(6) A statement of the refund policy of the owner or operator; and

(7) Any additional information the Banking Commissioner may require.

(f) The Banking Commissioner may establish a schedule of maximum fees that an owner or operator of a virtual currency kiosk may charge for specific services.

(g) There is established a maximum daily transaction limit of two thousand five hundred dollars for each customer of a virtual currency kiosk.

(h) The owner or operator of a virtual currency kiosk shall, at such owner's or operator's cost and within seventy-two hours after a virtual currency transaction, allow the customer to cancel and receive a full refund for the virtual currency transaction if such virtual currency transaction: (1) Is the customer's first virtual currency transaction with such owner or operator; and (2) is to a virtual currency wallet or

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exchange located outside of the United States.