



General Assembly

February Session, 2022

Raised Bill No. 5320

LCO No. 2655



Referred to Committee on BANKING

Introduced by:
(BA)

AN ACT CONCERNING VIRTUAL CURRENCY.

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

1 Section 1. (NEW) (*Effective October 1, 2022*) For purposes of this
2 section and sections 2 to 9, inclusive, of this act:

3 (1) "Virtual currency" has the same meaning as provided in section
4 36a-596 of the general statutes;

5 (2) "Virtual currency business activity" means any one of the
6 following activities: (A) Receiving virtual currency for transmission or
7 transmitting virtual currency, except where the transaction is
8 undertaken for nonfinancial purposes and does not involve the transfer
9 of more than a nominal amount of virtual currency; (B) storing, holding
10 or maintaining custody or control of virtual currency on behalf of others;
11 (C) buying or selling virtual currency as a customer business; (D)
12 performing exchange services as a customer business; and (E)
13 controlling or issuing virtual currency;

14 (3) "Exchange service" means: (A) The conversion or exchange of
15 government currency or other value into virtual currency; (B) the
16 conversion or exchange of virtual currency into government currency or
17 other value; or (C) the conversion or exchange of one form of virtual
18 currency into another form of virtual currency;

19 (4) "Government currency" means government-issued currency that
20 is designated as legal tender in its country of issuance through
21 government decree, regulation or law;

22 (5) "Principal beneficiary" means any person entitled to ten per cent
23 or more of the benefits of a trust;

24 (6) "Principal officer" means an executive officer of an entity,
25 including the chief executive, financial, operating and compliance
26 officers, president, managing partner, general partner, controlling
27 partner and trustee, as applicable;

28 (7) "Principal stockholder" means any person that directly or
29 indirectly owns, controls or holds with power to vote ten per cent or
30 more of any class of outstanding capital stock of a corporate entity or
31 possesses the power to direct or cause the direction of the management
32 or policies of the entity; and

33 (8) "Qualified trust company" means a bank, trust company, bank
34 holding company, credit union, building or loan association, savings or
35 loan association, savings bank or mutual bank organized under the laws
36 of any state or the United States, provided such bank, trust company,
37 bank holding company, credit union, building or loan association,
38 savings or loan association, savings bank or mutual bank organized
39 under the laws of any state or the United States does not issue or sell
40 any payment instrument through an authorized delegate who is not a
41 bank, trust company, bank holding company, credit union, building or
42 loan association, savings or loan association, savings bank or mutual
43 bank.

44 Sec. 2. (NEW) (*Effective October 1, 2022*) (a) A person, except a

45 qualified trust company, engaging in virtual currency business activity
46 shall register under sections 1 to 9, inclusive, of this act.

47 (b) Such registration shall be in writing, under oath, and completed
48 in a form prescribed by the commissioner. The registration shall include
49 the following:

50 (1) The name of the registrant, including any business name, the form
51 of organization and the jurisdiction where the registrant is organized or
52 incorporated;

53 (2) A list of the registrant's affiliates and an organizational chart
54 illustrating the relationship between and among the registrant and its
55 affiliates;

56 (3) An organizational chart of the registrant and its management
57 structure, including its principal officers or senior management,
58 indicating lines of authority and the allocation of duties among its
59 principal officers or senior management;

60 (4) A business plan, including a description of the proposed, current
61 and historical business of the registrant, details on the products and
62 services provided and to be provided, all associated Internet web site
63 addresses, the jurisdictions in which the registrant is engaged in
64 business, the principal place of business, the primary markets of
65 operation, the projected customer base, any specific marketing targets
66 and the physical address of any place of operation in the state; and

67 (5) A registration fee to be established by the commissioner.

68 Sec. 3. (NEW) (*Effective October 1, 2022*) In the event of any material
69 change in the registration information submitted in accordance with
70 section 2 of this act, the registrant shall, within seven days of the change,
71 supplement or amend such registration by completing and submitting
72 a form as prescribed by the commissioner.

