



Substitute House Bill No. 5211

Public Act No. 24-146

AN ACT CONCERNING VIRTUAL CURRENCY AND MONEY TRANSMISSION.

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

Section 1. Section 36a-596 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

As used in sections 36a-595 to [36a-613] 36a-614, inclusive, as amended by 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

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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] 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, [but] 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.

[(6)] (7) "Holder" means a person, other than a purchaser, who is either in possession of a payment instrument and is the named payee

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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)] (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.

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

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

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

[(11)] (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.

[(12)] (14) "Outstanding" means (A) in the case of a payment instrument or stored value, that [:] (i) [It] such instrument or value is sold or issued in the United States, [;] (ii) a report of [it] such instrument

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or value has been received by a licensee from its authorized delegates, [;] and (iii) [it] 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.

[(13)] (15) "Passive investor" means a person that [:] (A) [Does] 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)] (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.

[(15)] (17) "Permissible investment" means [:] (A) [Cash] (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

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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] 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)] (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.

[(17)] (19) "Purchaser" means a person who buys or has bought a payment instrument or who has given money or monetary value for

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current or future transmission.

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

[(18)] (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.

[(19)] (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.

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

[(21)] (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.

[(22)] (25) "Virtual currency address" means an alphanumeric identifier representing a destination for a virtual currency transfer that

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is associated with a virtual currency wallet.

[(23)] (26) "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)] (27) "Virtual currency wallet" means a software application or other mechanism providing a means for holding, storing and transferring virtual currency.

Sec. 2. Subsection (a) of section 36a-597 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(a) No person shall engage in the business of money transmission in this state, or advertise or solicit such services, without a main office license issued by the commissioner as provided in sections 36a-595 to 36a-612, inclusive, except as an authorized delegate of a person that has been issued a license by the commissioner and in accordance with section 36a-607. Any activity subject to licensure pursuant to sections 36a-595 to 36a-612, inclusive, shall be conducted from an office located in a state, as defined in section 36a-2. On and after October 1, 2024, any person who owns, operates, solicits, markets, advertises or facilitates virtual currency kiosks in this state shall be deemed to be engaged in the business of money transmission in this state and shall be subject to licensure pursuant to sections 36a-595 to 36a-612, inclusive. A person engaged in the business of money transmission is acting in this state under this section if such person: (1) Has a place of business located in this state, (2) receives money or monetary value in this state or from a

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person located in this state, (3) transmits money or monetary value from a location in this state or to a person located in this state, (4) issues stored value or payment instruments that are sold in this state, [or] (5) sells stored value or payment instruments in this state, or (6) owns, operates, solicits, markets, advertises or facilitates virtual currency kiosks physically located in this state.

Sec. 3. Section 36a-599 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(a) Each applicant for a money transmission license shall pay to the system any required fees or charges and a license fee of one thousand eight hundred seventy-five dollars. Each such license shall expire at the close of business on December thirty-first of the year in which the license was approved, unless such license is renewed, except that any such license approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant for renewal of a money transmission license shall pay to the system any required fees or charges and a renewal fee of one thousand one hundred twenty-five dollars.

(b) Not later than fifteen days after the date a licensee ceases to engage in the business of money transmission in this state for any reason, including a business decision to terminate operations in this state, license revocation, bankruptcy or voluntary dissolution, such licensee shall request surrender of the license in accordance with subsection (c) of section 36a-51 for each location where such licensee has ceased to engage in such business. The licensee shall also identify, in writing, to the commissioner the location where the records of the licensee will be stored and the name, address and telephone number of an individual authorized to provide access to the records. The surrender of a license does not reduce or eliminate the licensee's civil or criminal

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liability arising from acts or omissions occurring prior to the surrender of the license, including any administrative actions undertaken by the commissioner to revoke or suspend a license, assess a civil penalty, order restitution or exercise any other authority provided to the commissioner.

(c) Each license shall remain in force and effect until the license has been surrendered, revoked or suspended or has expired in accordance with the provisions of sections 36a-595 to 36a-612, inclusive. No abatement of the license fee shall be made if the applicant is denied or withdrawn prior to issuance of the license or if the license is surrendered, revoked or suspended prior to the expiration of the period for which it was issued. All fees required by this section shall be nonrefundable.

(d) Each licensee shall maintain a detailed plan and accounting as to how the licensee shall engage in winding down operations, and shall provide such plan and accounting to the commissioner upon request. Such plan and accounting shall contain:

(1) A record showing that the licensee's minimum net worth and reserves are sufficient to prevent losses to consumers and purchasers and to repay any outstanding obligations or accounts payable;

(2) Procedures to ensure that, after winding down operations, the licensee shall not retain any consumer funds, purchaser funds or other client funds;

(3) A plan demonstrating that consumers shall have access to consumer funds in the licensee's custody;

(4) Detailed instructions informing consumers how they may withdraw consumer funds upon request; and

(5) Any other records and information requested by the

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commissioner regarding winding down operations.

(e) No licensee shall terminate such licensee's business unless the following conditions are met:

(1) The licensee provides written notice to the commissioner of the proposed termination at least thirty days prior to the effective date of such proposed termination;

(2) The licensee notifies, in writing, all consumers, purchasers and users of the licensee of the proposed termination, and the date of such proposed termination, at least thirty days prior to the date of such proposed termination;

(3) The licensee provides all consumers, purchasers and users of the licensee with detailed final accountings of the accounts of such consumers, purchasers and users;

(4) The licensee remits all money held in the custody of the licensee on behalf of consumers, purchasers and users to such consumers, purchasers and users; and

(5) The licensee files a request to surrender such licensee's license and the commissioner accepts such request.

