PA 25-66—sHB 7082
Banking Committee

AN ACT CONCERNING VARIOUS REVISIONS TO THE MONEY TRANSMISSION STATUTES, STATE PAYMENTS AND INVESTMENTS IN VIRTUAL CURRENCY AND MINORS' MONEY SHARING APPLICATION ACCOUNTS

SUMMARY: This act regulates virtual currency in various ways, including prohibiting Connecticut and its political subdivisions from accepting or requiring payment in the form of virtual currency, or purchasing, holding, investing in, or establishing a virtual currency reserve (§ 5).

The act also makes several virtual currency-related and other changes to the state's Money Transmission Act, which regulates businesses, other than banks or credit unions, that receive and transmit money. Many of these changes affect (1) people who are or must be licensed as money transmitters under that Act ("licensees") and (2) licensees that engage in the business of money transmission in Connecticut by receiving, transmitting, storing, or maintaining custody or control of virtual currency (collectively referred to as "virtual currency transmitters" below for the purposes of this public act summary).

Generally, the act:

1. extends to virtual currency transmitters several existing disclosure and receipt requirements that apply to virtual currency kiosk owners and operators (§§ 1 & 4);
2. regulates minors' access to certain money sharing applications by imposing restrictions and duties on licensees around opening and closing minors' accounts in ways that involve parents and legal guardians (§ 7);
3. prohibits licensees who control other people's virtual currency from, generally, selling or transferring it without the person's authorization, or using others to store or hold custody of it unless they are qualified to do so (§§ 1, 3 & 4);
4. specifies that virtual currency held by a licensee is a property interest of any claimants against it on a proportional basis (§ 2); and
5. makes minor changes to the definitions and advertising restrictions in the Money Transmission Act (§§ 1 & 6).

Lastly, the act makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2025

§ 1 — MONEY TRANSMISSION ACT SCOPE

Under existing law, "money transmission" includes, among other things, engaging in the business of issuing or selling payment instruments or stored value. The act specifies that this includes direct engagement or engagement through an

"authorized delegate" (i.e. someone a licensee designates to provide money transmission services on the licensee's behalf). It also relatedly changes the "stored value" definition, which was monetary value evidenced by an "electronic record" (i.e. information stored in an electronic medium and retrievable in perceivable form). The act renames the record as "electronic or digital record" and specifies that "stored value" is monetary value that represents a claim against the issuer of the monetary value.

Additionally, the act specifies that the methods of "money transmission" include using a digital wallet, such as in connection with a consumer payment mobile application. Under the act, a "digital wallet" is any electronic or digital functionality that (1) stores stored value or virtual currency for a consumer, including in encrypted or tokenized form, and (2) transmits, routes, or otherwise processes the stored value or virtual currency to facilitate a consumer payment transaction.

§§ 1-5 — VIRTUAL CURRENCY DEFINITION

By law and under the act, "virtual currency" is a digital unit (1) used as a medium of exchange or form of digitally stored value or (2) incorporated into payment system technology. It includes digital units of exchange that have a centralized repository or administrator, are decentralized without a centralized repository or administrator, or may be created or obtained by computing or manufacturing effort. Virtual currency does not include digital units used:

1. solely in online gaming platforms with no other market or application or
2. exclusively in a consumer affinity or rewards program that (a) can be used only as payment for purchases with the issuer or another designated merchant and (b) cannot be converted into, or redeemed for, fiat currency.

§§ 1, 3 & 4 — VIRTUAL CURRENCY CUSTODY AND CONTROL RESTRICTIONS

The act imposes two restrictions on virtual currency transmitters handling virtual currency. First, it prohibits them from selling, transferring, assigning, lending, hypothecating, pledging, or otherwise using or encumbering virtual currency stored, held, controlled, maintained by, or under the custody or control of the licensee on a person's behalf, except for the sale, transfer of ownership, or assignment at the person's direction.

Second, it limits existing law's provisions allowing virtual currency transmitters to use authorized delegates to provide money transmission services on their behalf. Regardless of those authorizations, the act prohibits these transmitters from directly or indirectly using or engaging any other person, including a virtual currency control services vendor, to store or hold virtual currency for or on behalf of a customer, unless the other person is a licensed money transmitter, a qualified bank or credit union, or approved by the banking commissioner to do so.

Under the act, a "virtual currency control services vendor" is a person who controls virtual currency under an agreement with another person who assumes

control of this currency on a third person's behalf.

§§ 1 & 4 — VIRTUAL CURRENCY TRANSACTION DISCLOSURES AND RECEIPTS

The act extends many existing disclosure requirements to cover virtual currency transmitters. Specifically, it extends those that had only applied to virtual currency kiosk owners and operators when establishing a relationship with a customer before entering into an initial virtual currency transaction.

The act also extends to virtual currency transmitters most of the existing disclosure requirements (1) when opening an account for a new customer before entering into an initial virtual currency transaction (e.g., on customer's liability for unauthorized transactions, customer's right to stop payment, and information disclosed to third parties) and (2) before each virtual currency transaction (e.g., transaction amount, fees and charges, and warning that the transaction may not be undone).

