



1 the business of banking other than accepting deposits. "Bank"  
2 does not include:

3 (1) A financial services loan company, state-chartered  
4 trust company, or a limited purpose trust company  
5 unless the division has authorized the company to  
6 engage in virtual-currency business activity; or

7 (2) A trust company or limited purpose trust company  
8 chartered by a state with which this State does not  
9 have a reciprocity agreement governing trust company  
10 activities.

11 "Control" means:

12 (1) When used in reference to a transaction or  
13 relationship involving virtual currency, power to  
14 execute unilaterally or prevent indefinitely a  
15 virtual-currency transaction; and

16 (2) When used in reference to a person, the direct or  
17 indirect power to direct the management, operations,  
18 or policies of the person through legal or beneficial  
19 ownership of voting power in the person or under a  
20 contract, arrangement, or understanding.



1 "Division" means the division of financial institutions of  
2 the department of commerce and consumer affairs.

3 "Exchange", used as a verb, means to assume control of  
4 virtual currency from or on behalf of a resident, at least  
5 momentarily, to sell, trade, or convert:

- 6 (1) Virtual currency for legal tender, bank credit, or one  
7 or more forms of virtual currency; or  
8 (2) Legal tender or bank credit for one or more forms of  
9 virtual currency.

10 "Executive officer" means an individual who is a director,  
11 officer, manager, managing member, partner, or trustee of a  
12 person that is not an individual.

13 "Insolvent" means:

- 14 (1) Having generally ceased to pay debts in the ordinary  
15 course of business other than as a result of a bona  
16 fide dispute;  
17 (2) Being unable to pay debts as they become due; or  
18 (3) Being insolvent within the meaning of federal  
19 bankruptcy law.



1 "Legal tender" means a medium of exchange or unit of value,  
2 including the coin or paper money of the United States, issued  
3 by the United States or by another government.

4 "Licensee" means a person licensed under this part.

5 "Person" means an individual, partnership, estate, business  
6 or nonprofit entity, or other legal entity. "Person" does not  
7 include a public corporation, government, or governmental  
8 subdivision, agency, or instrumentality.

9 "Reciprocity agreement" means an arrangement between the  
10 division and the appropriate licensing agency of another state  
11 that permits a licensee operating under a license granted by the  
12 other state to engage in virtual-currency business activity with  
13 or on behalf of a resident.

14 "Record" means information that is inscribed on a tangible  
15 medium or stored in an electronic or other medium, and is  
16 retrievable in perceivable form.

17 "Registrant" means a person that has registered with this  
18 State in accordance with section -27 to conduct  
19 virtual-currency business activity.

20 "Registration" means the ability, pursuant to  
21 section -27, to conduct virtual-currency business activity.



1 "Registry" means the Nationwide Multistate Licensing System  
2 and Registry.

3 "Resident":

4 (1) Means a person that:

5 (A) Is domiciled in this State;

6 (B) Is physically located in this State for more than  
7 one hundred eighty-three days of the previous  
8 three hundred sixty-five days; or

9 (C) Has a place of business in this State; and

10 (2) Includes a legal representative of a person that  
11 satisfies paragraph (1).

12 "Responsible individual" means an individual who has  
13 managerial authority with respect to a licensee's or  
14 registrant's virtual currency business activity with, or on  
15 behalf of, a resident.

16 "Sign" means, with present intent to authenticate or adopt  
17 a record, to:

18 (1) Execute or adopt a tangible symbol; or

19 (2) Attach to, or logically associate with, the record an  
20 electronic symbol, sound, or process.



1 "State" means a state of the United States, the District of  
2 Columbia, Puerto Rico, the United States Virgin Islands, or any  
3 territory or insular possession subject to the jurisdiction of  
4 the United States.

5 "Store", "storage", or "storing", except in the phrase  
6 "store of value", means to maintain control of virtual currency  
7 on behalf of a resident by a person other than the resident.

8 "Transfer" means to assume control of virtual currency  
9 from, or on behalf of, a resident and to:

- 10 (1) Credit the virtual currency to the account of another  
11 person;
- 12 (2) Move the virtual currency from one account of a  
13 resident to another account of the same resident; or
- 14 (3) Relinquish control of virtual currency to another  
15 person.

16 "United States dollar equivalent of virtual currency" means  
17 the equivalent value of a particular virtual currency in United  
18 States dollars shown on a virtual-currency exchange based in the  
19 United States for a particular date or period specified in this  
20 chapter.



1 "Virtual currency" means a digital representation of value  
2 that is used as a medium of exchange, unit of account, or store  
3 of value, and is not legal tender, regardless of whether  
4 denominated in legal tender. "Virtual currency" does not  
5 include:

- 6 (1) A transaction in which a merchant grants, as part of  
7 an affinity or rewards program, value that cannot be  
8 taken from, or exchanged with, the merchant for legal  
9 tender, bank credit, or virtual currency; or
- 10 (2) A digital representation of value issued by, or on  
11 behalf of, a publisher and used solely within an  
12 online game, game platform, or family of games sold by  
13 the same publisher or offered on the same game  
14 platform.

15 "Virtual-currency administration" means issuing virtual  
16 currency with the authority to redeem the currency for legal  
17 tender, bank credit, or other virtual currency.

18 "Virtual-currency business activity" means:

- 19 (1) Exchanging, transferring, or storing virtual currency,  
20 or engaging in virtual-currency administration,



1           whether directly or through an agreement with a  
2           virtual-currency control services vendor;

3           (2) Holding electronic precious metals or electronic  
4           certificates representing interests in precious metals  
5           on behalf of another person or issuing shares or  
6           electronic certificates representing interests in  
7           precious metals; or

8           (3) Exchanging one or more digital representations of  
9           value used within one or more online games, game  
10          platforms, or family of games for:

11          (A) Virtual currency offered by, or on behalf of, the  
12          same publisher from which the original digital  
13          representation of value was received; or

14          (B) Legal tender or bank credit outside the online  
15          game, game platform, or family of games offered  
16          by, or on behalf of, the same publisher from  
17          which the original digital representation of  
18          value was received.

19          "Virtual-currency control services vendor" means a person  
20          that has control of virtual currency solely under an agreement





1 with a person that, on behalf of another person, assumes control  
2 of virtual currency.

3       **§ -3 Scope.** (a) Except as otherwise provided in  
4 subsection (b) or (c), this part governs the virtual-currency  
5 business activity of a person, wherever located, that engages  
6 in, or holds itself out as, engaging in the activity with, or on  
7 behalf of, a resident.

8       (b) This part shall not apply to the exchange, transfer,  
9 or storage of virtual currency or to virtual-currency  
10 administration to the extent that the Electronic Fund Transfer  
11 Act of 1978 (15 United States Code sections 1693 through 1693r),  
12 as amended; the Securities Exchange Act of 1934 (15 United  
13 States Code sections 78a through 78qq), as amended; the  
14 Commodity Exchange Act of 1936 (7 United States Code sections 1  
15 through 27f), as amended; or chapters 467B, 482E, and 485A  
16 govern the activity. This part shall not apply to activity by:

17       (1) The United States, a state, political subdivision of a  
18 state, agency or instrumentality of federal, state, or  
19 local government, or a foreign government or a  
20 subdivision, department, agency, or instrumentality of  
21 a foreign government;



- 1           (2) A bank;
- 2           (3) A person engaged in money transmission who:
  - 3               (A) Holds a license under chapter 489D;
  - 4               (B) Is authorized by the division to engage in
  - 5               virtual-currency business activity; and
  - 6               (C) Complies with subparts B, C, E, and F;
- 7           (4) A person whose participation in a payment system is
- 8               limited to providing processing, clearing, or
- 9               performing settlement services solely for transactions
- 10              between, or among, persons that are exempt from the
- 11              licensing or registration requirements of this part;
- 12           (5) A person engaged in the business of dealing in foreign
- 13              exchange to the extent the person's activity meets the
- 14              definition of "foreign financial institution" in title
- 15              31 Code of Federal Regulations section
- 16              1010.605(f)(1)(iv), as amended;
- 17           (6) A person who:
  - 18               (A) Contributes only connectivity software or
  - 19               computing power to a decentralized virtual
  - 20               currency, or to a protocol governing transfer of
  - 21               the digital representation of value;



- 1 (B) Provides only data storage or security services
- 2 for a business engaged in virtual-currency
- 3 business activity and does not otherwise engage
- 4 in virtual-currency business activity on behalf
- 5 of another person; or
- 6 (C) Provides virtual currency only to a person
- 7 otherwise exempt from this part, as one or more
- 8 enterprise solutions to be used solely with each
- 9 other and has no agreement or relationship with a
- 10 resident who is an end user of virtual currency;
- 11 (7) A person using virtual currency, including creating,
- 12 investing, buying or selling, or obtaining virtual
- 13 currency as payment for the purchase or sale of goods
- 14 or services, solely:
  - 15 (A) On its own behalf;
  - 16 (B) For personal, family, or household purposes; or
  - 17 (C) For academic purposes;
- 18 (8) A person whose virtual-currency business activity
- 19 with, or on behalf of, residents is reasonably
- 20 expected to be valued, in the aggregate, on an annual



