



General Assembly

February Session, 2024

Raised Bill No. 5211

LCO No. 1434



Referred to Committee on BANKING

Introduced by:
(BA)

AN ACT CONCERNING VIRTUAL CURRENCY AND MONEY TRANSMISSION.

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

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2 statutes is repealed and the following is substituted in lieu thereof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

4 As used in sections 36a-595 to 36a-613, inclusive, as amended by this
5 act, and section 5 of this act:

6 (1) "Advertise" or "advertising" has the same meaning as provided in
7 section 36a-485.

8 (2) "Authorized delegate" means a person designated by a person
9 licensed pursuant to sections 36a-595 to 36a-612, inclusive, to provide
10 money transmission services on behalf of such licensed person.

11 (3) "Control" means (A) the power to vote, directly or indirectly, at
12 least twenty-five per cent of the outstanding voting shares or voting
13 interests of a licensee or person in control of a licensee, [;] (B) the power

14 to elect or appoint a majority of key individuals or executive officers,
15 managers, directors, trustees or other persons exercising managerial
16 authority of a person in control of a licensee, [;] or (C) the power to
17 exercise, directly or indirectly, a controlling influence over the
18 management or policies of a licensee or person in control of a licensee.
19 For purposes of this subdivision: (i) A person is presumed to exercise a
20 controlling influence when the person holds the power to vote, directly
21 or indirectly, at least ten per cent of the outstanding voting shares or
22 voting interests of a licensee or person in control of a licensee; [;] (ii) a
23 person presumed to exercise a controlling influence can rebut such
24 presumption if the person is a passive investor; [;] and (iii) to determine
25 the percentage of control, a person's interest shall be aggregated with
26 the interest of any other immediate family member, including the
27 person's spouse, parent, child, sibling, mother-in-law, father-in-law,
28 son-in-law, daughter-in-law, brother-in-law, sister-in-law and any other
29 person who shares the person's home.

30 (4) "Control person" means any individual in control of a licensee or
31 applicant, any individual who seeks to acquire control of a licensee or a
32 key individual.

33 (5) "Electronic payment instrument" means a card or other tangible
34 object for the transmission of money or monetary value or payment of
35 money which contains a microprocessor chip, magnetic stripe, or other
36 means for the storage of information, that is prefunded and for which
37 the value is decremented upon each use, but does not include a card or
38 other tangible object that is redeemable by the issuer in the issuer's
39 goods or services.

40 (6) "Holder" means a person, other than a purchaser, who is either in
41 possession of a payment instrument and is the named payee thereon or
42 in possession of a payment instrument issued or endorsed to such
43 person or bearer or in blank. "Holder" does not include any person who
44 is in possession of a lost, stolen or forged payment instrument.

45 (7) "Key individual" means any individual ultimately responsible for

46 establishing or directing policies and procedures of the licensee,
47 including, but not limited to, an executive officer, manager, director or
48 trustee.

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

51 (9) "Main office" has the same meaning as provided in section 36a-
52 485.

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

55 (11) "Money transmission" means engaging in the business of issuing
56 or selling payment instruments or stored value, receiving money or
57 monetary value for current or future transmission or the business of
58 transmitting money or monetary value within the United States or to
59 locations outside the United States by any and all means including, but
60 not limited to, payment instrument, wire, facsimile, electronic transfer
61 or virtual currency kiosk.

62 (12) "Outstanding" means (A) in the case of a payment instrument or
63 stored value, that: (i) [It] Such instrument or value is sold or issued in
64 the United States; (ii) a report of [it] such instrument or value has been
65 received by a licensee from its authorized delegates; and (iii) [it] such
66 instrument or value has not yet been paid by the issuer, and (B) for all
67 other money transmissions, the value reported to the licensee for which
68 the licensee or any authorized delegate has received money or its
69 equivalent value from the customer for transmission, but has not yet
70 completed the money transmission by delivering the money or
71 monetary value to the person designated by the customer.

72 (13) "Passive investor" means a person that: (A) Does not have the
73 power to elect a majority of key individuals or executive officers,
74 managers, directors, trustees or other persons exercising managerial
75 authority of a person in control of a licensee; (B) is not employed by and
76 does not have any managerial duties of the licensee or person in control

77 of a licensee; (C) does not have the power to exercise, directly or
78 indirectly, a controlling influence over the management or policies of a
79 licensee or person in control of a licensee; and (D) attests to
80 subparagraphs (A), (B) and (C) of this subdivision in the form and
81 manner prescribed by the commissioner.

