General Assembly

Raised Bill No. 7082

January Session, 2025

LCO No. **5224**

* 0 5 2 2 4 B A *

Referred to Committee on BANKING

Introduced by:
(BA)

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.

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

Section 1. Section 36a-596 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

As used in sections 36a-595 to 36a-614, inclusive, and section 2 of this act, unless the context otherwise requires:

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

(6) "Existing customer" means a consumer who (A) is engaging in a transaction at a virtual currency kiosk in the state, (B) has performed not fewer than three virtual currency transactions with the owner or operator of such virtual currency kiosk, and (C) has been registered as a customer of such owner or operator for more than seventy-two hours.

(7) "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.

(8) "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.

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

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

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

(12) "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, electronic transfer or virtual currency kiosk.

(13) "New customer" means a consumer who (A) is engaging in a transaction at a virtual currency kiosk in the state, (B) has performed fewer than three virtual currency transactions with the owner or operator of such virtual currency kiosk, and (C) has been registered as a customer of such owner or operator for less than seventy-two hours.

(14) "Outstanding" means (A) in the case of a payment instrument or stored value, that (i) such instrument or value is sold or issued in the

United States, (ii) a report of such instrument or value has been received by a licensee from its authorized delegates, and (iii) such instrument or value 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.

(15) "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.

(16) "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.

(17) "Permissible investment" means (A) (i) cash in United States currency, including, but not limited to, demand deposits, savings deposits and funds in demand deposit and savings deposit accounts held for the benefit of a licensee's customers in an insured depository institution, and (ii) cash equivalents, including, but not limited to, (I) automated clearing house items in transit to a licensee or payee, (II) international wires in transit to a payee, (III) cash in transit via armored car, (IV) cash in smart safes, (V) cash in locations owned by licensees,

(VI) transmission receivables that are funded by debit cards or credit cards and owed by any bank, and (VII) money market mutual funds rated "AAA" or the equivalent by S & P Global, Incorporated, in the "S & P Global Ratings" or by any other rating service recognized by the commissioner, (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 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.

(18) "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.

(19) "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.

(20) "Receipt" means a paper record, electronic record or other written confirmation of a money transmission transaction.

(21) "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.

(22) "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.

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

(24) "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.

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

<u>(26) "Virtual currency control services vendor" means a person that controls virtual currency under an agreement with another person that, on behalf of a third person, assumes control of virtual currency.</u>

[(26)**]** (27) "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.

[(27)**]** (28) "Virtual currency wallet" means a software application or other mechanism providing a means for holding, storing and transferring virtual currency.

Sec. 2. (NEW) (*Effective October 1, 2025*) (a) Prior to entering into a virtual currency transaction for, on behalf of or with a person, and to the extent applicable to the transaction, each licensee that engages in the business of money transmission in this state by receiving, transmitting, storing or maintaining custody or control of virtual currency shall clearly and conspicuously disclose to such person in a retainable record:

(1) A schedule of any fee or charge;

(2) If any fee or charge is not set and disclosed in advance of the transaction, the manner and timing by which such fee or charge will be calculated;

(3) Any pricing differential on a purchase, sale or exchange of virtual currency related to the transaction and in which the licensee or any affiliate of such licensee is acting in a principal capacity;

(4) Whether the transaction is covered by (A) insurance, or is otherwise guaranteed against loss by an agency of the United States or the Securities Investor Protection Corporation, and, if so, the amount, expressed in United States dollars, of such coverage or guarantee, or (B) insurance against theft or loss, including, but not limited to, cyber theft;

(5) That the transaction is irrevocable, or if there is any exception to such irrevocability;

(6) A description of (A) the person's liability for an unauthorized, mistaken or accidental transaction, (B) the person's responsibility to provide notice to the licensee of such unauthorized, mistaken or accidental transaction, (C) the basis for any recovery by the person from the licensee, (D) the general rights of the person to resolve an error related to the transaction, and (E) the method for the person to update the person's contact information with the licensee;

(7) That the date or time when the transaction is completed and the person's account is debited may differ from the date or time when the person initiates the transaction;

(8) Whether the person has a right to stop a preauthorized transaction or revoke an authorization for a transaction, and the procedure to initiate such stop or revocation;

(9) The person's right to receive a receipt, trade ticket or other evidence of the transaction;

(10) The person's right to receive not less than thirty days' notice of any change in the licensee's fee schedule, other terms or conditions of the licensee's virtual currency business and any policy applicable to the person's account;

(11) That virtual currency is not money; and

(12) Any additional disclosure the Banking Commissioner determines to be reasonably necessary for the protection of the public.