1 basis at \$5,000 or less, measured by the United States  
2 dollar equivalent of virtual currency;

3 (9) An attorney, to the extent of providing escrow  
4 services to a resident;

5 (10) A title insurance company, to the extent of providing  
6 escrow services to a resident;

7 (11) A securities intermediary, as defined in section  
8 490:8-102, or a commodity intermediary, as defined in  
9 section 490:9-102, that:

10 (A) Does not engage in the ordinary course of  
11 business in virtual-currency business activity  
12 with, or on behalf of, a resident in addition to  
13 maintaining securities accounts or commodity  
14 accounts and is regulated as a securities  
15 intermediary or commodity intermediary under  
16 federal law, the laws of this State other than  
17 this part, or the laws of another state; and

18 (B) Affords a resident protection comparable to those  
19 set forth in part II, the Uniform Supplemental  
20 Commercial Law for the Uniform Regulation of  
21 Virtual-Currency Businesses Act;



1           (12) A secured creditor under article 9 of chapter 490 or  
2           creditor with a judicial lien or lien arising by  
3           operation of law on collateral that is virtual  
4           currency, if the virtual-currency business activity of  
5           the creditor is limited to enforcement of the security  
6           interest in compliance with article 9 of chapter 490  
7           or the lien in compliance with the law applicable to  
8           the lien;

9           (13) A virtual-currency control services vendor; or

10          (14) A person who:

11               (A) Does not receive compensation from a resident  
12               for:

13                   (i) Providing virtual-currency products or  
14                   services; or

15                   (ii) Conducting virtual-currency business  
16                   activity; or

17               (B) Is engaged in testing products or services with  
18               the person's own funds.

19           (c) The division may determine that a person or class of  
20 persons, given facts particular to the person or class, should  
21 be exempt from this part, and whether the person or class is



1 covered by requirements imposed under federal law on a money  
2 service business.

3 § -4 **Supplementary law.** Except as otherwise provided by  
4 this part, the principles of law and equity shall supplement  
5 this part.

6 SUBPART B. LICENSURE

7 § -21 **Conditions precedent to engaging in virtual-**  
8 **currency business activity.** A person shall not engage in  
9 virtual-currency business activity, or hold oneself out as being  
10 able to engage in virtual-currency business activity, with or on  
11 behalf of a resident, unless the person is:

12 (1) Licensed in this State by the division under section  
13 -22;

14 (2) Licensed in another state to conduct virtual-currency  
15 business activity by a state with which this State has  
16 a reciprocity agreement and has qualified under  
17 section -23;

18 (3) Registered with the division and operating in  
19 compliance with section -27; or

20 (4) Exempt from licensure or registration under this part  
21 pursuant to section -3(b) or (c).



1           §   -22 License by application. (a) Except as otherwise  
2 provided in section   -23, an application for a license under  
3 this part:

4           (1) Shall be made in a form and medium prescribed by the  
5               division or the registry;

6           (2) Except as otherwise provided in subsection (b), shall  
7               provide the following information relevant to the  
8               applicant's proposed virtual-currency business  
9               activity:

10           (A) The legal name of the applicant, each current or  
11               proposed business United States Postal Service  
12               address of the applicant, and any fictitious or  
13               trade name that the applicant uses or plans to  
14               use in conducting its virtual-currency business  
15               activity with, or on behalf of, a resident;

16           (B) The legal name, any former or fictitious name,  
17               and the residential and business United States  
18               Postal Service address of each executive officer  
19               and responsible individual of the applicant, and  
20               each person that has control of the applicant;



1 (C) A description of the current and former business  
2 of the applicant for the five years preceding the  
3 submission of the application or, if the business  
4 has operated for less than five years, for the  
5 time the business has operated, including its  
6 products and services, associated website  
7 addresses and social media pages, principal place  
8 of business, projected user base, and specific  
9 marketing targets;

10 (D) The name, United States Postal Service address,  
11 and telephone number of a person who manages each  
12 server that the applicant expects to use in  
13 conducting its virtual-currency business activity  
14 with, or on behalf of, a resident and a copy of  
15 any agreement with that person;

16 (E) A list of:

17 (i) Each money service or money transmitter  
18 license that the applicant holds in another  
19 state;

20 (ii) The date that the license expires; and





- 1                   (iii) Any license revocation, license suspension,  
2                                   or other disciplinary action that was taken  
3                                   against the licensee in another state and  
4                                   any license applications that were rejected  
5                                   by another state;
- 6                   (F) A list of any criminal conviction, deferred  
7                                   prosecution agreement, and pending criminal  
8                                   proceeding in any jurisdiction against:
- 9                                   (i) The applicant;
- 10                                  (ii) Each executive officer of the applicant;
- 11                                  (iii) Each responsible individual of the  
12   applicant;
- 13                                  (iv) Each person that has control over the  
14   applicant; and
- 15                                  (v) Each person over which the applicant has  
16   control;
- 17                   (G) A list of any litigation, arbitration, or  
18                                   administrative proceeding in any jurisdiction in  
19                                   which the applicant, or an executive officer or a  
20                                   responsible individual of the applicant, has been  
21                                   a party for the five years preceding the



1 submission of the application, to the extent that  
2 the applicant would be required to disclose the  
3 litigation, arbitration, or administrative  
4 proceeding in the applicant's audited financial  
5 statements, reports to equity owners, and similar  
6 statements or reports;

7 (H) A list of any bankruptcy or receivership  
8 proceeding in any jurisdiction for the ten years  
9 preceding the submission of the application in  
10 which any of the following persons was a debtor:

11 (i) The applicant;

12 (ii) Any executive officer of the applicant;

13 (iii) Any responsible individual of the applicant;

14 (iv) Any person that has control over the  
15 applicant; and

16 (v) Any person over whom the applicant has  
17 control;

18 (I) The name and United States Postal Service address  
19 of each bank in which the applicant plans to  
20 deposit funds obtained by its virtual-currency  
21 business activity;



- 1           (J) The source of funds and credit to be used by the
- 2                   applicant to conduct virtual-currency business
- 3                   activity with, or on behalf of, a resident and
- 4                   documentation demonstrating that the applicant
- 5                   has the net worth and reserves required by
- 6                   section       -24;
  
- 7           (K) The United States Postal Service address and
- 8                   electronic mail address to which communications
- 9                   from the division may be sent;
  
- 10          (L) The name, United States Postal Service address,
- 11                   and electronic mail address of the registered
- 12                   agent of the applicant in this State;
  
- 13          (M) A copy of the certificate, or a detailed summary
- 14                   acceptable to the division, of coverage for each
- 15                   liability, casualty, business interruption, or
- 16                   cybersecurity insurance policy maintained by the
- 17                   applicant for itself, an executive officer, a
- 18                   responsible individual, or the applicant's users;
  
- 19          (N) The date on which, and the state where, the
- 20                   applicant is formed and a copy of a current



1 certificate of good standing by that state, if  
2 applicable;

3 (O) If a person has control of the applicant and the  
4 person's equity interests are publicly traded in  
5 the United States, a copy of the audited  
6 financial statement of the person for the most  
7 recent fiscal year or most recent report of the  
8 person filed under section 13 of the Securities  
9 Exchange Act of 1934 (15 United States Code  
10 section 78m), as amended;

11 (P) If a person has control of the applicant and the  
12 person's equity interests are publicly traded  
13 outside the United States, a copy of the audited  
14 financial statement of the person for the most  
15 recent fiscal year of the person or a copy of the  
16 most recent documentation similar to that  
17 required in subparagraph (O) filed with the  
18 foreign regulator in the domicile of the person;

19 (Q) If the applicant is a partnership or a member-  
20 managed limited liability company, the names and



1 United States Postal Service addresses of general  
2 partners or members;

3 (R) If the applicant is required to register with the  
4 Financial Crimes Enforcement Network of the  
5 United States Department of the Treasury as a  
6 money service business, evidence of the  
7 registration;

8 (S) A set of fingerprints for each executive officer  
9 and responsible individual of the applicant;

10 (T) If available, for each executive officer and  
11 responsible individual of the applicant, for the  
12 five years prior to the submission of the  
13 application:

14 (i) Employment history; and

15 (ii) History of any investigation of the  
16 individual or legal proceeding to which the  
17 individual was a party;

18 (U) The plans through which the applicant will meet  
19 its obligations under subpart F; and



1 (V) Other information the division reasonably  
2 requires by rules adopted pursuant to chapter 91;  
3 and

4 (3) Shall be accompanied by a nonrefundable fee in the  
5 amount specified by rules adopted by the division  
6 pursuant to chapter 91.