82 (14) "Payment instrument" means a check, draft, money order,
83 travelers check or electronic payment instrument that evidences either
84 an obligation for the transmission of money or monetary value or
85 payment of money, or the purchase or the deposit of funds for the
86 purchase of such check, draft, money order, travelers check or electronic
87 payment instrument.

88 (15) "Permissible investment" means: (A) (i) Cash in United States
89 currency, including, but not limited to, demand deposits, savings
90 deposits and funds in demand deposit and savings deposit accounts
91 held for the benefit of a licensee's customers in an insured depository
92 institution, and (ii) cash equivalents, including, but not limited to, (I)
93 automated clearing house items in transit to a licensee or payee, (II)
94 international wires in transit to a payee, (III) cash in transit via armored
95 car, (IV) cash in smart safes, (V) cash in locations owned by licensees,
96 (VI) transmission receivables that are funded by debit cards or credit
97 cards and owed by any bank, and (VII) money market mutual funds
98 rated "AAA" or the equivalent by S & P Global, Incorporated, in the "S
99 & P Global Ratings" or by any other rating service recognized by the
100 commissioner; (B) time deposits, as defined in section 36a-2, or other
101 debt instruments of a bank; (C) bills of exchange or bankers acceptances
102 which are eligible for purchase by member banks of the Federal Reserve
103 System; (D) commercial paper of prime quality; (E) interest-bearing
104 bills, notes, bonds, debentures or other obligations issued or guaranteed
105 by [:] (i) [The] the United States or any of its agencies or
106 instrumentalities, or (ii) any state, or any agency, instrumentality,
107 political subdivision, school district or legally constituted authority of
108 any state if such investment is of prime quality; (F) interest-bearing bills
109 or notes, or bonds, debentures or preferred stocks, traded on any
110 national securities exchange or on a national over-the-counter market, if

111 such debt or equity investments are of prime quality; (G) receivables
112 due from authorized delegates consisting of the proceeds of the sale of
113 payment instruments which are not past due or doubtful of collection;
114 (H) gold; and (I) any other investments approved by the commissioner.
115 Notwithstanding the provisions of this subdivision, if the commissioner
116 at any time finds that an investment of a licensee is unsatisfactory for
117 investment purposes, the investment shall not qualify as a permissible
118 investment.

119 (16) "Prime quality" of an investment means that it is within the top
120 four rating categories in any rating service recognized by the
121 commissioner unless the commissioner determines for any licensee that
122 only those investments in the top three rating categories qualify as
123 prime quality.

124 (17) "Purchaser" means a person who buys or has bought a payment
125 instrument or who has given money or monetary value for current or
126 future transmission.

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

129 ~~[(18)]~~ (19) "Stored value" means monetary value that is evidenced by
130 an electronic record. For the purposes of this subdivision, "electronic
131 record" means information that is stored in an electronic medium and is
132 retrievable in perceivable form.

133 ~~[(19)]~~ (20) "Travelers check" means a payment instrument for the
134 payment of money that contains a provision for a specimen signature of
135 the purchaser to be completed at the time of a purchase of the
136 instrument and a provision for a countersignature of the purchaser to
137 be completed at the time of negotiation.

138 ~~[(20)]~~ (21) "Unique identifier" has the same meaning as provided in
139 section 36a-485.

140 ~~[(21)]~~ (22) "Virtual currency" means any type of digital unit that is

141 used as a medium of exchange or a form of digitally stored value or that
142 is incorporated into payment system technology. Virtual currency shall
143 be construed to include digital units of exchange that (A) have a
144 centralized repository or administrator, [;] (B) are decentralized and
145 have no centralized repository or administrator, [;] or (C) may be created
146 or obtained by computing or manufacturing effort. Virtual currency
147 shall not be construed to include digital units that are used (i) solely
148 within online gaming platforms with no market or application outside
149 such gaming platforms, or (ii) exclusively as part of a consumer affinity
150 or rewards program, and can be applied solely as payment for
151 purchases with the issuer or other designated merchants, but cannot be
152 converted into or redeemed for fiat currency.

