



General Assembly

January Session, 2015

Raised Bill No. 6802

LCO No. 3843



Referred to Committee on BANKING

Introduced by:
(BA)

AN ACT CONCERNING VIRTUAL CURRENCIES.

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

1 Section 1. Section 36a-596 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2015*):

3 As used in sections 36a-595 to 36a-612, inclusive:

4 (1) "Authorized delegate" means a person designated by a person
5 licensed pursuant to sections 36a-595 to 36a-612, inclusive, to provide
6 money transmission services on behalf of such licensed person.

7 (2) "Electronic payment instrument" means a card or other tangible
8 object for the transmission of money or monetary value or payment of
9 money which contains a microprocessor chip, magnetic stripe, or other
10 means for the storage of information, that is prefunded and for which
11 the value is decremented upon each use, but does not include a card or
12 other tangible object that is redeemable by the issuer in the issuer's
13 goods or services.

14 (3) "Holder" means a person, other than a purchaser, who is either in

15 possession of a payment instrument and is the named payee thereon or
16 in possession of a payment instrument issued or endorsed to such
17 person or bearer or in blank. "Holder" does not include any person
18 who is in possession of a lost, stolen or forged payment instrument.

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

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

23 (6) "Money transmission" means engaging in the business of issuing
24 or selling payment instruments or stored value, receiving money or
25 monetary value for current or future transmission or the business of
26 transmitting money or monetary value within the United States or to
27 locations outside the United States by any and all means including, but
28 not limited to, payment instrument, wire, facsimile or electronic
29 transfer.

30 (7) "Outstanding" means (A) in the case of a payment instrument or
31 stored value, that: (i) It is sold or issued in the United States; (ii) a
32 report of it has been received by a licensee from its authorized
33 delegates; and (iii) it has not yet been paid by the issuer, and (B) for all
34 other money transmissions, the value reported to the licensee for
35 which the licensee or any authorized delegate has received money or
36 its equivalent value from the customer for transmission, but has not
37 yet completed the money transmission by delivering the money or
38 monetary value to the person designated by the customer.

39 (8) "Payment instrument" means a check, draft, money order,
40 travelers check or electronic payment instrument that evidences either
41 an obligation for the transmission of money or monetary value or
42 payment of money, or the purchase or the deposit of funds for the
43 purchase of such check, draft, money order, travelers check or
44 electronic payment instrument.

45 (9) "Permissible investment" means: (A) Cash in United States
46 currency; (B) time deposits, as defined in section 36a-2, or other debt
47 instruments of a bank; (C) bills of exchange or bankers acceptances
48 which are eligible for purchase by member banks of the Federal
49 Reserve System; (D) commercial paper of prime quality; (E) interest-
50 bearing bills, notes, bonds, debentures or other obligations issued or
51 guaranteed by: (i) The United States or any of its agencies or
52 instrumentalities, or (ii) any state, or any agency, instrumentality,
53 political subdivision, school district or legally constituted authority of
54 any state if such investment is of prime quality; (F) interest-bearing
55 bills or notes, or bonds, debentures or preferred stocks, traded on any
56 national securities exchange or on a national over-the-counter market,
57 if such debt or equity investments are of prime quality; (G) receivables
58 due from authorized delegates consisting of the proceeds of the sale of
59 payment instruments which are not past due or doubtful of collection;
60 (H) gold; and (I) any other investments approved by the
61 commissioner. Notwithstanding the provisions of this subdivision, if
62 the commissioner at any time finds that an investment of a licensee is
63 unsatisfactory for investment purposes, the investment shall not
64 qualify as a permissible investment.

65 (10) "Prime quality" of an investment means that it is within the top
66 four rating categories in any rating service recognized by the
67 commissioner unless the commissioner determines for any licensee
68 that only those investments in the top three rating categories qualify as
69 "prime quality".

70 (11) "Purchaser" means a person who buys or has bought a payment
71 instrument or who has given money or monetary value for current or
72 future transmission.