7 (b) For good cause, the division may waive a requirement  
8 under subsection (a) or permit the applicant to submit other  
9 information instead of the required information.

10 (c) An application for a license under this section is not  
11 complete until the division receives all information required by  
12 this part and completes its investigation under subsection (d).

13 (d) On receipt of a completed application:

14 (1) The division shall investigate:

15 (A) The financial condition and responsibility of the  
16 applicant;

17 (B) The relevant financial and business experience,  
18 character, and general fitness of the applicant;  
19 and

20 (C) The competence, experience, character, and  
21 general fitness of each executive officer, each



1 responsible individual, and any person that has  
2 control of the applicant; and

3 (2) The division may conduct an investigation of the  
4 business premises of an applicant.

5 (e) No later than thirty days after an application is  
6 complete, the division shall send the applicant notice of its  
7 decision to approve, conditionally approve, or deny the  
8 application. If the division does not send the applicant notice  
9 of its decision within thirty-one days of the completion of the  
10 application, the application is deemed denied. If the division  
11 does not receive notice from the applicant that the applicant  
12 accepts the conditions specified by the division within thirty-  
13 one days following the division's notice of the conditions, the  
14 application is deemed denied.

15 (f) A license takes effect on:

16 (1) The date on which the division issues the license; or

17 (2) The date the licensee provides the security required  
18 by section -24,

19 whichever occurs later.

20 (g) An applicant shall pay the reasonable costs of the  
21 division's investigation under this section.



1           §   -23   **License by reciprocity.**   (a)   Notwithstanding  
2 section       -22, a person licensed by another state to conduct  
3 virtual currency business activity in that state may file with  
4 the registry an application under this section.

5           (b)   When an application under this section is filed with  
6 the registry, the applicant shall notify the division in a  
7 record that the applicant has submitted the application to the  
8 registry and shall submit to the division:

- 9           (1)   A certification of license history from the agency  
10               responsible for issuing a license in each state in  
11               which the applicant has been licensed to conduct  
12               virtual-currency business activity;
- 13           (2)   A nonrefundable reciprocal licensing application fee  
14               in the amount specified by rules adopted by the  
15               division pursuant to chapter 91;
- 16           (3)   Documentation demonstrating that the applicant  
17               complies with the security and net worth reserve  
18               requirements of section       -24; and
- 19           (4)   A certification signed by an executive officer of the  
20               applicant affirming that the applicant will conduct





1 its virtual-currency business activity with, or on  
2 behalf of, a resident in compliance with this chapter.

3 (c) The division may permit conduct of virtual-currency  
4 business activity by an applicant that complies with this  
5 section.

6 § -24 Security, net worth, and reserves. (a) Before a  
7 license is issued under this part:

8 (1) An applicant shall deposit with the division funds or  
9 investment property, a letter of credit, a surety  
10 bond, or other security satisfactory to the division  
11 that:

12 (A) Secures the applicant's faithful performance of  
13 its duties under this part; and

14 (B) Is in an amount that the division specifies based  
15 upon the nature and extent of risks in the  
16 applicant's virtual-currency business model;

17 (2) The division shall not require a surety bond as  
18 security under this part unless a surety bond is  
19 generally available in the State at a commercially  
20 reasonable cost;



- 1           (3) Security deposited under this section shall be payable  
2           to the State for the benefit of a claim against the  
3           licensee on account of the licensee's virtual-currency  
4           business activity with, or on behalf of, a resident;
- 5           (4) Security deposited under this section shall cover  
6           claims for the period that the division specifies by  
7           rule and for an additional period that the division  
8           specifies after the licensee ceases to engage in  
9           virtual-currency business activity with, or on behalf  
10          of, a resident;
- 11          (5) For good cause, the division may require the licensee  
12          to increase the amount of the security deposited under  
13          this section, and the licensee shall deposit the  
14          additional security no later than fifteen days after  
15          the licensee receives notice in a record of the  
16          required increase;
- 17          (6) For good cause, the division may permit a licensee to  
18          substitute or deposit an alternate form of security  
19          satisfactory to the division if the licensee at all  
20          times complies with this section;



1 (7) A claimant shall not have a direct right to recover  
2 against security deposited under this section; and

3 (8) Only the division may recover against the security,  
4 and the division may retain the recovery for no more  
5 than five years and may process claims and distribute  
6 recoveries to claimants in accordance with rules  
7 adopted by the division under chapter 489D.

8 (b) In addition to the security required under subsection  
9 (a), a licensee and a registrant, at the time of applying for a  
10 license under this part or filing a registration, shall submit  
11 to the division evidence of and maintain:

12 (1) A minimum net worth of \$25,000; and

13 (2) Sufficient unencumbered reserves for winding down the  
14 licensee's or registrant's operations as agreed to by  
15 the division considering the nature and size of  
16 expected virtual-currency business activity with, or  
17 on behalf of, residents.

18 (c) A licensee or registrant may include in its  
19 calculation of net worth virtual currency, measured by the  
20 average value of the virtual currency in United States dollar  
21 equivalent over the prior six months, other than the virtual



1 currency over which it has control for a resident entitled to  
2 the protections under part II.

3 (d) For good cause, the division may require a licensee or  
4 registrant to increase the net worth or reserves required under  
5 this section. The licensee or registrant shall submit to the  
6 division evidence that it has the additional net worth or  
7 reserves not later than fifteen days after the licensee or  
8 registrant receives notice in a record of the required increase.

9 § -25 Issuance of license; appeal. (a) Absent good  
10 cause, the division shall issue a license to an applicant if the  
11 applicant complies with this part and pays the costs of the  
12 investigation under section -22(g) and the initial licensee  
13 fee under section -22(a)(3) in an amount required by law or  
14 specified by the division by rule.

15 (b) An applicant may appeal a denial of its application  
16 under section -22 or -23, under chapter 91 no later than  
17 thirty days after:

- 18 (1) The division notifies the applicant of the denial; or  
19 (2) The application is deemed denied.

20 § -26 Renewal of license. (a) Subject to subsection  
21 (g), no later than fifteen days before the anniversary date of



1 issue of the license granted pursuant to this part, a licensee  
2 may apply for the renewal of the license by:

- 3 (1) Paying a renewal fee in an amount specified by the  
4 division by rule adopted pursuant to chapter 91; and  
5 (2) Submitting to the division a renewal report in  
6 accordance with subsection (b).

7 (b) A renewal report required by subsection (a)(2) shall  
8 be submitted in a form and medium prescribed by the division.

9 The report shall contain:

- 10 (1) A copy of the licensee's most recent:  
11 (A) Reviewed annual financial statement if the  
12 licensee's virtual-currency business activity in  
13 this State was \$ or less for the fiscal  
14 year ending before the anniversary date of issue  
15 of the license granted pursuant to this part; or  
16 (B) Audited annual financial statement if the  
17 licensee's virtual-currency business activity in  
18 this State totaled more than \$ for the  
19 fiscal year ending before the date of issue of  
20 the license granted pursuant to this part;



- 1           (2) If a person other than an individual has control of  
2           the licensee, a copy of the person's most recent:  
3           (A) Reviewed annual financial statement if the  
4           person's gross revenue was \$                    or less in  
5           the previous fiscal year, measured as of the  
6           anniversary date of issue of the license granted  
7           pursuant to this part; or  
8           (B) Audited consolidated annual financial statement  
9           if the person's gross revenue was more than  
10           \$            in the previous fiscal year, measured as  
11           of the anniversary date of issue of the license  
12           granted pursuant to this part;
- 13          (3) A description of any:  
14           (A) Material change in the financial condition of the  
15           licensee;  
16           (B) Material litigation involving the licensee or an  
17           executive officer, or responsible individual of  
18           the licensee;  
19           (C) License suspension or revocation proceeding  
20           commenced, or other action taken, involving a  
21           license to conduct virtual-currency business



- 1 activity issued by another state on which  
2 reciprocal licensing is based;
- 3 (D) Federal or state investigation involving the  
4 licensee; and
- 5 (E) Data security breach involving the licensee;
- 6 (4) Information or records required by section -35 that  
7 the licensee has not reported to the division;
- 8 (5) The number of virtual-currency business activity  
9 transactions with, or on behalf of, residents for the  
10 period since, subject to subsection (g), the date the  
11 license was issued or the date the last renewal report  
12 was submitted, whichever occurred later;
- 13 (6) The:
- 14 (A) Amount of United States dollar equivalent of  
15 virtual currency in the control of the licensee  
16 at, subject to subsection (g), the end of the  
17 last month that ends no later than thirty days  
18 before the date of the renewal report; and
- 19 (B) Total number of residents for whom the licensee  
20 had control of United States dollar equivalent of  
21 virtual currency on that date;



1 (7) Evidence that the licensee continues to satisfy part  
2 II;

3 (8) Evidence that the licensee continues to satisfy  
4 section -24;

5 (9) A list of each location where the licensee operates  
6 its virtual-currency business activity; and

7 (10) The name, United States Postal Service address, and  
8 telephone number of each person that manages a server  
9 used by the licensee in conducting its  
10 virtual-currency business activity with, or on behalf  
11 of, a resident.