153 [(22)] (23) "Virtual currency address" means an alphanumeric
154 identifier representing a destination for a virtual currency transfer that
155 is associated with a virtual currency wallet.

156 [(23)] (24) "Virtual currency kiosk" means an electronic terminal
157 acting as a mechanical agent of the owner or operator to enable the
158 owner or operator to facilitate the exchange of virtual currency for fiat
159 currency or other virtual currency, including, but not limited to, by (A)
160 connecting directly to a separate virtual currency exchanger that
161 performs the actual virtual currency transmission, or (B) drawing upon
162 the virtual currency in the possession of the owner or operator of the
163 electronic terminal.

164 [(24)] (25) "Virtual currency wallet" means a software application or
165 other mechanism providing a means for holding, storing and
166 transferring virtual currency.

167 Sec. 2. Subsection (a) of section 36a-597 of the general statutes is
168 repealed and the following is substituted in lieu thereof (*Effective October*
169 *1, 2024*):

170 (a) No person shall engage in the business of money transmission in
171 this state, or advertise or solicit such services, without a main office
172 license issued by the commissioner as provided in sections 36a-595 to

173 36a-612, inclusive, except as an authorized delegate of a person that has
174 been issued a license by the commissioner and in accordance with
175 section 36a-607. Any activity subject to licensure pursuant to sections
176 36a-595 to 36a-612, inclusive, shall be conducted from an office located
177 in a state, as defined in section 36a-2. On and after October 1, 2024, any
178 person who owns, operates, solicits, markets, advertises or facilitates
179 virtual currency kiosks in this state shall be deemed to be engaged in the
180 business of money transmission in this state and shall be subject to
181 licensure pursuant to sections 36a-595 to 36a-612, inclusive. A person
182 engaged in the business of money transmission is acting in this state
183 under this section if such person: (1) Has a place of business located in
184 this state, (2) receives money or monetary value in this state or from a
185 person located in this state, (3) transmits money or monetary value from
186 a location in this state or to a person located in this state, (4) issues stored
187 value or payment instruments that are sold in this state, [or] (5) sells
188 stored value or payment instruments in this state, or (6) owns, operates,
189 solicits, markets, advertises or facilitates virtual currency kiosks
190 physically located in this state.

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

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

205 (b) Not later than fifteen days after the date a licensee ceases to

206 engage in the business of money transmission in this state for any
207 reason, including a business decision to terminate operations in this
208 state, license revocation, bankruptcy or voluntary dissolution, such
209 licensee shall request surrender of the license in accordance with
210 subsection (c) of section 36a-51 for each location where such licensee has
211 ceased to engage in such business. The licensee shall also identify, in
212 writing, to the commissioner the location where the records of the
213 licensee will be stored and the name, address and telephone number of
214 an individual authorized to provide access to the records. The surrender
215 of a license does not reduce or eliminate the licensee's civil or criminal
216 liability arising from acts or omissions occurring prior to the surrender
217 of the license, including any administrative actions undertaken by the
218 commissioner to revoke or suspend a license, assess a civil penalty,
219 order restitution or exercise any other authority provided to the
220 commissioner.

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

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

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

236 (2) Procedures to ensure that no consumer or purchaser funds are
237 retained by the licensee after winding down operations and no other

238 client funds are retained in any form by the licensee;

239 (3) A plan illustrating consumer access to any consumer funds in the
240 custody of the licensee;

241 (4) A detailed instruction on withdrawal of consumer funds upon
242 request by consumers; and

243 (5) Any other records and information requested by the
244 commissioner regarding the winding down of operations.

245 (e) No licensee shall terminate its business unless the following
246 conditions are met:

247 (1) The commissioner has received written notice of the proposed
248 termination at least thirty days prior to the effective date of such
249 proposed termination;

250 (2) All consumers, purchasers and users of the licensee are notified,
251 in writing, of the proposed termination and the date of such proposed
252 termination at least thirty days prior to the date of such proposed
253 termination;

254 (3) All consumers, purchasers and users of the licensee are provided
255 with detailed final accountings of their accounts;

256 (4) All money held in the custody of the licensee on behalf of
257 consumers, purchasers and users is remitted to such consumers,
258 purchasers and users; and

259 (5) The licensee has filed a request to surrender its license and the
260 commissioner has accepted such request.