73 Sec. 4. (NEW) (*Effective October 1, 2022*) Each registrant shall maintain
74 and enforce confidential, written compliance policies, including policies

75 with respect to anti-fraud, anti-money laundering, cyber security,
76 privacy and information security, that shall be reviewed and approved
77 by the registrant's board of directors or an equivalent governing body.

78 Sec. 5. (NEW) (*Effective October 1, 2022*) (a) No registrant shall
79 advertise its products, services or activities in the state or to any person
80 without including the legal name of the registrant and a legend stating
81 that the registrant is registered to engage in virtual currency business
82 activity in the state of Connecticut.

83 (b) Each registrant shall maintain, for examination by the
84 commissioner, all advertising and marketing materials for a period of
85 not less than seven years from the date of their creation, including, but
86 not limited to, print media, Internet media, including Internet web sites,
87 radio and television advertising, road show materials, presentations
88 and brochures. Each registrant shall maintain a hard copy, Internet web
89 site captures of material changes to Internet web site advertising and
90 marketing and audio and video scripts of such advertising and
91 marketing materials, as applicable.

92 Sec. 6. (NEW) (*Effective October 1, 2022*) Each registrant shall permit
93 the commissioner to examine the registrant whenever the commissioner
94 determines such examination to be necessary or advisable, including,
95 but not limited to, to determine compliance with the requirements set
96 forth in sections 1 to 9, inclusive, of this act, and shall assist the
97 commissioner in any such examination. The examination may include,
98 but shall not be limited to, the premises, books, records and any other
99 pertinent material of the registrant or its affiliates.

100 Sec. 7. (NEW) (*Effective October 1, 2022*) (a) (1) Each registrant shall,
101 prior to engaging in virtual currency business activity with any person,
102 disclose in clear, conspicuous writing all material risks to the person
103 associated with the particular virtual currency business activities in
104 which it engages. Such risks may include, but shall not be limited to:

105 (A) Virtual currency is not legal tender, is not backed by the United
106 States government and the virtual currency held by the registrant on

107 behalf of the person is not subject to Federal Deposit Insurance
108 Corporation protections;

109 (B) Transactions in the virtual currency held by the registrant on
110 behalf of the person may be irreversible, and, accordingly, losses due to
111 fraudulent or accidental transactions may not be recoverable;

112 (C) Laws determining the rights and obligations of virtual currency
113 users are not fully developed, and a court of law may find that the
114 elements of the transaction, including, but not limited to, the timing,
115 amount, identity or location of the parties, may not be the same as if the
116 transaction had occurred with government currency;

117 (D) The value of the virtual currency held by the registrant on behalf
118 of the person may change more quickly and unexpectedly than that of
119 government currency, and may in fact become zero; and

120 (E) Technological difficulties experienced by the registrant may
121 prevent the person from accessing the virtual currency held by the
122 registrant on behalf of the person.

123 (2) The commissioner shall post on the department's Internet web site
124 information substantially similar to the information required to be
125 disclosed pursuant to this subsection, including information about the
126 material risks described in said subsection.

127 (b) Each registrant shall, prior to engaging in virtual currency
128 business activity with any person, disclose in clear, conspicuous writing
129 all relevant terms and conditions associated with the registrant's virtual
130 currency business activity. Such disclosures may include, but shall not
131 be limited to: (1) The person's liability for unauthorized transactions; (2)
132 the person's right to interrupt or prevent any transaction and the
133 procedure to initiate an interruption or prevention; (3) the
134 circumstances under which the registrant will, absent a court or
135 government order, disclose information concerning the person's
136 account to third parties; (4) the person's right to receive periodic account
137 statements and valuations from the registrant; (5) the person's right to

138 receive a receipt, trade ticket or other evidence of a transaction; and (6)
139 the person's right to prior notice of a change in the registrant's rules or
140 policies.