73 (12) "Stored value" means monetary value that is evidenced by an
74 electronic record. For the purposes of this subdivision, "electronic
75 record" means information that is stored in an electronic medium and
76 is retrievable in perceivable form.

77 (13) "Travelers check" means a payment instrument for the payment
78 of money that contains a provision for a specimen signature of the
79 purchaser to be completed at the time of a purchase of the instrument
80 and a provision for a countersignature of the purchaser to be
81 completed at the time of negotiation.

82 (14) "Virtual currency" means any type of digital unit that is used as
83 a medium of exchange or a form of digitally stored value that is
84 incorporated into payment system technology. Virtual currency shall
85 be construed to include digital units of exchange that (A) have a
86 centralized repository or administrator; (B) are decentralized and have
87 no centralized repository or administrator; or (C) may be created or
88 obtained by computing or manufacturing effort. Virtual currency shall
89 not be construed to include digital units that are used (i) solely within
90 online gaming platforms with no market or application outside such
91 gaming platforms, or (ii) exclusively as part of a consumer affinity or
92 rewards program, and can be applied solely as payment for purchases
93 with the issuer or other designated merchants, but cannot be converted
94 into or redeemed for fiat currency.

95 Sec. 2. Subsection (a) of section 36a-598 of the general statutes is
96 repealed and the following is substituted in lieu thereof (*Effective*
97 *October 1, 2015*):

98 (a) Each application for an initial or renewal license required under
99 sections 36a-595 to 36a-612, inclusive, shall be made in writing and
100 under oath to the commissioner in such form as the commissioner may
101 prescribe. The application shall include:

102 (1) The exact name of the applicant and, if incorporated, the date of
103 incorporation and the state where incorporated;

104 (2) The complete address of the principal office from which the
105 business is to be conducted and of the office where the books and
106 records of the applicant are to be maintained;

107 (3) The complete name and address of each of the applicant's
108 locations and authorized delegates, if any, through which the applicant
109 intends to engage in the business of money transmission in this state;

110 (4) The name, title, address and telephone number of the person to
111 whom notice of the commissioner's approval or disapproval of the
112 application shall be sent and to whom any inquiries by the
113 commissioner concerning the application shall be directed;

114 (5) The name and residence address of the individual, if the
115 applicant is an individual; the partners, if the applicant is a
116 partnership; the directors, trustees, principal officers, and any
117 shareholder owning ten per cent or more of each class of its securities,
118 if the applicant is a corporation or association; or the members, if the
119 applicant is a limited liability company;

120 (6) (A) A copy of the applicant's audited financial statements for the
121 most recent fiscal year, (B) if the applicant is a wholly-owned
122 subsidiary of another corporation, (i) the most recent audited
123 consolidated annual financial statements of the parent corporation or
124 the applicant's most recent audited consolidated annual financial
125 statement, and (ii) the most recent audited unconsolidated financial
126 statement of the applicant, including its balance sheet and receipts and
127 disbursements for the preceding year, (C) if the applicant is publicly
128 traded, a copy of the most recent 10-K report that such applicant filed
129 with the Securities Exchange Commission or, if the applicant is a
130 wholly-owned subsidiary of a publicly traded company, a copy of the
131 parent company's most recent 10-K report that was filed with the
132 Securities and Exchange Commission, and (D) if the applicant or
133 parent company of a wholly-owned subsidiary applicant is publicly
134 traded on a foreign exchange, a copy of documentation similar to the
135 report filed pursuant to subparagraph (C) of this subdivision that was
136 filed with the applicable securities regulator;

137 (7) A list of the applicant's permissible investments, the book and

138 market values of such investments, and the dollar amount of the
139 applicant's aggregate outstanding money transmissions (A) as of the
140 date of the financial statement filed in accordance with subdivision (6)
141 of this subsection; and (B) as of a date no earlier than thirty business
142 days prior to the filing of the application;

