AN ACT CONCERNING THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT'S RECOMMENDATIONS REGARDING DIGITAL ASSETS.

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

Section 1. (NEW) (Effective July 1, 2022) As used in this section and sections 2 to 4, inclusive, of this act:

1. "Digital asset" means a representation of economic, proprietary or access rights that is stored in a computer readable format, including, but not limited to, digital consumer assets, digital securities and virtual currencies;

2. "Digital consumer asset" means a digital asset that is used or bought primarily for consumptive, personal or household purposes, including, but not limited to, (A) an open blockchain token constituting intangible property as otherwise provided by law, and (B) any other digital asset that is not a digital security or virtual currency. "Digital consumer asset" shall not be construed to include digital securities or virtual currencies;
(3) "Digital security" means a digital asset that is a security, as defined in subsection (a) of section 42a-8-102 of the general statutes. "Digital security" shall not be construed to include digital consumer assets or virtual currencies; and

(4) "Virtual currency" has the same meaning as provided in section 36a-596 of the general statutes. "Virtual currency" shall not be construed to include digital consumer assets or digital securities.

Sec. 2. (NEW) (Effective July 1, 2022) (a) Digital assets shall be classified in the following manner:

(1) A digital consumer asset is intangible personal property and shall be considered a general intangible, as defined in section 42a-9-102 of the general statutes only for the purposes of article 9 of title 42a of the general statutes;

(2) A digital security is intangible personal property and shall be considered a security, as defined in subsection (a) of section 42a-8-102 of the general statutes, and investment property, as defined in subsection (a) of section 42a-9-102 of the general statutes, only for the purposes of articles 8 and 9 of title 42a of the general statutes; and

(3) Notwithstanding the definition of money contained in subsection (b) of section 42a-1-201 of the general statutes, virtual currency is intangible personal property and shall be considered money only for the purposes of article 9 of title 42a of the general statutes.

(b) A digital asset may be treated as a financial asset, as defined in subsection (a) of section 42a-8-102 of the general statutes, pursuant to a written agreement with the owner of the digital asset. If treated as a financial asset pursuant to a written agreement with the owner of the digital asset, the digital asset shall remain intangible personal property.

(c) Classification of digital assets under this section shall be construed in a manner to give the greatest effect to section 1 of this act, this section, and section 3 of this act, but shall not be construed to apply to any asset
other than a digital asset.

Sec. 3. (NEW) (Effective July 1, 2022) (a) As used in this section:

(1) "Control" means that a secured party or an agent, fiduciary or trustee of such party has the exclusive legal authority to conduct a transaction relating to a digital asset, including by means of a private key or the use of a multi-signature arrangement authorized by the secured party. "Control" shall be construed as equivalent to "possession" when possession is used in article 9 of title 42a of the general statutes. "Control" shall not be construed to require physical possession;

(2) "Multi-signature arrangement" means a system of access control relating to a digital asset for the purposes of preventing unauthorized transactions relating to such asset in which two or more private keys are required to conduct a transaction, or any substantially similar analogue;

and

(3) "Private key" means a unique element of cryptographic data, or any substantially similar analogue, that is (A) held by a person, (B) paired with a unique, publicly available element of cryptographic data, and (C) associated with an algorithm that is necessary to carry out an encryption or decryption required to execute a transaction.

(b) Notwithstanding the provisions of subsection (a) of section 42a-9-310 of the general statutes, as amended by this act, perfection of a security interest in a digital asset may be achieved through control. A security interest held by a secured party having control of a digital asset shall have priority over a security interest held by a secured party that does not have control of such asset.

(c) Before a secured party may take control of a digital asset pursuant to this section, such party shall enter into a control agreement with the debtor. Such control agreement may set forth the terms under which a secured party may pledge its security interest in the digital asset as collateral for another transaction.
(d) A secured party may file a financing statement with the Secretary of the State to perfect a security interest in proceeds from a digital asset pursuant to subsection (d) of section 42a-9-315 of the general statutes.

(e) Notwithstanding the provisions of article 9 of title 42a of the general statutes, a transferee shall take a digital asset free of any security interest not earlier than two years after such transferee takes such asset for value and does not have actual notice of an adverse claim to such asset. This subsection shall only apply to a security interest perfected by a method other than control.

(f) Perfection of a digital asset by control shall create a possessory security interest in the digital asset and shall not require physical possession of the digital asset. For the purposes of article 9 of title 42a of the general statutes, a digital asset is located in the state if the debtor or secured party is (1) physically located in the state, or (2) incorporated or organized in the state.

Sec. 4. (NEW) (Effective July 1, 2022) The Superior Court shall have jurisdiction of any suit, action or proceeding relating to digital assets, including any such suit, action or proceeding arising from sections 2 and 3 of this act or title 42a of the general statutes.

Sec. 5. Subsections (a) and (b) of section 42a-9-310 of the general statutes are repealed and the following is substituted in lieu thereof (Effective July 1, 2022):

(a) Except as otherwise provided in subsection (b) of this section and subsection (b) of section 42a-9-312, a financing statement must be filed to perfect all security interests and agricultural liens.

(b) The filing of a financing statement is not necessary to perfect a security interest:

(1) That is perfected under subsection (d), (e), (f) or (g) of section 42a-9-308;

(2) That is perfected under section 42a-9-309 when it attaches;
(3) In property subject to a statute, regulation or treaty described in subsection (a) of section 42a-9-311;

(4) In goods in possession of a bailee which is perfected under subdivision (1) or (2) of subsection (d) of section 42a-9-312;

(5) In certificated securities, documents, goods or instruments which is perfected without filing, control or possession under subsection (e), (f) or (g) of section 42a-9-312;

(6) In collateral in the secured party’s possession under section 42a-9-313;

(7) In a certificated security which is perfected by delivery of the security certificate to the secured party under section 42a-9-313;

(8) In deposit accounts, electronic chattel paper, electronic documents, investment property or letter-of-credit rights which is perfected by control under section 42a-9-314;

(9) In proceeds which is perfected under section 42a-9-315; [or]

(10) That is perfected under section 42a-9-316; or

(11) That is perfected under section 3 of this act.

This act shall take effect as follows and shall amend the following sections:

| Section 1 | July 1, 2022 | New section |
| Sec. 2    | July 1, 2022 | New section |
| Sec. 3    | July 1, 2022 | New section |
| Sec. 4    | July 1, 2022 | New section |
| Sec. 5    | July 1, 2022 | 42a-9-310(a) and (b) |

**Statement of Purpose:**
To establish the legal nature of digital assets by dividing such assets into three categories of intangible personal property and classifying such assets within the Uniform Commercial Code.
[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.]