(b) Each licensee that engages in the business of money transmission in this state by receiving, transmitting, storing or maintaining custody or control of virtual currency shall, upon the completion of any virtual currency transaction with a person, provide to the person a receipt containing the following information:

(1) The name and contact information of the licensee;

(2) A description of how the person may ask a question or file a complaint;

(3) The type, date and precise time of the transaction;

(4) The value of the transaction, expressed in United States dollars; and

(5) Any consideration the licensee charged for the transaction, including, but not limited to (A) any charge, fee or commission, and (B) the amount of any difference between the price paid by the person for virtual currency and the prevailing market price of such virtual currency.

(c) The Banking Commissioner may waive a disclosure or receipt requirement established by subsection (a) or (b) of this section and approve an alternative disclosure or receipt proposed by a licensee, if the commissioner determines that the alternative disclosure or receipt is more appropriate for the virtual currency business of such licensee and provides the same or equivalent information and protection to the public.

(d) A licensee that engages in the business of money transmission in this state by receiving, transmitting, storing or maintaining custody or control of virtual currency shall not:

(1) Sell, transfer, assign, lend, hypothecate, pledge or otherwise use or encumber virtual currency stored, held, controlled, maintained by, or under the custody or control of, such licensee on behalf of a person, except for the sale, transfer of ownership or assignment of such virtual currency at the direction of such person; or

(2) Directly or indirectly use or engage any other person, including, but not limited to, a virtual currency control services vendor, to store or hold custody or control of virtual currency for or on behalf of a

customer, unless such other person is (A) licensed pursuant to sections 36a-595 to 36a-612, inclusive, of the general statutes, (B) a federally insured federal bank, out-of-state bank, Connecticut bank, Connecticut credit union, federal credit union or out-of-state credit union that is exempt from licensure under section 36a-609 of the general statutes, or (C) approved by the Banking Commissioner to store or hold custody or control of virtual currency for or on behalf of a customer.

Sec. 3. Section 36a-603 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) Each licensee shall at all times maintain permissible investments having a value, computed in accordance with generally accepted accounting principles, at least equal to the aggregate amount of its outstanding money transmissions in this state, provided the value of receivables due from authorized delegates consisting of the proceeds of the sale of payment instruments that are not past due or doubtful of collection shall not exceed thirty per cent of the permissible investments held by the licensee and receivables due from any one person shall not exceed ten per cent of the value of permissible investments held by the licensee.

(b) Each licensee that engages in the business of money transmission in this state by receiving, transmitting, storing or maintaining custody or control of virtual currency on behalf of another person shall at all times hold virtual currency of the same type and amount owed or obligated to such other person. As used in subsection (a) of this section, outstanding money transmissions does not include any virtual currency held pursuant to this subsection, and "value" means the lower of book or market value, except that with regard to debt obligations which the licensee as a matter of policy retains until maturity, "value" means the greater of book or market value unless the commissioner orders that for some or all investments of a particular licensee, "value" means the lower of book or market value.

(c) Permissible investments and virtual currency held pursuant to subsection (b) of this section, even if commingled with other assets of the licensee, shall be deemed by operation of law to be (1) property interests of any claimants against the licensee, on a pro rata basis and in the type and amount of virtual currency to which such claimants are entitled, without regard to the time when (A) such claimants became entitled to such virtual currency, or (B) the licensee obtained control of such virtual currency, (2) held in trust for the benefit of any claimants against the licensee to serve the faithful performance of the obligations of the licensee and the licensee's authorized delegates with respect to the licensee's money transmission business in this state in the event of the bankruptcy of the licensee, and **[**shall be**]** (3) immune from attachment by creditors or judgment creditors.