143 (8) The history of material litigation for the five-year period prior to
144 the date of the application of the individual, if the applicant is an
145 individual; the partners, if the applicant is a partnership; the directors,
146 trustees, principal officers and any shareholder owning ten per cent or
147 more of each class of its securities, if the applicant is a corporation or
148 association; or the members, if the applicant is a limited liability
149 company, and sufficient information pertaining to the history of
150 material litigation, in a form acceptable to the commissioner, on such
151 individual or the partners, directors, trustees, principal officers,
152 members and any shareholder owning ten per cent or more of each
153 class of the applicant's securities. For purposes of this section, "material
154 litigation" means any litigation that, according to generally accepted
155 accounting principles, is deemed significant to a person's financial
156 health and that such person is required to reference in an annual
157 audited financial statement, a report to shareholders or a similar
158 document;

159 (9) (A) The history of criminal convictions of the individual, if the
160 applicant is an individual; the partners, if the applicant is a
161 partnership; the directors, trustees, principal officers and any
162 shareholder owning ten per cent or more of each class of its securities
163 if the applicant is a corporation or association; or the members, if the
164 applicant is a limited liability company, and (B) sufficient information
165 pertaining to the history of criminal convictions, in a form acceptable
166 to the commissioner, on such individual or the partners, directors,
167 trustees, principal officers, members and any shareholder owning ten
168 per cent or more of each class of the applicant's securities;

169 (10) (A) The surety bond required by subsection (a) of section 36a-

170 602, as amended by this act, if applicable;

171 (B) A list of the investments maintained in accordance with
172 subsection (d) of section 36a-602, if applicable, and the book and
173 market values of any such investments (i) as of the date of the financial
174 statement filed in accordance with subdivision (6) of this subsection;
175 and (ii) as of a date no earlier than thirty business days prior to the
176 filing of the application;

177 (11) A statement describing the type of money transmission
178 business that will be conducted by the applicant in this state and
179 whether such money transmission will include the transmission of
180 monetary value in the form of virtual currency;

181 (12) The name and address of any financial institution used by the
182 applicant for its money transmission business in this state;

183 (13) For each authorized delegate, a sample of the contract
184 evidencing the proposed arrangement between the applicant and the
185 authorized delegate; and

186 (14) Any other information the commissioner may require.

187 Sec. 3. Section 36a-600 of the general statutes is repealed and the
188 following is substituted in lieu thereof (*Effective October 1, 2015*):

189 (a) Upon the filing of an application for an initial license, and the
190 payment of the fees for investigation and license, the commissioner
191 shall investigate the financial condition and responsibility, financial
192 and business experience, character and general fitness of the applicant.
193 The commissioner may issue a license if the commissioner finds that:

194 (1) The applicant's financial condition is sound;

195 (2) The applicant's business will be conducted honestly, fairly,
196 equitably, carefully and efficiently within the purposes and intent of
197 sections 36a-595 to 36a-612, inclusive, and in a manner commanding

198 the confidence and trust of the community;

199 (3) (A) If the applicant is an individual, such individual is in all
200 respects properly qualified and of good character, (B) if the applicant is
201 a partnership, each partner is in all respects properly qualified and of
202 good character, (C) if the applicant is a corporation or association, each
203 president, chairperson of the executive committee, senior officer
204 responsible for the corporation's business, chief financial officer or any
205 other person who performs similar functions as determined by the
206 commissioner, director, trustee and each shareholder owning ten per
207 cent or more of each class of the securities of such corporation is in all
208 respects properly qualified and of good character, or (D) if the
209 applicant is a limited liability company, each member is in all respects
210 properly qualified and of good character;

211 (4) The applicant is in compliance with the provisions of sections
212 36a-602 to 36a-604, inclusive, as amended by this act;

213 (5) No person on behalf of the applicant knowingly has made any
214 incorrect statement of a material fact in the application, or in any
215 report or statement made pursuant to sections 36a-595 to 36a-612,
216 inclusive;

217 (6) No person on behalf of the applicant knowingly has omitted to
218 state any material fact necessary to give the commissioner any
219 information lawfully required by the commissioner; and

220 (7) The applicant has paid the investigation fee and license fee
221 required under section 36a-599.