12 (c) If a licensee does not timely comply with subsection  
13 (a), the division may use enforcement measures provided under  
14 subpart D. Notice or hearing is not required for a suspension  
15 or revocation of a license under this part for failure to pay a  
16 renewal fee or file a renewal report.

17 (d) If the division suspends or revokes a license under  
18 this part for noncompliance with subsection (a), the division  
19 may end the suspension or rescind the revocation and notify the  
20 licensee of the action if, subject to subsection (g), no later





1 than twenty days after the license was suspended or revoked, the  
2 licensee:

3 (1) Files a renewal report and pays a renewal fee; and

4 (2) Pays any penalty assessed under section -43.

5 (e) The division shall give prompt notice to a licensee of  
6 the lifting of a suspension or rescission of a revocation after  
7 the licensee complies with subsection (d).

8 (f) Suspension or revocation of a license under this  
9 section does not invalidate a transfer or exchange of virtual  
10 currency for or on behalf of a resident made during the  
11 suspension or revocation and does not insulate the licensee from  
12 liability under this part.

13 (g) For good cause, the division may extend any period of  
14 time under this section.

15 (h) The division shall review the renewal of a license  
16 issued under section -23 to ensure that the state that issued  
17 the original license has not suspended, revoked, or limited the  
18 license.

19 (i) A licensee that does not comply with this section  
20 shall cease operations with, or on behalf of, a resident on or



1 before the anniversary date of issue of the license granted  
2 pursuant to this part.

3 (j) A licensee shall pay the reasonable and necessary  
4 costs of the division's investigation under this section.

5 § -27 Registration in lieu of license. (a) A person  
6 whose volume of virtual-currency business activity in United  
7 States dollar equivalent of virtual currency will not exceed  
8 \$35,000 annually may engage in virtual-currency business  
9 activity with, or on behalf of, a resident under a registration  
10 without first obtaining a license under this part if the person:

11 (1) Files with the division a notice in the form and  
12 medium prescribed by the division of its intention to  
13 engage in virtual-currency business activity with, or  
14 on behalf of, a resident;

15 (2) Provides the information for an investigation under  
16 section -22;

17 (3) States the anticipated virtual-currency business  
18 activity for its next fiscal quarter;

19 (4) Pays the division a registration fee in the amount  
20 specified by the division by rule adopted pursuant to  
21 chapter 91;



- 1           (5) If required to register with the Financial Crimes  
2           Enforcement Network of the United States Department of  
3           the Treasury as a money service business, provides the  
4           division evidence of the registration;
- 5           (6) Provides evidence that the person has policies and  
6           procedures to comply with the Bank Secrecy Act, title  
7           31 United States Code section 5311 et seq., as  
8           amended, and other applicable laws;
- 9           (7) Describes the source of funds and credit to be used by  
10          the person to conduct virtual-currency business  
11          activity with, or on behalf of, a resident and  
12          provides evidence of, and agrees to, maintain the  
13          minimum net worth and reserves required by  
14          section -24 and sufficient unencumbered reserves  
15          for winding down operations;
- 16          (8) Provides the division with evidence that the person  
17          has in place policies and procedures to comply with  
18          subparts C, E, and F and other requirements of this  
19          part designated by the division; and
- 20          (9) Provides the division with a copy of its most recent  
21          financial statement, whether reviewed or audited.



1 (b) Before the virtual-currency business activity of a  
2 registrant with or on behalf of residents exceeds \$35,000  
3 annually in United States dollar equivalent of virtual currency,  
4 the registrant shall file an application for a license under  
5 this part and may continue to operate after the activity exceeds  
6 \$35,000 annually while its application for license is pending.

7 (c) For good cause, the division may suspend or revoke a  
8 registration without a prior hearing or opportunity to be heard.

9 (d) A registrant shall cease all virtual-currency business  
10 activity with, or on behalf of, residents:

11 (1) If the division denies the registrant's application  
12 for a license under this part, one day after the  
13 registrant receives notice in a record that the  
14 division has denied the application;

15 (2) If the division suspends or revokes the registration,  
16 one day after the division sends notice of the  
17 suspension or revocation to the registrant in a record  
18 by a means reasonably selected for the notice to be  
19 received by the recipient in one day, to the address  
20 provided for receiving communications from the  
21 division;



1           (3) If the virtual-currency business activity of the  
2           registrant with, or on behalf of, residents exceeds  
3           \$35,000 annually in United States dollar equivalent of  
4           virtual currency and the registrant has not filed an  
5           application for a license under this part; or

6           (4) On the second anniversary date of the registration.

7           § -28 License or registration not assignable or  
8           transferable. A license or registration under this part is not  
9           transferable or assignable.

10          § -29 Rules and guidance. The division may adopt rules  
11          in accordance with chapter 91 to implement this part and issue  
12          guidance as appropriate.

13           SUBPART C. EXAMINATION; EXAMINATION FEES; DISCLOSURE OF  
14           INFORMATION OBTAINED DURING EXAMINATION

15          § -31 Authority to conduct examination. (a) The  
16          division may conduct an annual examination of a licensee or  
17          registrant. For good cause, the division may conduct an  
18          additional examination. The division may examine a licensee or  
19          registrant without prior notice to the licensee or registrant.

20          (b) A licensee or registrant shall pay the reasonable and  
21          necessary costs of an examination under this section.



1 (c) Information obtained during an examination under this  
2 part may be disclosed only as provided in section -34.

3 § -32 Records. (a) A licensee or registrant shall  
4 maintain, for all virtual-currency business activity with, or on  
5 behalf of, a resident five years after the date of the activity,  
6 a record of:

7 (1) Each transaction of the licensee or registrant with,  
8 or on behalf of, the resident, or for the licensee's  
9 or registrant's account in this State, including:

10 (A) The identity of the resident;

11 (B) The form of the transaction;

12 (C) The amount, date, and payment instructions given  
13 by the resident; and

14 (D) The account number, name, and United States  
15 Postal Service address of the resident, and, to  
16 the extent feasible, other parties to the  
17 transaction;

18 (2) The aggregate number of transactions and aggregate  
19 value of transactions by the licensee or registrant  
20 with, or on behalf of, the resident, and for the  
21 licensee's or registrant's account in this State,



- 1           expressed in United States dollar equivalent of  
2           virtual currency for the previous twelve calendar  
3           months;
- 4           (3) Each transaction in which the licensee or registrant  
5           exchanges one form of virtual currency for legal  
6           tender or another form of virtual currency with, or on  
7           behalf of, the resident;
- 8           (4) A general ledger posted at least monthly that lists  
9           all assets, liabilities, capital, income, and expenses  
10          of the licensee or registrant;
- 11          (5) Each business call report that the licensee or  
12          registrant is required to create or provide to the  
13          division or registry;
- 14          (6) Bank statements and bank reconciliation records for  
15          the licensee or registrant and the name, account  
16          number, and United States Postal Service address of  
17          each bank that the licensee or registrant uses in the  
18          conduct of its virtual-currency business activity  
19          with, or on behalf of, the resident;
- 20          (7) A report of any dispute with the resident; and



1 (8) A report of any virtual-currency business activity  
2 transaction with, or on behalf of, a resident that the  
3 licensee or registrant was unable to complete.

4 (b) A licensee or registrant shall maintain records  
5 required by subsection (a) in a form that enables the division  
6 to determine whether the licensee or registrant is in compliance  
7 with this part, any court order, and any law of this State other  
8 than this part.

9 (c) If a licensee or registrant maintains records outside  
10 this State that pertain to transactions with, or on behalf of, a  
11 resident, the licensee or registrant shall make the records  
12 available to the division no later than three days after  
13 request, or, on a determination of good cause by the division,  
14 at a later time.

15 (d) All records maintained by a licensee or registrant are  
16 subject to inspection by the division.

17 § -33 Rules; cooperation; data sharing authority. (a)  
18 Subject to section -34 and law of this State other than this  
19 part concerning privacy, consumer financial privacy, data  
20 protection, privilege, and confidentiality, the division may  
21 cooperate, coordinate, jointly examine, consult, and share





1 records and other information with the appropriate regulatory  
2 agency of another state, a self-regulatory organization, federal  
3 or state regulator of banking or nondepository providers, or a  
4 regulator of a jurisdiction outside the United States,  
5 concerning the affairs and conduct of a licensee or registrant  
6 in this State.