Sec. 4. Section 36a-613 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(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:

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(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)] (5) The volatility and unpredictability of the price of virtual currency 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

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or use of a customer's virtual currency; and]

[(9)] (6) 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; and

(7) Virtual currency transactions are irreversible and are used by persons seeking to defraud customers, including, but not limited to, a person impersonating a customer's loved one, threatening jail time, stating that a customer's identity has been stolen, insisting that a customer withdraw money from the customer's bank account and purchase cryptocurrency or alleging a customer's personal computer has been hacked.

(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;]

(4) The requirement that the owner or operator communicate to the customer what customer information may be disclosed to third parties;

(5) The customer's right to receive a physical, printed receipt [, trade ticket or other evidence of] for a virtual currency transaction at the time of the transaction; and

(6) [The] Upon any change in the rules or policies of the owner or operator, the customer's right to [prior notice of a change in the] consent to such changed rules or policies [of the owner or operator] prior to performing any transaction after such change.

(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.

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(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) (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 containing the following information:

[(1)] (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;

[(2)] (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;

[(3) The] (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;

[(4)] (I) The exchange rate, if applicable;

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

[(5)] (K) A statement of the liability of the owner or operator for

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nondelivery or delayed delivery;

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

(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

[(7)] (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.

(f) The [Banking Commissioner may establish a schedule of maximum fees that] total amount of any fee and commission charged by an owner or operator of a virtual currency kiosk [may charge for specific services] for a virtual currency transaction shall not exceed fifteen per cent of the amount of the virtual currency transaction.

(g) There [is] are established [a] the following maximum daily virtual currency kiosk transaction [limit of two] limits:

(1) Two thousand [five hundred] dollars for each new customer of a virtual currency kiosk; and

(2) Five thousand dollars for each existing customer of a virtual

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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] allow a new customer, upon the request of the new customer, to cancel and receive a full refund for [the] any fraudulent 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 exchange located outside of the United States.] transactions that occurred not later than seventy-two hours after the new customer registered as a customer of such owner or operator if, not later than thirty days after the last virtual currency transaction that occurred during such seventy-two hour period, the new customer:

(1) Contacts such owner or operator and a government or law enforcement agency to inform such owner or operator and government or law enforcement agency of the fraudulent nature of such virtual currency transaction; and

(2) Files a report with a government or law enforcement agency memorializing the fraudulent nature of such virtual currency transaction.

(i) Each owner or operator of a virtual currency kiosk shall:

(1) Obtain a copy of a government-issued identification card that identifies each customer of such owner or operator;

(2) Maintain restrictions that prevent more than one customer of such owner or operator from using the same virtual currency wallet;

(3) Be able to prevent designated virtual currency wallets from being used at any virtual currency kiosk owned or operated by such owner or operator;

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(4) Use an established third party that specializes in performing blockchain analyses to preemptively perform such analyses to identify and prevent high risk or sanctioned virtual currency wallets from being used by customers at virtual currency kiosks owned or operated by such owner or operator;

(5) Define, in such owner or operator's policies and procedures, a risk-based method of monitoring customers of such owner or operator on a post-transaction basis;

(6) Offer, during the hours of operation of the virtual currency kiosks owned or operated by such owner or operator, live customer support by telephone from a telephone number prominently displayed at or on such virtual currency kiosks;

(7) Identify and speak by telephone with any new customer over sixty years of age prior to such new customer completing such new customer's first virtual currency transaction with such owner or operator. During such communication, which shall be recorded and retained by such owner or operator, the owner or operator shall (A) reconfirm any attestations made by such new customer at a virtual currency kiosk owned or operated by such owner or operator, (B) discuss the transaction, and (C) discuss types of fraudulent schemes relating to virtual currency. Such owner or operator's approval of the transaction shall be dependent upon such owner or operator's assessment of such communication;

(8) Identify and speak by telephone with any new customer attempting to perform a virtual currency transaction that exceeds an amount that has been predesignated by such owner or operator as a large transaction amount before such transaction may be completed. During such communication, which shall be recorded and retained by such owner or operator, the owner or operator shall (A) positively identify such new customer, (B) review such new customer's stated

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purpose of the transaction, and (C) discuss types of fraudulent schemes relating to virtual currency. Such owner or operator's approval of the transaction shall be dependent upon such owner or operator's assessment of such communication;

(9) Designate and employ a chief compliance officer who shall:

(A) Be qualified to coordinate and monitor a compliance program to ensure compliance with this section and all other applicable federal and state laws, rules and regulations;

(B) Be employed on a full-time basis by such owner or operator; and

(C) Not own more than twenty per cent of the virtual currency kiosk owner or operator that employs such officer; and

(10) Use full-time employees to fulfill such owner or operator's compliance responsibilities under federal and state laws, rules and regulations.

Sec. 5. Subsection (b) of section 36a-614 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(b) The commissioner may, in accordance with the provisions of chapter 54, adopt, amend and rescind regulations, forms and orders governing the business use of digital assets, including, but not limited to, virtual currencies, [and] stablecoins and nonfungible tokens, by entities that, and individuals who, are subject to regulation by the commissioner, which regulations, forms and orders shall ensure consumer protection. As used in this subsection, "nonfungible tokens" shall not include tokens issued or sold primarily for consumptive, personal or household purposes.