261 Sec. 4. Subsections (f) to (h), inclusive, of section 36a-613 of the 2024
262 supplement to the general statutes are repealed and the following is
263 substituted in lieu thereof (*Effective October 1, 2024*):

264 (f) The [Banking Commissioner may establish a schedule of]
265 maximum [fees] fee that an owner or operator of a virtual currency kiosk

266 may charge for a specific [services] service is ten per cent per
267 transaction.

268 (g) There is established a maximum daily transaction limit of two
269 thousand five hundred dollars for each customer of a virtual currency
270 kiosk.

271 (h) The owner or operator of a virtual currency kiosk shall, at such
272 owner's or operator's cost and within seventy-two hours after a virtual
273 currency transaction, allow the customer to cancel and receive a full
274 refund for the virtual currency transaction if such virtual currency
275 transaction [:(1) Is] is the customer's first virtual currency transaction
276 with such owner or operator, [; and (2) is to a virtual currency wallet or
277 exchange located outside of the United States.]

278 Sec. 5. (NEW) (*Effective October 1, 2024*) (a) A licensee, or the licensee's
279 authorized delegate, shall provide to a sender of money a receipt for any
280 monetary value received for transmission by such licensee or delegate.
281 For a transaction conducted in person, the receipt may be provided
282 electronically if the sender requests or agrees to receive an electronic
283 receipt. For a transaction conducted electronically or by phone, the
284 receipt may be provided electronically. All electronic receipts shall be
285 provided in a retainable form. The receipt shall be in the English
286 language and the language principally used by the licensee or
287 authorized delegate to advertise, solicit or negotiate, either orally or in
288 writing.

289 (b) (1) The receipt shall contain the following information, as
290 applicable:

291 (A) The name of the sender;

292 (B) The name of the designated recipient;

293 (C) The date of the transaction;

294 (D) The unique transaction or identification number;

- 295 (E) The name of the licensee;
- 296 (F) The unique identifier;
- 297 (G) The licensee's business address;
- 298 (H) The licensee's customer service telephone number;
- 299 (I) The amount of the transaction expressed in United States currency;
- 300 (J) Any fee charged by the licensee to the sender for the transaction;
- 301 (K) Any tax collected by the licensee from the sender for the
302 transaction; and
- 303 (L) Any other fees charged directly or indirectly by the licensee or a
304 third party involved in the transaction.

305 (2) The licensee, or the licensee's authorized delegate, shall include
306 on the receipt or disclose on the licensee's Internet web site or mobile
307 application the name and telephone number of the Department of
308 Banking and a statement disclosing that the licensee's customers may
309 contact the department with questions or complaints about the
310 licensee's money transmission services.

311 Sec. 6. Subsection (b) of section 36a-614 of the 2024 supplement to the
312 general statutes is repealed and the following is substituted in lieu
313 thereof (*Effective October 1, 2024*):

314 (b) The commissioner may, in accordance with the provisions of
315 chapter 54, adopt, amend and rescind regulations, forms and orders
316 governing the business use of digital assets, including, but not limited
317 to, virtual currencies, [and] stablecoins and nonfungible tokens, by
318 entities that, and individuals who, are subject to regulation by the
319 commissioner, which regulations, forms and orders shall ensure
320 consumer protection.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2024</i>	36a-596
Sec. 2	<i>October 1, 2024</i>	36a-597(a)
Sec. 3	<i>October 1, 2024</i>	36a-599
Sec. 4	<i>October 1, 2024</i>	36a-613(f) to (h)
Sec. 5	<i>October 1, 2024</i>	New section
Sec. 6	<i>October 1, 2024</i>	36a-614(b)

Statement of Purpose:

To: (1) Redefine "permissible investment" and define "receipt" in the money transmission statutes; (2) deem certain persons to be engaged in the business of money transmission and require such persons to be licensed; (3) require money transmission licensees to maintain a plan and accounting regarding winding down operations and to meet certain conditions in order to terminate such licensees' businesses; (4) establish a maximum fee that owners or operators of virtual currency kiosks may charge for a specific service and eliminate a certain requirement for customers to cancel and receive a refund for certain virtual currency transactions; (5) require money transmission licensees, or such licensees' authorized delegates, to provide receipts to senders; and (6) specify that the Banking Commissioner may adopt, amend and rescind regulations, forms and orders governing the business use of nonfungible tokens.

[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.]