

Banking Committee JOINT FAVORABLE REPORT

Bill No.: HB-5211

Title: AN ACT CONCERNING VIRTUAL CURRENCY AND MONEY TRANSMISSION.

Vote Date: 3/12/2024

Vote Action: Joint Favorable

PH Date: 3/5/2024

File No.:

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SPONSORS OF BILL:

Banking Committee

CO-SPONSORS OF BILL:

Rep. Travis Simms, 140th Dist.

Rep. Jaime S. Foster, 57th Dist.

REASONS FOR BILL:

This bill looks to put further regulations on the cryptocurrency kiosk industry by putting fee caps and requiring licenses- among other regulations. There is a growing concern about the regulation over virtual currencies and the kiosks that dispense them. Scammers have turned to using cryptocurrencies due to regulations lacking, and kiosks make these scams easier to facilitate. This bill hopes to increase regulations to further protect consumers in the crypto kiosk sphere.

RESPONSE FROM ADMINISTRATION/AGENCY:

Cryptocurrency Working Group and the **Connecticut State Police**, testifies in support of HB-5211 on the grounds that it will help increase transparency behind cryptocurrency kiosk transactions. This will allow law enforcement to better "detect, investigate, prosecute, and impose judgments".

Department of Banking testifies in support of HB-5211 on the grounds that it would expand consumer protections surrounding virtual currency kiosks. The Department clarifies the language and explains some of the concepts of the various sections.

NATURE AND SOURCES OF SUPPORT:

None Expressed

NATURE AND SOURCES OF OPPOSITION:

John Carroll, Chief Compliance Officer RockItCoin, testified in opposition to HB-5211 on the grounds that they believe the current regulations do not strengthen consumer safety and knowledge within the crypto space and current law "demonstrates a possible lack of understanding of the cryptocurrency kiosk space." RockItCoin states the shortcomings should be amended into bill HB-5211. RockItCoin provides what the proposed amendments to the legislation would look like.

Kevin Lolli, Assistant General Counsel, CoinFlip, testifies in opposition to HB-5211 as it is written but suggests that they would be happy to work on improving the bill. CoinFlip believe that HB-5211 and 2023's HB-6752 are reliant on "faulty polices... that create a false sense of consumer safety while not addressing the root cause of scams and fraud". CoinFlip gives their proposals of how the bill should be amended.

Mark Smally, Chief Compliance Officer, Bitcoin Depot, testifies in opposition to HB-5211 on the grounds that they have concerns with portions of the bill surrounding daily limits, fee caps, unbanked/underbanked accessibility, among others. Bitcoin Depot wants Connecticut to regulate this space to keep out bad actors and encourage good actors but wants to have more conversations with the legislature to allow for a better understanding of the issues. They provided examples of their current protection systems against scams.

GENERAL COMMENTS:

Jon Potter, Dapper Labs and Sorare, testified for clarification on HB-5211's language surrounding NFTs. The testimony goes on to explain the general function and basics of NFTs. Dapper Labs and Sorare go on to state that NFTs should be regulated on specific use on not bundled as a group. He states that if the NFT is used to produce or distribute financial services than they should be regulated by the Banking Department, but collectibles should not be under the Banking Department jurisdiction. Dapper Labs and Sorare request that the bill amend or remove the specific provision in Section 6 that authorizes the Banking Department to regulate NFTs.

Reported by: Murray Cento

Date: 3/14/2024