222 (b) The commissioner may deny an application if the commissioner
223 finds that the applicant or any of its partners, directors, trustees,
224 principal officers or shareholders owning ten per cent or more of the
225 shares of the applicant or members (1) are listed on the specially
226 designated nationals and blocked persons list prepared by the United
227 States Department of the Treasury, or (2) have been convicted of any

228 misdemeanor involving any aspect of the money transmission
229 business or any felony. Any denial of an application by the
230 commissioner shall, when applicable, be subject to the provisions of
231 section 46a-80.

232 (c) Notwithstanding the provisions of this section, the commissioner
233 may deny any application of a person who will or may engage in the
234 business of transmitting monetary value in the form of virtual
235 currency if, in the commissioner's discretion, the issuance of such a
236 license would represent undue risk of financial loss to consumers,
237 considering the applicant's proposed business model.

238 (d) The commissioner may, in the commissioner's discretion, place
239 additional requirements, restrictions or conditions upon the license of
240 any applicant who will or may engage in the business of transmitting
241 monetary value in the form of virtual currency, including the amount
242 of surety bond required by section 36a-602, as amended by this act.

243 Sec. 4. Subsection (a) of section 36a-602 of the general statutes is
244 repealed and the following is substituted in lieu thereof (*Effective*
245 *October 1, 2015*):

246 (a) As a condition for the issuance and retention of the license,
247 applicants for a license and licensees shall file with the commissioner a
248 surety bond, the form of which shall be approved by the Attorney
249 General, issued by a bonding company or insurance company
250 authorized to do business in this state. The bond shall be conditioned
251 upon the licensee and the licensee's authorized delegates faithfully
252 performing all obligations with respect to the licensee's money
253 transmission business in this state and conducting such business in
254 this state consistent with the provisions of sections 36a-595 to 36a-612,
255 inclusive. The bond shall be in favor of the commissioner [.] and run
256 concurrently with the period of the license. [and] For applicants and
257 licensees who will not be engaged in the business of transmitting
258 monetary value in the form of virtual currency, such bond shall be in

259 the principal sum of not less than: (1) Three hundred thousand dollars
 260 for any applicant and any licensee with an average weekly amount of
 261 money transmissions in this state of less than three hundred thousand
 262 dollars for the most recent twelve-month period ending June thirtieth,
 263 (2) five hundred thousand dollars for any licensee with an average
 264 weekly amount of money transmissions in this state equal to or greater
 265 than three hundred thousand dollars but less than or equal to five
 266 hundred thousand dollars for the most recent twelve-month period
 267 ending June thirtieth, or (3) one million dollars for any licensee with an
 268 average weekly amount of money transmissions in this state exceeding
 269 five hundred thousand dollars for the most recent twelve-month
 270 period ending June thirtieth. For purposes of this section, "money
 271 transmissions" includes (A) money or monetary value received or
 272 transmitted in this state, and (B) stored value and payment
 273 instruments issued or sold in this state. For applicants and licensees
 274 who will or may engage in the business of transmitting monetary
 275 value in the form of virtual currency, such bond shall be in a principal
 276 sum as determined by the commissioner and shall be calculated
 277 reasonably to address the current and prospective volatility of the
 278 market in such currency or currencies.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2015</i>	36a-596
Sec. 2	<i>October 1, 2015</i>	36a-598(a)
Sec. 3	<i>October 1, 2015</i>	36a-600
Sec. 4	<i>October 1, 2015</i>	36a-602(a)

Statement of Purpose:

To expand the Money Transmission Act to include virtual currencies.

[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.]