Sec. 4. Subsection (a) of section 36a-607 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) **[**A**]** Except as provided in subsection (d) of section 2 of this act, a licensee may conduct its business at one or more locations within this state as follows:

(1) The business may be conducted by the licensee or through or by means of such authorized delegates as the licensee may periodically designate or appoint on the system in such form and manner as required by the commissioner. The licensee shall pay any associated processing fees imposed by the system. The licensee shall notify the commissioner on the system of all authorized delegates that act on its behalf. An authorized delegate may not engage in the business of money transmission in this state on behalf of a licensee through or by means of any person who is not identified on the system as an authorized delegate of the licensee.

(2) No license under sections 36a-595 to 36a-612, inclusive, shall be required of any authorized delegate.

(3) Each authorized delegate shall, from the moment of receipt, hold the proceeds of a sale or delivery of a licensee's money transmissions in this state in trust for the benefit of such licensee.

(4) A licensee shall be liable for the loss caused to any purchaser or holder of the licensee's payment instruments or stored value sold in this state by the failure of an authorized delegate to forward to the licensee the amount due from the proceeds of a sale or delivery of the licensee's payment instruments or stored value, or money or monetary value received for transmission.

(5) The licensee shall enter into a contract with each of its authorized delegates that requires the authorized delegate to operate in full compliance with sections 36a-595 to 36a-612, inclusive, and provides that appointment of the authorized delegate is not effective during any period when the license of the licensee has been suspended. The licensee shall provide each authorized delegate with policies and procedures sufficient to ensure compliance with sections 36a-595 to 36a-612, inclusive.

(6) An authorized delegate shall remit all money owing to the licensee in accordance with the terms of the contract between the licensee and the authorized delegate.

(7) An authorized delegate shall not provide money transmission services in this state outside the scope of activity permissible under the contract between the authorized delegate and the licensee.

Sec. 5. Subsection (e) of section 36a-613 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(e) (1) The owner or operator of a virtual currency kiosk shall, upon the completion of any virtual currency transaction, provide to the customer a receipt<u>, in addition to the receipt required pursuant to subsection (b) of section 2 of this act,</u> containing the following information:

(A) The name of, and contact information for, the owner or operator, including, but not limited to, the owner or operator's business address and a customer service telephone number established by the owner or operator to answer questions and register complaints;

(B) The name of the customer;

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

(D) The amount of such virtual currency transaction expressed in United States currency;

(E) The full unique transaction hash or identification number;

(F) The public virtual currency address of the customer;

(G) The unique identifier;

(H) Any fee charged, including, but not limited to, any fee charged directly or indirectly by the owner or operator or a third party involved in such virtual currency transaction;

(I) The exchange rate, if applicable;

(J) Any tax collected by the owner or operator for such virtual currency transaction;

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

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

(M) The name and telephone number of the Department of Banking and a statement disclosing that the owner or operator's customers may contact the department with questions or complaints about the owner or operator's virtual currency kiosk services; and

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

(2) The receipt required under subdivision (1) of this subsection:

(A) Shall be provided in (i) a retainable form, (ii) the English language, and (iii) the language principally used by the owner or operator of the virtual currency kiosk to advertise, solicit or negotiate, either orally or in writing; and

(B) May be provided electronically if the customer requests or agrees to receive an electronic receipt.

Sec. 6. (NEW) (*Effective October 1, 2025*) Neither the state nor any political subdivision of the state shall (1) accept or require payment in the form of virtual currency for an amount due to the state or the political subdivision, or (2) purchase, hold, invest in or establish a reserve of virtual currency. For purposes of this section, "virtual currency" has the same meaning as provided in section 36a-596 of the general statutes, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2025*	36a-596
Sec. 2	*October 1, 2025*	New section
Sec. 3	*October 1, 2025*	36a-603
Sec. 4	*October 1, 2025*	36a-607(a)
Sec. 5	*October 1, 2025*	36a-613(e)
Sec. 6	*October 1, 2025*	New section

Statement of Purpose:

To (1) define "virtual currency control services vendor", (2) establish requirements for virtual currency money transmission licensees concerning (A) disclosures, (B) receipts, (C) the use of virtual currency under the control of such licensees, and (D) the engagement of other persons to store or hold custody or control of virtual currency for or on behalf of a customer, (3) establish that certain virtual currency held by such licensees shall be deemed to be property interests of any claimants against such licensees, and (4) prohibit the state, and political subdivisions of the state, from (A) accepting or requiring payment in the form of virtual currency, or (B) purchasing, holding, investing in or establishing a reserve of virtual currency.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]