As under existing law for virtual currency kiosk owners and operators, the act requires virtual currency transmitters to ensure that each customer acknowledges receipt of all applicable disclosures. The act also extends to virtual currency transmitters the existing receipt requirements that apply once a virtual currency transaction is completed.

§ 2 — PROPERTY INTERESTS OF CLAIMANTS AGAINST LICENSEES

Under existing law, licensees that engage in the business of money transmission in Connecticut by receiving, transmitting, storing, or maintaining custody or control of virtual currency on behalf of another person must at all times hold virtual currency of the same type and amount owed or obligated to the other person. The act specifies that this virtual currency is a property interest of any claimants against the licensee on a proportional basis and in the type and amount to which the claimants are entitled, without regard to when the claimants became entitled or the licensee obtained control.

§ 6 — MONEY TRANSMISSION ACT ADVERTISING RESTRICTIONS

The act adds a restriction on advertising by money transmission licensees. It specifically prohibits them from including any statement or claim in their solicitations or advertisements that funds deposited with them are eligible for Federal Deposit Insurance Corporation (FDIC) protections. Existing law already prohibits licensees from including any statement or claim that is deceptive, false, or misleading. (The FDIC generally only supervises and insures certain banks and savings associations, which are exempt from the Money Transmission Act.)

However, the act allows solicitations and advertisements by licensed money transmitters to include a statement or claim that funds deposited with them are eligible for FDIC protections if the (1) funds are placed in a deposit account at an FDIC-insured depository institution in a way that qualifies the fund for deposit

insurance coverage under applicable federal law and (2) statement or claim clearly identifies the institution, accurately describes the extent and conditions of the coverage, and does not suggest or imply that the transmitter or any nondeposit product, virtual currency, or digital asset is FDIC-insured.

§ 7 — MINORS' ACCESS TO MONEY SHARING APPLICATIONS

Generally, the act prohibits any licensee, beginning on October 1, 2025, from allowing anyone to sponsor, open, or establish a money sharing application account for a minor unless the licensee (1) receives an attestation from the person stating that he or she is the minor's parent or legal guardian and (2) either receives a copy of the person's driver's license or other valid government-issued identification or verifies the person's identity according to the federal Bank Secrecy Act and its regulations. The act also requires, with exceptions, licensees to delete a minor's money sharing application account within 30 business days after receiving a request to do so from the minor or the minor's parent or legal guardian.

Under the act, a "money sharing application" is an Internet-based service or application that is (1) owned or operated by a licensee, (2) used by a consumer in Connecticut, and (3) primarily intended to allow users to send and receive money. Under the act, a "minor" is a consumer younger than age 18, and a "consumer" is a state resident and generally excludes anyone acting in a commercial or employment context.

General Procedures and Exceptions

When responding to requests to delete a minor's account, the act generally requires licensees to stop processing the minor's personal data within the 30-business-day response period after receiving the request.

By law and under the act, "personal data" is any information that is linked, or reasonably linkable, to an identified or identifiable individual, excluding de-identified data or publicly available information. "De-identified data" is generally data that cannot reasonably be used to infer information about, or otherwise be linked to, a specific individual or his or her device, and "publicly available information" is generally information that is lawfully available through federal, state, or municipal government records, or widely distributed media (CGS § 42-515). (PA 25-113, § 5, specifies that "publicly available information" does not include certain biometric data.)

Under the act, licensees do not have to follow these account deletion and personal data processing requirements if other applicable law, such as Connecticut's laws on consumer data privacy and online monitoring, allow or require them to preserve a minor's account or personal data.

Additionally, the act allows licensees to extend the time to delete an account and stop processing personal data by an additional 30 business days if (1) it is reasonably necessary to do so based on the complexity and number of, presumably, additional requests from the requestor, and (2) the licensee informs the requestor about the extension and reason for it within the initial 30-business-day response

period.

As part of deletion requests, the act allows requestors to also ask licensees for all data associated with the minor's account. Under the act, this must at least include an itemization of each account transaction and the identity of who opened the account. Licensees must provide the data within the deletion timeframe above.

Relatedly, the act requires licensees to (1) establish one or more secure and reliable ways for minors and their parents and legal guardians to submit requests to delete minors' accounts and (2) describe them in a notice given to consumers who have a money sharing application account with the licensee. Licensees that provide a mechanism to initiate a process to delete an account are deemed to be in compliance with this provision.

Inability to Authenticate Requests

In addition to the exceptions above, the act allows licensees to ignore requests they cannot authenticate if they notify the requestor that they cannot authenticate the request and will not be able to do so until the requestor provides additional reasonably necessary information. Under the act, to "authenticate" is to use reasonable means and make a commercially reasonable effort to determine if the requestor is the minor for the account or the minor's parent or legal guardian.