**OLR Bill Analysis**

**sHB 7082 (as amended by House "A")***

***AN ACT CONCERNING CERTAIN REQUIREMENTS APPLICABLE TO VIRTUAL CURRENCY MONEY TRANSMISSION LICENSEES AND PROPERTY INTERESTS IN VIRTUAL CURRENCY AND PROHIBITING STATE PAYMENTS AND INVESTMENTS IN VIRTUAL CURRENCY.***

## SUMMARY

This bill imposes several virtual currency-related requirements and restrictions on people who are or must be licensed as money transmitters ("licensees") under the state's Money Transmission Act, which regulates businesses, other than banks or credit unions, that receive and transmit money.

The bill prohibits licensees who control other people's virtual currency from, generally, selling or transferring it without the person's authorization, or using a virtual currency control services vendor or other person to store or hold custody of the virtual currency unless they are qualified to do so. The bill also specifies that virtual currency held by licensees is a property interest of any claimants against it on a proportional basis. Additionally, the bill takes several existing disclosure and receipt requirements that apply to virtual currency kiosk owners and operators and extends most of them to licensees that engage in the business of money transmission in Connecticut by receiving, transmitting, storing, or maintaining custody or control of virtual currency (collectively "virtual currency transmitters" for the purposes of this bill analysis).

The bill also regulates minors' access to certain money sharing applications by imposing restrictions and duties on licensees. Generally, the bill prohibits any licensee, beginning on October 1, 2025, from allowing anyone to sponsor, open, or establish a money sharing application account for a minor unless the licensee receives a notarized statement from the person attesting that he or she is the minor's parent

or legal guardian. The bill also requires, with exceptions, licensees to delete a minor's money sharing application account within 15 business days after receiving a request to do so from the minor or the minor's parent or legal guardian.

Separate from money transmission, the bill also prohibits Connecticut and its political subdivisions from accepting or requiring payment in the form of virtual currency, or purchasing, holding, investing in, or establishing a virtual currency reserve (§ 5).

The bill also makes minor changes to the definitions and advertising restrictions in the Money Transmission Act as well as technical and conforming changes.

EFFECTIVE DATE: October 1, 2025

*House Amendment "A" (1) extends most existing virtual currency transaction disclosure and receipt requirements to apply to virtual currency transmitters instead of subjecting them to separate requirements from virtual currency kiosk owners and operators, (2) regulates minors' access to certain money sharing applications by imposing restrictions and duties on licensees, (3) allows licensed money transmitters to include a statement or claim that funds deposited with them are eligible for Federal Deposit Insurance Corporation (FDIC) protections, and (4) makes definition changes that specify the scope of "money transmission" under the Money Transmission Act.

## § 1 — MONEY TRANSMISSION ACT DEFINITIONS

Under current law, "money transmission" includes, among other things, engaging in the business of issuing or selling payment instruments or stored value. The bill specifies that this includes direct engagement or engagement through an "authorized delegate" (i.e. someone designated by a licensee to provide money transmission services on the licensee's behalf). It also relatedly changes the "stored value" definition, which is currently monetary value that is evidenced by an "electronic record" (i.e. information stored in an electronic medium and retrievable in perceivable form). The bill renames the

record as "electronic or digital record" and specifies that "stored value" is monetary value that represents a claim against the issuer of the monetary value.

Additionally, the bill specifies that the methods of "money transmission" include using a digital wallet, such as in connection with a consumer payment mobile application. Under the bill, a "digital wallet" is any electronic or digital functionality that (1) stores stored value or virtual currency for a consumer, including in encrypted or tokenized form, and (2) transmits, routes, or otherwise processes the stored value or virtual currency to facilitate a consumer payment transaction.

## §§ 1, 3 & 4 — VIRTUAL CURRENCY CUSTODY AND CONTROL RESTRICTIONS

The bill imposes two restrictions on the handling of virtual currency by virtual currency transmitters. First, it prohibits them from selling, transferring, assigning, lending, hypothecating, pledging, or otherwise using or encumbering virtual currency stored, held, controlled, maintained by, or under the custody or control of the licensee on a person's behalf, except for the sale, transfer of ownership, or assignment at the person's direction.

Second, it limits current law's provisions authorizing virtual currency transmitters to use designated agents to provide money transmission services on their behalf. Regardless of those current authorizations, the bill prohibits these transmitters from directly or indirectly using or engaging any other person, including a virtual currency control services vendor, to store or hold virtual currency for or on behalf of a customer, unless the other person is a licensed money transmitter, a qualified bank or credit union, or approved by the banking commissioner to do so.

Under the bill, a "virtual currency control services vendor" is a person who controls virtual currency under an agreement with another person who assumes control of this currency on a third person's behalf.

## §§ 1 & 4 — VIRTUAL CURRENCY TRANSACTION DISCLOSURES AND RECEIPTS

The bill extends many existing disclosure requirements so that they apply to virtual currency transmitters. Specifically, it extends those that currently apply to virtual currency kiosk owners and operators when establishing a relationship with a customer before entering into an initial virtual currency transaction.

The bill also extends most of the existing disclosures required (1) when opening an account for a new customer before entering into an initial virtual currency transaction and (2) before each virtual currency transaction. (The bill continues to only apply to transactions using virtual currency kiosks the requirement to disclose (1) in the former context, the customer's right to receive a physical, printed receipt for a virtual currency transaction at the time of the transaction and (2) in the latter context, the applicable daily virtual currency transaction limit.)