7 (b) The division shall:

8 (1) Establish or participate in, with another state that  
9 enacts a law substantially similar to this part, a  
10 central depository for filings required by law of this  
11 State other than this part;

12 (2) Cooperate in developing and implementing uniform forms  
13 for applications and renewal reports and the conduct  
14 of joint administrative proceedings and civil actions;

15 (3) Formulate joint rules, forms, statements of policy,  
16 and guidance and interpretative opinions and releases;  
17 and

18 (4) Develop common systems and procedures.

19 (c) The division shall not establish, or participate in, a  
20 central commercial depository that contains nonpublic personally  
21 identifiable information that does not comply with section



1 502(e)(5) or (8) of the Gramm-Leach-Bliley Act (15 United States  
2 Code section 6802(e)(5) or (8)), as amended, or with the federal  
3 Right to Financial Privacy Act (12 United States Code section  
4 3401 et seq.), as amended.

5 (d) In deciding whether and how to cooperate, coordinate,  
6 jointly examine, consult, or share records and other information  
7 under subsection (a), the division shall consider:

8 (1) Maximizing effectiveness and uniformity of regulation,  
9 examination, implementation, and enforcement for the  
10 benefit of residents and licensees and registrants;  
11 and

12 (2) Minimizing burdens on licensees and registrants  
13 without adversely affecting protection for residents.

14 § -34 Confidentiality. (a) Except as otherwise  
15 provided in subsection (b) or (c):

16 (1) Information not contained in a report otherwise  
17 available to the public or reports obtained by the  
18 division from an applicant, licensee, or registrant;

19 (2) Information contained in, or related to, an  
20 examination, investigation, or operating or condition



1 report prepared by, on behalf of, or for the use of  
2 the division; and

3 (3) Other financial and operating information,  
4 are not subject to disclosure under chapter 92F. If the  
5 division determines that the information or records are  
6 confidential under the open records law of a reciprocal  
7 licensing state, the information or records shall not be  
8 disclosed.

9 (b) A trade secret of an applicant, a licensee, or a  
10 registrant is confidential and shall not be subject to  
11 disclosure under chapter 92F. If the division determines a  
12 trade secret is confidential under the open records law of a  
13 reciprocal licensing state, the trade secret shall not be  
14 disclosed.

15 (c) Subsection (a) does not prohibit the disclosure of:

16 (1) General information about a licensee's or registrant's  
17 virtual-currency business activity with, or on behalf  
18 of, a resident;

19 (2) A list of persons licensed or registered under this  
20 part; or



1 (3) Aggregated financial data concerning licensees or  
2 registrants in this State.

3 § -35 Interim report. (a) Each licensee and registrant  
4 shall file with the division a report of:

5 (1) A material change in information in the application  
6 for a license under this part or a registration or the  
7 most recent renewal report of the licensee under this  
8 part or for the registrant;

9 (2) A material change in the licensee's or registrant's  
10 business for the conduct of its virtual-currency  
11 business activity with, or on behalf of, a resident;  
12 and

13 (3) A change of an executive officer, responsible  
14 individual, or person in control of the licensee or  
15 registrant.

16 (b) Absent good cause, a report required by subsection (a)  
17 shall be filed no later than fifteen days after the change.

18 § -36 Change in control of licensee or registrant. (a)  
19 For purpose of this section, "proposed person to be in control"  
20 means the person that would control a licensee or registrant



1 after a proposed transaction that would result in a change in  
2 control of the licensee or registrant.

3 (b) The following shall apply in determining whether a  
4 person has control over a licensee or registrant:

5 (1) There is a rebuttable presumption of control if the  
6 person's voting power in the licensee or registrant  
7 constitutes, or will constitute, at least twenty-five  
8 per cent of the total voting power of the licensee or  
9 registrant;

10 (2) There is a rebuttable presumption of control if:

11 (A) The person's voting power in another person  
12 constitutes, or will constitute, at least ten per  
13 cent of the total voting power of the other  
14 person; and

15 (B) The other person's voting power in the licensee  
16 or registrant constitutes at least twenty-five  
17 per cent of the total voting power of the  
18 licensee or registrant; and

19 (3) There is no presumption of control solely because an  
20 individual is an executive officer of the licensee or  
21 registrant.



1 (c) At least thirty days before a proposed change in  
2 control of a licensee or registrant, the proposed person to be  
3 in control shall submit to the division in a record:

4 (1) An application in a form and medium to be prescribed  
5 by the division;

6 (2) The information and records that section -22 would  
7 require if the proposed person to be in control  
8 already had control of the licensee;

9 (3) A license application under section -22 by the  
10 proposed person to be in control;

11 (4) In the case of a registrant, the information that  
12 section -27 would require if the proposed person to  
13 be in control already had control of the registrant;  
14 and

15 (5) In the case of a registration, a registration under  
16 section -27 by the proposed person to be in  
17 control.

18 (d) The division, in accordance with section -22, shall  
19 approve, approve with conditions, or deny an application for a  
20 change in control of a licensee or registrant. The division, in  
21 a record, shall send notice of its decision to the licensee or



1 registrant and the person that would be in control if the  
2 division had approved the change in control. If the division  
3 denies the application, the licensee or registrant shall abandon  
4 the proposed change in control or cease virtual-currency  
5 business activity with, or on behalf of, residents.

6 (e) If the division applies a condition to the approval of  
7 a change in control of a licensee or registrant and the division  
8 does not receive notice of the applicant's acceptance of the  
9 condition specified by the division no later than thirty-one  
10 days after the division sends notice of the condition, the  
11 application is deemed denied. If the application is deemed  
12 denied, the licensee or registrant shall abandon the proposed  
13 change in control or cease virtual-currency business activity  
14 with, or on behalf of, residents.

15 (f) Submission in good faith of records required by  
16 subsection (c) relieves the proposed person to be in control  
17 from any obligation imposed by this section other than  
18 subsections (d), (e), and (h) until the division has acted on  
19 the application.

20 (g) The division may revoke or modify a determination  
21 under subsection (d), after notice and opportunity to be heard,



1 if, in its judgment, revocation or modification is consistent  
2 with this part.

3 (h) If a change in control of a licensee or registrant  
4 requires approval of an agency of this State or another state  
5 with which this State has a reciprocity agreement and the action  
6 of the other agency conflicts with that of the division, the  
7 division shall confer with the other agency. If the proposed  
8 change in control cannot be completed because the conflict  
9 cannot be resolved, the licensee or registrant shall abandon the  
10 change in control or cease virtual-currency business activity  
11 with, or on behalf of, residents.

12 § -37 Merger or consolidation by licensee or registrant.

13 (a) At least thirty days before a proposed merger or  
14 consolidation of a licensee or registrant with another person,  
15 the licensee or registrant shall submit to the division in a  
16 record:

- 17 (1) An application in a form and medium prescribed by the  
18 division;
- 19 (2) The plan of merger or consolidation in accordance with  
20 subsection (e);





1           (3) In the case of a licensee, the information required by  
2           section     -22 concerning the person that would be the  
3           surviving entity in the proposed merger or  
4           consolidation; and

5           (4) In the case of a registrant, the information required  
6           by section     -27 concerning the person that would be  
7           the surviving entity in the proposed merger or  
8           consolidation.

9           (b) If a proposed merger or consolidation would change the  
10          control of a licensee or registrant, the licensee or registrant  
11          shall comply with section     -36 and this section.

12          (c) The division, in accordance with section     -22, shall  
13          approve, conditionally approve, or deny an application for  
14          approval of a merger or consolidation of a licensee or  
15          registrant. The division, in a record, shall send notice of its  
16          decision to the licensee or registrant and the person that would  
17          be the surviving entity. If the division denies the  
18          application, the licensee or registrant shall abandon the merger  
19          or consolidation or cease virtual-currency business activity  
20          with, or on behalf of, residents.



1 (d) The division may revoke or modify a determination  
2 under subsection (c), after notice and opportunity to be heard,  
3 if, in its judgment, revocation or modification is consistent  
4 with this part.

5 (e) A plan of merger or consolidation of a licensee or a  
6 registrant with another person shall:

7 (1) Describe the effect of the proposed transaction on the  
8 licensee's or registrant's conduct of virtual-currency  
9 business activity with, or on behalf of, residents;

10 (2) Identify each person to be merged or consolidated and  
11 the person that would be the surviving entity; and

12 (3) Describe the terms and conditions of the merger or  
13 consolidation and the mode of carrying it into effect.

14 (f) If a merger or consolidation of a licensee or  
15 registrant and another person requires approval of an agency of  
16 this State or another state with which this State has a  
17 reciprocity agreement and the action of the other agency  
18 conflicts with that of the division, the division shall confer  
19 with the other agency. If the proposed merger or consolidation  
20 cannot be completed because the conflict cannot be resolved, the  
21 licensee or registrant shall abandon the merger or consolidation



1 or cease virtual-currency business activity with, or on behalf  
2 of, residents.

