AN ACT CONCERNING VIRTUAL CURRENCY.

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

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

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

(2) "Virtual currency business activity" means any one of the following activities: (A) Receiving virtual currency for transmission or transmitting virtual currency, except where the transaction is undertaken for nonfinancial purposes and does not involve the transfer of more than a nominal amount of virtual currency; (B) storing, holding or maintaining custody or control of virtual currency on behalf of others; (C) buying or selling virtual currency as a customer business; (D) performing exchange services as a customer business; and (E) controlling or issuing virtual currency;
(3) "Exchange service" means: (A) The conversion or exchange of government currency or other value into virtual currency; (B) the conversion or exchange of virtual currency into government currency or other value; or (C) the conversion or exchange of one form of virtual currency into another form of virtual currency;

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

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

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

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

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

Sec. 2. (NEW) (Effective October 1, 2022) (a) A person, except a
qualified trust company, engaging in virtual currency business activity shall register under sections 1 to 9, inclusive, of this act.

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

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

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

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

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

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

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

Sec. 4. (NEW) (Effective October 1, 2022) Each registrant shall maintain and enforce confidential, written compliance policies, including policies
with respect to anti-fraud, anti-money laundering, cyber security, privacy and information security, that shall be reviewed and approved by the registrant's board of directors or an equivalent governing body.

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

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

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

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

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

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

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

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

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

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

(b) Each registrant shall, prior to engaging in virtual currency
business activity with any person, disclose in clear, conspicuous writing
all relevant terms and conditions associated with the registrant's virtual
currency business activity. Such disclosures may include, but shall not
be limited to: (1) The person's liability for unauthorized transactions; (2)
the person's right to interrupt or prevent any transaction and the
procedure to initiate an interruption or prevention; (3) the
circumstances under which the registrant will, absent a court or
government order, disclose information concerning the person's
account to third parties; (4) the person's right to receive periodic account
statements and valuations from the registrant; (5) the person's right to
receive a receipt, trade ticket or other evidence of a transaction; and (6) the person's right to prior notice of a change in the registrant's rules or policies.

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

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

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

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

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

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

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

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

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

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**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.]