As under existing law for virtual currency kiosk owners and operators, the bill requires virtual currency transmitters to ensure that each customer acknowledges receipt of all applicable disclosures. The bill also extends to virtual currency transmitters the existing receipt requirements that apply once a virtual currency transaction is completed. (The bill continues to only apply to transactions using virtual currency kiosks a restriction that receipts may only be given electronically if the customer requests or agrees to it.)

## § 2 — PROPERTY INTERESTS OF CLAIMANTS AGAINST LICENSEES

Under existing law, licensees that engage in the business of money transmission in Connecticut by receiving, transmitting, storing, or maintaining custody or control of virtual currency on behalf of another person must at all times hold virtual currency of the same type and amount owed or obligated to the other person. The bill specifies that this virtual currency is a property interest of any claimants against the licensee on a proportional basis and in the type and amount to which the claimants are entitled, without regard to when the claimants became entitled or the licensee obtained control.

## § 6 — MONEY TRANSMISSION ACT ADVERTISING RESTRICTIONS

The bill adds a restriction on advertising by money transmission licensees. It specifically prohibits them from including any statement or claim in their solicitations or advertisements that funds deposited with them are eligible for FDIC protections. Existing law already prohibits licensees from including any statement or claim that is deceptive, false, or misleading. (The FDIC generally only supervises and insures certain banks and savings associations, which are exempt from the Money Transmission Act.)

However, the bill allows solicitations and advertisements by licensed money transmitters to include a statement or claim that funds deposited with them are eligible for FDIC protections if the (1) funds are placed in a deposit account at an FDIC-insured depository institution in a way that qualifies the fund for deposit insurance coverage under applicable federal law and (2) statement or claim clearly identifies the institution, accurately describes the extent and conditions of the coverage, and does not suggest or imply that the transmitter or any nondeposit product, virtual currency, or digital asset is FDIC-insured.

## § 7 — MINORS' ACCESS TO MONEY SHARING APPLICATIONS

The bill defines "money sharing application" as an Internet-based service or application that is (1) owned or operated by a licensee, (2) used by a consumer in Connecticut, and (3) primarily intended to allow users to send and receive money. Under the bill, a "minor" is a consumer younger than age 18, and a "consumer" is a state resident and generally excludes anyone acting in a commercial or employment context.

### *General Procedures and Exceptions*

When responding to requests to delete a minor's account, the bill generally requires licensees to stop processing the minor's personal data within the 15-business-day response period after receiving the request.

By law and under the bill, "personal data" is any information that is linked, or reasonably linkable, to an identified or identifiable individual, excluding de-identified data or publicly available information. ("De-

identified data" is generally data that cannot reasonably be used to infer information about, or otherwise be linked to, a specific individual or his or her device and "publicly available information" is generally information that is lawfully available through federal, state, or municipal government records, or widely distributed media (CGS § 42-515).)

Under the bill, licensees do not have to follow its account deletion and personal data processing requirements if other applicable law, such as Connecticut's laws on consumer data privacy and online monitoring, allow or require them to preserve a minor's account or personal data.

Additionally, the bill allows licensees to extend the time to delete an account and stop processing personal data by an additional 15 business days if (1) it is reasonably necessary to do so based on the complexity and number of, presumably, additional requests from the requestor, and (2) the licensee informs the requestor about the extension and reason for it within the initial 15-business-day response period.

As part of deletion requests, the bill allows requestors to also request licensees provide all data associated with the minor's account. Under the bill, this means, at a minimum, an itemization of each account transaction and the identity of who opened the account. Licensees must provide the data within the deletion timeframe above.

Relatedly, the bill requires licensees to (1) establish one or more secure and reliable ways for minors and their parents and legal guardians to submit requests to delete minors' accounts and (2) describe them in a notice given to consumers who have a money sharing application account with the licensee. Licensees that provide a mechanism to initiate a process to delete an account are deemed to be in compliance with this provision.

### *Inability to Authenticate Requests*

In addition to the exceptions above, the bill allows licensees to ignore requests they cannot authenticate if they notify the requestor that they cannot authenticate the request and will not be able to do so until the

requestor provides additional reasonably necessary information. Under the bill, to "authenticate" is to use reasonable means and make a commercially reasonable effort to determine if the requestor is the minor for the account or the minor's parents or legal guardians.

## BACKGROUND

### *Virtual Currency Definition*

By law and under the bill, "virtual currency" is a digital unit (1) used as a medium of exchange or form of digitally stored value or (2) incorporated into payment system technology. It includes digital units of exchange that have a centralized repository or administrator, are decentralized without a centralized repository or administrator, or may be created or obtained by computing or manufacturing effort. Virtual currency does not include digital units used:

1. solely in online gaming platforms with no other market or application, or

2. exclusively in a consumer affinity or rewards program that (a) can be used only as payment for purchases with the issuer or another designated merchant and (b) cannot be converted into, or redeemed for, fiat currency.

### *Related Bills*

sHB 6991 (File 194), favorably reported by the Banking Committee, makes similar definition changes that specify the scope of "money transmission" under the Money Transmission Act.

sSB 1338 (File 182), favorably reported by the Banking Committee, contains substantially similar provisions regulating minors' access to money sharing applications.

## COMMITTEE ACTION

Banking Committee

Joint Favorable
Yea 13 Nay 0 (03/11/2025)