3 (g) The division may condition approval of an application  
4 under subsection (a). If the division does not receive notice  
5 from the parties that the parties accept the division's  
6 condition no later than thirty-one days after the division sends  
7 notice in a record of the condition, the application is deemed  
8 denied. If the application is deemed denied, the licensee or  
9 registrant shall abandon the merger or consolidation or cease  
10 virtual-currency business activity with, or on behalf of,  
11 residents.

12 (h) If a licensee or registrant acquires substantially all  
13 the assets of a person, regardless of whether the person's  
14 license was approved by, or registration was filed with, the  
15 division, the transaction is subject to this section.

16 (i) Submission in good faith of the records required by  
17 subsection (e) relieves the proposed surviving entity from any  
18 obligation imposed by this section, other than subsections (c),  
19 (f), and (g), until the division has acted on the application.



SUBPART D. ENFORCEMENT

§ -41 Enforcement measure. For purposes of this subpart, "enforcement measure" means an action to:

- (1) Suspend or revoke a license or a registration under this part;
- (2) Order a person to cease and desist from doing virtual-currency business activity with, or on behalf of, a resident;
- (3) Request the court to appoint a receiver for the assets of a person doing virtual-currency business activity with, or on behalf of, a resident;
- (4) Request the court to issue temporary, preliminary, or permanent injunctive relief against a person doing virtual-currency business activity with, or on behalf of, a resident;
- (5) Assess a penalty under section -43;
- (6) Recover on the security under section -24 and initiate a plan to distribute the proceeds for the benefit of a resident who is injured by a violation of this part or law of this State other than this part



1           that applies to virtual-currency business activity  
2           with, or on behalf of, a resident; or

3           (7) Impose necessary or appropriate conditions on the  
4           conduct of virtual-currency business activity with, or  
5           on behalf of, a resident.

6           § -42 Division authority to use enforcement measures.

7           (a) The division may take an enforcement measure against a  
8           licensee, registrant, or person that is neither a licensee nor  
9           registrant, but is engaging in virtual-currency business  
10          activity with, or on behalf of, a resident if:

11          (1) The licensee, registrant, or person materially  
12          violates this part, a rule adopted or order issued  
13          under this part, or a law of this State other than  
14          this part that applies to virtual-currency business  
15          activity of the violator with, or on behalf of, a  
16          resident;

17          (2) The licensee, registrant, or person does not cooperate  
18          substantially with an examination or investigation by  
19          the division, fails to pay a fee, or fails to submit a  
20          report or documentation;



- 1           (3) The licensee, registrant, or person, in the conduct of  
2           its virtual-currency business activity with, or on  
3           behalf of, a resident, engages in:
- 4           (A) An unsafe or unsound act or practice;  
5           (B) An unfair or deceptive act or practice;  
6           (C) Fraud or intentional misrepresentation;  
7           (D) Another dishonest act; or  
8           (E) Misappropriation of legal tender, virtual  
9           currency, or other value held by a fiduciary;
- 10          (4) An agency of the United States or another state takes  
11          an action against the licensee, registrant, or person  
12          that would constitute an enforcement measure if the  
13          division had taken the action;
- 14          (5) The licensee, registrant, or person is convicted of a  
15          crime related to its virtual-currency business  
16          activity with, or on behalf of, a resident or  
17          involving fraud or felonious activity that, as  
18          determined by the division, makes the licensee,  
19          registrant, or person unsuitable to engage in  
20          virtual-currency business activity;
- 21          (6) The licensee, registrant, or person:



- 1 (A) Becomes insolvent;
- 2 (B) Makes a general assignment for the benefit of its
- 3 creditors;
- 4 (C) Becomes the debtor, alleged debtor, respondent,
- 5 or person in a similar capacity in a case or
- 6 other proceeding under any bankruptcy,
- 7 reorganization, arrangement, readjustment,
- 8 insolvency, receivership, dissolution,
- 9 liquidation, or similar law, and does not obtain
- 10 from the court, within a reasonable time,
- 11 confirmation of a plan or dismissal of the case
- 12 or proceeding; or
- 13 (D) Applies for, or permits the appointment of, a
- 14 receiver, trustee, or other agent of a court for
- 15 itself or for a substantial part of its assets;
- 16 or
- 17 (7) The licensee, registrant, or person makes a material
- 18 misrepresentation to the division.
- 19 (b) On application and for good cause, the division may:
- 20 (1) Extend the due date for filing a document or report
- 21 under subsection (a) (2); or



1           (2) Waive to the extent warranted by circumstances, such  
2           as a bona fide error notwithstanding reasonable  
3           procedures designed to prevent error, an enforcement  
4           measure under subsection (a) if the division  
5           determines that the waiver will not adversely affect  
6           the likelihood of compliance with this part.

7           (c) In an enforcement action related to operating without  
8           a license under this part or registration in this State, it is a  
9           defense to the action that the person has in effect a customer  
10          identification program that is reasonably designed to identify  
11          whether a customer is a resident, but the program failed to  
12          identify the particular customer as a resident.

13          (d) A proceeding under this part is subject to chapter 91.

14          § -43 Civil penalty. (a) If a person other than a  
15          licensee or registrant engages in virtual-currency business  
16          activity with, or on behalf of, a resident in violation of this  
17          part, the division may assess a civil penalty against the person  
18          in an amount not to exceed \$50,000 for each day of violation.

19          (b) If a licensee or registrant materially violates this  
20          part, the division may assess a civil penalty in an amount not  
21          to exceed \$10,000 for each day of violation.





1 (c) A civil penalty under this section continues to accrue  
2 until:

3 (1) The date on which the violation ceases; or

4 (2) A date specified by the division,

5 whichever occurs first.

6 § -44 Effective period of revocation, suspension, or  
7 cease and desist order. (a) Revocation of a license under this  
8 part is effective against a licensee one day after the division  
9 sends notice in a record of the revocation to the licensee, by a  
10 means reasonably selected for the notice to be received by the  
11 recipient in one day, to the address provided for receiving  
12 communications from the division.

13 (b) Suspension of a license under this part, suspension of  
14 a registration, or an order to cease and desist is effective  
15 against a licensee, registrant, or other person one day after  
16 the division sends notice in a record of the suspension or order  
17 to the licensee, registrant, or other person, by a means  
18 reasonably selected for the notice to be received by the  
19 recipient in one day, to the address provided for receiving  
20 communications from the division or, if no address is provided,



1 to the recipient's last known address. A suspension or order to  
2 cease and desist remains in effect until the earliest of:

3 (1) Entry of an order by the division pursuant to chapter  
4 91 setting aside or limiting the suspension or order;

5 (2) Entry of a court order setting aside or limiting the  
6 suspension or order to cease and desist; or

7 (3) A date specified by the division.

8 (c) If, without reason to know of the division's notice  
9 sent under subsection (a) or (b), a licensee, registrant, or  
10 other person does not comply in accordance with the notice until  
11 the notice is actually received at the address provided, the  
12 division may consider the delay in compliance in imposing a  
13 sanction for the failure.

14 § -45 **Consent order.** The division may enter into a  
15 consent order with a person regarding an enforcement measure.  
16 The order may provide that it does not constitute an admission  
17 of fact by a party.

18 § -46 **Scope of right of action.** (a) Except as  
19 otherwise provided in this section, no person shall have a right  
20 of action for a violation of this part.



1 (b) The division may bring an action for restitution on  
2 behalf of a resident if the division proves economic injury due  
3 to a violation of this part.

4 (c) This section shall not preclude an action by a  
5 resident to enforce rights under part II or a law of this State  
6 other than this part.

7 SUBPART E. DISCLOSURES AND OTHER PROTECTIONS FOR RESIDENTS

8 § -51 Required disclosures. (a) A licensee or  
9 registrant shall provide to a resident who uses the licensee's  
10 or registrant's products or service the disclosures required by  
11 subsection (b) and any additional disclosure that the division  
12 by rule determines to be reasonably necessary for the protection  
13 of residents. The division shall determine by rule the time and  
14 form required for disclosure. A disclosure required by this  
15 section shall be made separately from any other information  
16 provided by the licensee or registrant and in a clear and  
17 conspicuous manner in a record that the resident may keep. A  
18 licensee or registrant may propose for the division's approval  
19 alternate disclosures as being more appropriate for its virtual-  
20 currency business activity with, or on behalf of, residents.