141 (c) Each registrant shall, prior to engaging in virtual currency
142 business activity with any person, disclose in clear, conspicuous writing
143 the terms and conditions of the transaction. The disclosures may
144 include, but shall not be limited to: (1) The amount of the transaction;
145 (2) any fees, expenses and charges borne by the person, including
146 applicable exchange rates; (3) the type and nature of the transaction; and
147 (4) a warning that once executed the transaction may not be undone.

148 (d) Each registrant shall ensure that all disclosures required in the
149 section are acknowledged in writing as received by persons.

150 (e) Each registrant shall, upon completion of any transaction, provide
151 to any person initiating the transaction, a receipt containing the
152 following information: (1) The name and contact information of the
153 registrant, including a telephone number established by the registrant
154 to answer questions and register complaints; (2) the type, value, date
155 and precise time of the transaction; (3) any fee charged; and (4) any
156 exchange rate applied.

157 Sec. 8. (NEW) (*Effective October 1, 2022*) (a) Each registrant shall
158 establish and maintain written policies and procedures to fairly and
159 timely resolve customer complaints.

160 (b) Each registrant shall provide, in a clear and conspicuous manner,
161 on such registrant's Internet web site or web sites, and in all physical
162 locations the following disclosures: (1) The registrant's mailing address,
163 electronic mail address and telephone number for the receipt of
164 complaints; (2) a statement that the complainant may also bring a
165 complaint to the attention of the Department of Banking; and (3) the
166 Department of Banking's mailing address, Internet web site address and
167 telephone number.

168 Sec. 9. (NEW) (*Effective October 1, 2022*) (a) If it appears to the

169 commissioner that any person has committed or is about to commit a
170 violation of any provision of this act or of any rule or order of the
171 commissioner, the commissioner may apply to the Superior Court for
172 an order temporarily or permanently restraining and enjoining that
173 person from violating or continuing to violate this act or any rule,
174 regulation or order of the commissioner and for injunctive or other relief
175 as the nature of the case may require.

176 (b) If, after notice and hearing, the commissioner finds that a person
177 has violated any provision of sections 1 to 9, inclusive, of this act or a
178 rule adopted under this act, the commissioner may order the person to
179 pay the commissioner a civil penalty in an amount specified by the
180 commissioner not exceeding five thousand dollars for each violation.
181 Each violation shall constitute a separate offense and the penalty under
182 this subsection shall be in addition to a suspension or revocation of a
183 registration. No proceeding shall be initiated and no penalty shall be
184 assessed pursuant to this subsection until such person is notified in
185 writing of the nature of the violation and is afforded a reasonable period
186 of time, as set forth in the notice, to correct the violation and fails to do
187 so.

188 (c) The commissioner may compromise, settle and collect civil
189 penalties for violations of any provision of sections 1 to 9, inclusive, of
190 this act, or of any rule, regulation or order issued or promulgated
191 pursuant to this act.

192 Sec. 10. (NEW) (*Effective October 1, 2022*) Each registrant may accept
193 credit cards and debit cards for the purchase of virtual currency.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2022</i>	New section
Sec. 2	<i>October 1, 2022</i>	New section
Sec. 3	<i>October 1, 2022</i>	New section
Sec. 4	<i>October 1, 2022</i>	New section
Sec. 5	<i>October 1, 2022</i>	New section
Sec. 6	<i>October 1, 2022</i>	New section

Sec. 7	<i>October 1, 2022</i>	New section
Sec. 8	<i>October 1, 2022</i>	New section
Sec. 9	<i>October 1, 2022</i>	New section
Sec. 10	<i>October 1, 2022</i>	New section

Statement of Purpose:

To (1) require the registration of virtual currency businesses, (2) establish consumer protections concerning virtual currency, and (3) allow the acceptance of credit and debit cards for the purchase 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.]