



General Assembly

Substitute Bill No. 5320

February Session, 2022



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 10, inclusive, of this act:

3 (1) "Commissioner" has the same meaning as provided in section 36a-
4 2 of the general statutes;

5 (2) "Department" means the Department of Banking;

6 (3) "Virtual currency" has the same meaning as provided in section
7 36a-596 of the general statutes;

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

17 (5) "Exchange service" means: (A) The conversion or exchange of
18 government currency or other value into virtual currency; (B) the
19 conversion or exchange of virtual currency into government currency or
20 other value; or (C) the conversion or exchange of one form of virtual
21 currency into another form of virtual currency;

22 (6) "Government currency" means government-issued currency that
23 is designated as legal tender in its country of issuance through
24 government decree, regulation or law;

25 (7) "Principal beneficiary" means any person entitled to ten per cent
26 or more of the benefits of a trust;

27 (8) "Principal officer" means an executive officer of an entity,
28 including the chief executive, financial, operating and compliance
29 officers, president, managing partner, general partner, controlling
30 partner and trustee, as applicable;

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

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

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

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

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

53 (1) The name of the registrant, including any business name, the form
54 of organization and the jurisdiction where the registrant is organized or
55 incorporated;

56 (2) A list of the registrant's affiliates and an organizational chart
57 illustrating the relationship between and among the registrant and its
58 affiliates;

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

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

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

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

76 Sec. 4. (NEW) (*Effective October 1, 2022*) Each registrant shall maintain

77 and enforce confidential, written compliance policies, including policies
78 with respect to anti-fraud, anti-money laundering, cyber security,
79 privacy and information security, that shall be reviewed and approved
80 by the registrant's board of directors or an equivalent governing body.

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

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

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

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

108 (A) Virtual currency is not legal tender, is not backed by the United
109 States government and the virtual currency held by the registrant on
110 behalf of the person is not subject to Federal Deposit Insurance
111 Corporation protections;

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

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

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

123 (E) Technological difficulties experienced by the registrant may
124 prevent the person from accessing the virtual currency held by the
125 registrant on behalf of the person.

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

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

139 account to third parties; (4) the person's right to receive periodic account
140 statements and valuations from the registrant; (5) the person's right to
141 receive a receipt, trade ticket or other evidence of a transaction; and (6)
142 the person's right to prior notice of a change in the registrant's rules or
143 policies.

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

151 (d) Each registrant shall ensure that all disclosures required in this
152 section are acknowledged in writing as received by persons.

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

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

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

170 telephone number.

171 Sec. 9. (NEW) (Effective October 1, 2022) (a) If it appears to the
172 commissioner that any person has committed or is about to commit a
173 violation of any provision of this act or of any rule or order of the
174 commissioner, the commissioner may apply to the Superior Court for
175 an order temporarily or permanently restraining and enjoining that
176 person from violating or continuing to violate this act or any rule,
177 regulation or order of the commissioner and for injunctive or other relief
178 as the nature of the case may require.

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

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

195 Sec. 10. (NEW) (Effective October 1, 2022) Each registrant may accept
196 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	October 1, 2022	New section
Sec. 2	October 1, 2022	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, 202</i>	New section

Statement of Legislative Commissioners:

In Section 7(a)(2), "said subsection" was changed to "this subsection" for consistency with standard drafting conventions; in Section (7)(b) and (c), "may include, but shall not be limited to" was changed to "may include but need not be limited to" for clarity; and in Section 7(d), "all disclosures required in the section" was changed to "all disclosures required in this section" for accuracy.

BA *Joint Favorable Subst.*