1 (b) Before establishing a relationship with a resident, a  
2 licensee or registrant shall disclose, to the extent applicable  
3 to the virtual-currency business activity that the licensee or  
4 registrant will undertake with the resident:

5 (1) A schedule of fees and charges that the licensee or  
6 registrant may assess, the manner by which fees and  
7 charges will be calculated if they are not set in  
8 advance and disclosed, and the timing of the fees and  
9 charges;

10 (2) Whether the product or service that is provided by the  
11 licensee or registrant is covered by:

12 (A) A form of insurance or is otherwise guaranteed  
13 against loss by an agency of the United States:

14 (i) Up to the full United States dollar  
15 equivalent of virtual currency placed under  
16 the control of, or purchased from, the  
17 licensee or registrant as of the date of the  
18 placement or purchase, including the maximum  
19 amount provided by insurance under the  
20 Federal Deposit Insurance Corporation or



- 1 otherwise available from the Securities  
2 Investor Protection Corporation; or  
3 (ii) If not provided at the full United States  
4 dollar equivalent of virtual currency placed  
5 under the control of, or purchased from, the  
6 licensee or registrant, the maximum amount  
7 of coverage for each resident expressed in  
8 the United States dollar equivalent of the  
9 virtual currency; or  
10 (B) Private insurance against theft or loss,  
11 including cyber theft or theft by other means;  
12 (3) The irrevocability of a transfer or exchange and any  
13 exception to irrevocability;  
14 (4) A description of:  
15 (A) Any liability for an unauthorized, mistaken, or  
16 accidental transfer or exchange;  
17 (B) The resident's responsibility to provide notice  
18 to the licensee or registrant of the transfer or  
19 exchange;  
20 (C) The basis for any recovery by the resident from  
21 the licensee or registrant;



- 1 (D) General error resolution rights applicable to the  
2 transfer or exchange; and
- 3 (E) The method for the resident to update the  
4 resident's contact information with the licensee  
5 or registrant;
- 6 (5) That the date or time when the transfer or exchange is  
7 made and the resident's account is debited may differ  
8 from the date or time when the resident initiates the  
9 instruction to make the transfer or exchange;
- 10 (6) Whether the resident has a right to stop a  
11 preauthorized payment or revoke authorization for a  
12 transfer and the procedure to initiate a stop-payment  
13 order or revoke authorization for a subsequent  
14 transfer;
- 15 (7) The resident's right to receive a receipt, trade  
16 ticket, or other evidence of the transfer or exchange;
- 17 (8) The resident's right to at least thirty days' prior  
18 notice of a change in the licensee's or registrant's  
19 fee schedule, other terms and conditions of operating  
20 its virtual currency business activity with the



1 resident and the policies applicable to the resident's  
2 account; and

3 (9) That virtual currency is not legal tender.

4 (c) Except as otherwise provided in subsection (d), at the  
5 conclusion of a virtual-currency transaction with, or on behalf  
6 of, a resident, a licensee or registrant shall provide the  
7 resident a confirmation in a record that contains:

8 (1) The name and contact information of the licensee or  
9 registrant, including information that the resident  
10 may need to ask a question or file a complaint;

11 (2) The type, value, date, precise time, and amount of the  
12 transaction; and

13 (3) The fee charged for the transaction, including any  
14 charge for the conversion of virtual currency to legal  
15 tender, bank credit, or other virtual currency.

16 (d) If a licensee or registrant discloses that it will  
17 provide a daily confirmation in the initial disclosure under  
18 subsection (c), the licensee or registrant may elect to provide  
19 a single, daily confirmation for all transactions with, or on  
20 behalf of, a resident on that day instead of a per transaction  
21 confirmation.



1                   SUBPART F.   POLICIES AND PROCEDURES

2           §   -61   Mandated compliance programs and monitoring.   (a)

3   An applicant, before submitting an application, and registrant,  
4   before registering, shall create and, during licensure or  
5   registration, maintain in a record policies and procedures for:

6           (1)   An information security and operational security  
7                program;

8           (2)   A business continuity program;

9           (3)   A disaster recovery program;

10          (4)   An anti-fraud program;

11          (5)   An anti-money laundering program;

12          (6)   A program to prevent funding of terrorist activity;  
13                and

14          (7)   A program designed to:

15            (A)   Ensure compliance with this part, the laws of  
16                this State other than this part, and federal law,  
17                which are relevant to the virtual-currency  
18                business activity contemplated by the licensee or  
19                registrant with, or on behalf of, residents; and

20            (B)   Assist the licensee or registrant in achieving  
21                the purposes of the laws of this State other than





1                   this chapter and federal law if violation of  
2                   those laws has a remedy under this part.

3           (b) Each policy required by subsection (a) shall be in a  
4 record and designed to be adequate for a licensee's or  
5 registrant's contemplated virtual-currency business activity  
6 with, or on behalf of, residents, considering the circumstances  
7 of all participants and the safe operation of the activity.  
8 Each policy and implementing procedure shall be compatible with  
9 other policies and the procedures implementing them and not  
10 conflict with policies or procedures applicable to the licensee  
11 or registrant under the laws of this State other than this part.  
12 A policy and implementing procedure may be one in existence in  
13 the licensee's or registrant's virtual-currency business  
14 activity with, or on behalf of, residents.

15           (c) A licensee's or registrant's policy for detecting  
16 fraud shall include:

17           (1) Identification and assessment of the material risks of  
18                   its virtual-currency business activity related to  
19                   fraud;



1           (2) Protection against any material risk related to fraud  
2                    identified by the division or the licensee or  
3                    registrant; and

4           (3) Periodic evaluation and revision of the anti-fraud  
5                    procedure.

6           (d) A licensee's or registrant's policy for preventing  
7 money laundering and financing of terrorist activity shall  
8 include:

9           (1) Identification and assessment of the material risks of  
10                   its virtual-currency business activity that is related  
11                   to money laundering and the financing of terrorist  
12                   activity;

13           (2) Procedures, in accordance with federal law or guidance  
14                   published by federal agencies responsible for  
15                   enforcing federal law, pertaining to money laundering  
16                   and the financing of terrorist activity; and

17           (3) Filing reports under the Bank Secrecy Act (31 United  
18                   States Code section 5311 et seq.), as amended, or  
19                   title 31 Code of Federal Regulations subtitle B,  
20                   chapter X, as amended, and other federal or state laws



1           pertaining to the prevention or detection of money  
2           laundering or the financing of terrorist activity.

3           (e) A licensee's or registrant's information security and  
4 operational security policy shall include reasonable and  
5 appropriate administrative, physical, and technical safeguards  
6 to protect the confidentiality, integrity, and availability of  
7 any nonpublic personal information or virtual currency that it  
8 receives, maintains, or transmits.

9           (f) A licensee or registrant is not required to file with  
10 the division a copy of a report that it makes to a federal  
11 authority unless the division specifically requires the filing.

12           (g) A licensee's or registrant's protection policy under  
13 subsection (e) for residents shall include:

14           (1) Any action or system of records required to comply  
15 with this part and the laws of this State other than  
16 this part applicable to the licensee or registrant  
17 with respect to virtual-currency business activity  
18 with, or on behalf of, a resident;

19           (2) A procedure for resolving disputes between the  
20 licensee or registrant and a resident;



1           (3) A procedure for a resident to report an unauthorized,  
2                   mistaken, or accidental virtual-currency business  
3                   activity transaction; and

4           (4) A procedure for a resident to file a complaint with  
5                   the licensee or registrant and for the resolution of  
6                   the complaint in a fair and timely manner with notice  
7                   to the resident as soon as reasonably practical of the  
8                   resolution and the reasons for the resolution.

9           (h) After the policies and procedures required under this  
10           section are created and approved by the division and the  
11           licensee or registrant, the licensee or registrant shall engage  
12           a responsible individual with adequate authority and experience  
13           to monitor each policy and procedure, publicize it as  
14           appropriate, recommend changes as desirable, and enforce it.

15           (i) A licensee or registrant may:

16           (1) Request advice from the division as to compliance with  
17                   this section; and

18           (2) With the division's approval, outsource functions,  
19                   other than compliance, required under this section.

20           (j) Failure of a particular policy or procedure adopted  
21           under this section to meet its goals in a particular instance is



1 not a ground for liability of the licensee or registrant if the  
2 policy or procedure was created, implemented, and monitored  
3 properly. Repeated failures of a policy or procedure are  
4 evidence that the policy or procedure was not created or  
5 implemented properly.

6 (k) Policies and procedures adopted under this section  
7 shall be disclosed separately from other disclosures made  
8 available to a resident, in a clear and conspicuous manner and  
9 in the medium through which the resident contacted the licensee  
10 or registrant.

11 § -62 Mandated compliance policy or procedure. (a) An  
12 applicant, before submitting its application, and a registrant,  
13 before registering, shall establish and maintain in a record a  
14 policy or procedure designed to ensure compliance with:

15 (1) This part; and

16 (2) The laws of this State other than this part if:

17 (A) The other law is relevant to the virtual-currency  
18 business activity contemplated by the licensee or  
19 registrant or the scope of this part; or



- 1           (B) This chapter could assist in the purpose of the  
2           other law because violation of the other law has  
3           a remedy under this part.
- 4           (b) A policy or procedure under subsection (a):
- 5           (1) Shall be compatible, and not conflict, with  
6           requirements applicable to a licensee or registrant  
7           under the laws of this State other than this part and  
8           under federal law; and
- 9           (2) May be a policy or procedure in existence for the  
10          licensee's or registrant's virtual-currency business  
11          activity with, or on behalf of, a resident.
- 12          (c) After the policies and procedures required under this  
13          section are created by the licensee or registrant and approved  
14          by the division, the licensee or registrant shall engage a  
15          responsible individual with adequate authority and experience to  
16          monitor each policy or procedure, publicize it as appropriate,  
17          recommend changes as desirable, and enforce it.
- 18          (d) A licensee or registrant may:
- 19          (1) Request advice from the division regarding compliance  
20          with this section; and



1 (2) With the division's approval, outsource functions,  
2 other than compliance, required under this section.

3 (e) Failure of a particular policy or procedure adopted  
4 under this section to meet its goals in a particular instance is  
5 not a ground for liability of the licensee or registrant if the  
6 policy or procedure was created, implemented, and monitored  
7 properly. Repeated failures of a policy or procedure are  
8 evidence that the policy or procedure was not created or  
9 implemented properly.

10 PART II. UNIFORM SUPPLEMENTAL COMMERCIAL LAW FOR THE  
11 UNIFORM REGULATION OF VIRTUAL-CURRENCY BUSINESSES ACT

12 § -71 Short title. This part shall be known and cited  
13 as the Uniform Supplemental Commercial Law for the Uniform  
14 Regulation of Virtual-Currency Businesses Act.

15 § -72 Definitions. (a) As used in this part, unless  
16 the context otherwise requires:

17 "Article 8" means article 8 of chapter 490.

18 "Control" has the meaning provided in section -2 of part

19 I.



1 "Hague Securities Convention" means the Convention on the  
2 Law Applicable to Certain Rights in Respect of Securities Held  
3 with an Intermediary, concluded July 5, 2006.

4 "Uniform Commercial Code jurisdiction" means a state that  
5 has enacted article 8.

6 "Uniform Regulation of Virtual-Currency Businesses Act"  
7 means part I.

8 "User" means a person for which a licensee or registrant  
9 has control of virtual currency.

10 (b) Other definitions applying to this part are the  
11 following definitions in section -2 of part I:

12 "Licensee";

13 "Person";

14 "Record";

15 "Registrant";

16 "Resident";

17 "Sign";

18 "State"; and

19 "Virtual currency".

20 (c) Other definitions applying to this part and the  
21 sections of article 8 in which they appear are:





- 1 "Entitlement holder" -- section 490:8-102(a);
- 2 "Financial asset" -- section 490:8-102(a);
- 3 "Securities intermediary" -- section 490:8-102(a);
- 4 "Security" -- section 490:8-102(a); and
- 5 "Securities account" -- section 490:8-501.

6 (d) The definition of "agreement" applying to this  
7 part appears in section 490:1-201(b).

8 § -73 Scope. This part applies to:

- 9 (1) A person or transaction governed by part I, the  
10 Uniform Regulation of Virtual-Currency Businesses Act;  
11 and
- 12 (2) A user that is not a resident if the user or  
13 transaction with the user would be governed by part I  
14 if the user were a resident.

15 § -74 Incorporation of article 8. (a) The relationship  
16 between a licensee or registrant and a user shall be evidenced  
17 by an agreement in a record signed by the licensee or registrant  
18 and by the user. The agreement:

- 19 (1) Shall specify the jurisdiction whose law governs the  
20 agreement;



1           (2) If governed by the law of a jurisdiction that is not a  
2           Uniform Commercial Code jurisdiction, shall:

3           (A) Specify a Uniform Commercial Code jurisdiction as  
4           the securities intermediary's jurisdiction for  
5           the purpose of article 8; and

6           (B) State that the law in force in the Uniform  
7           Commercial Code jurisdiction under subparagraph  
8           (A) applies to all issues specified in article  
9           2(1) of the Hague Securities Convention;

10          (3) Shall state that:

11          (A) The licensee or registrant is a securities  
12          intermediary;

13          (B) The control of virtual currency by the licensee  
14          or registrant for the benefit of the user creates  
15          a securities account of which the user is the  
16          entitlement holder;

17          (C) The parties agree that the virtual currency is to  
18          be treated as a financial asset credited or held  
19          for credit to the securities account of the user;  
20          and



1 (D) The licensee or registrant shall not grant a  
2 security interest in virtual currency that the  
3 licensee or registrant is obligated to maintain  
4 under section 490:8-504(a);

5 (4) Shall not provide a standard for the licensee or  
6 registrant to comply with its duties under part 5 of  
7 article 8 that is less protective of the user than the  
8 standard that would apply under part 5 of article 8 in  
9 the absence of an agreement concerning the standard;  
10 and

11 (5) Shall not provide that:

12 (A) The securities intermediary's jurisdiction for  
13 the purpose of article 8 is a jurisdiction that  
14 is not a Uniform Commercial Code jurisdiction; or

15 (B) The law in force in a jurisdiction that is not a  
16 Uniform Commercial Code jurisdiction applies to  
17 all issues specified in article 2(1) of the Hague  
18 Securities Convention.

19 (b) To the extent that there is no agreement that complies  
20 with subsection (a), the relationship between a licensee or  
21 registrant and a user is determined as if the licensee or



1 registrant and the user have an agreement that complies with  
2 subsection (a) and specifies that the law of this State governs  
3 the agreement.

4 (c) The effect of this section shall not be varied by  
5 agreement.

6 § -75 Qualifying office under Hague Securities  
7 Convention. (a) A licensee or registrant shall maintain in a  
8 state an office that complies with the second sentence of  
9 article 4(1) of the Hague Securities Convention.

10 (b) The effect of this section shall not be varied by  
11 agreement.

12 § -76 Effect of failure to comply with this part.  
13 Failure to comply with this part is a violation of part I, the  
14 Uniform Regulation of Virtual-Currency Businesses Act.

15 § -77 No inference as to characterization under other  
16 statute or rule. Treatment of virtual currency as a financial  
17 asset credited to a securities account under this part and  
18 article 8 does not determine the characterization or treatment  
19 of the virtual currency under any other statute or rule.



1           §   -78   **Supplementary law.** Unless displaced by the  
2 particular provisions of this part, the principles of law and  
3 equity supplement this part.

4                           **PART III. MISCELLANEOUS PROVISIONS**

5           §   -81   **Relation to Electronic Signatures in Global and**  
6 **National Commerce Act.** This chapter modifies, limits, or  
7 supersedes the Electronic Signatures in Global and National  
8 Commerce Act (15 United States Code section 7001, et seq.), but  
9 does not modify, limit, or supersede section 101(c) of that Act  
10 (15 United States Code section 7001(c)), or authorize electronic  
11 delivery of any of the notices described in section 103(b) of  
12 that Act (15 United States Code section 7003(b)).

13           §   -82   **Saving and transitional provisions.** (a) A  
14 license issued under chapter 489D that is in effect immediately  
15 before the effective date of this chapter remains in effect as a  
16 license for its duration unless revoked or suspended by the  
17 licensing authority that issued it. A person licensed under  
18 chapter 489D that does not intend to engage in virtual-currency  
19 business activity is not required to inform the division of its  
20 intention.



1           (b) If the division denies, suspends, or revokes a license  
2 under part I or suspends or revokes a registration to conduct  
3 virtual-currency business activity with, or on behalf of, a  
4 resident, the denial, suspension, or revocation may not be used  
5 as a ground for suspension or revocation of a license granted  
6 under chapter 489D unless that chapter independently provides a  
7 basis for action against the licensee or registrant.

8           (c) This chapter applies to virtual-currency business  
9 activity with, or on behalf of, a resident on, or after, the  
10 effective date of this chapter.

11           (d) A person is deemed to be conducting unlicensed  
12 virtual-currency business activity with, or on behalf of, a  
13 resident in violation of part I if the person engages in  
14 virtual-currency business activity on, or after, the effective  
15 date of this chapter and the person does not hold a license  
16 issued or recognized under part I, is not exempt from part I,  
17 and has not applied for a license or filed a registration. This  
18 subsection includes a person that:

19           (1) Has obtained a license under chapter 489D, regardless  
20 of whether that chapter covers virtual-currency



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1 business activity, or holds a charter as a trust  
 2 company from this State; and  
 3 (2) Does not have permission to engage in virtual-currency  
 4 business activity with or on behalf of a resident."

5 SECTION 2. This Act, upon its approval, shall take effect  
 6 on July 1, 2020.

7

INTRODUCED BY:

*Mike Gilliland*  
*Anna Mercedo*  
*[Signature]*  
*Pat Rivera*  
~~*[Signature]*~~  
*[Signature]*  
*[Signature]*



# S.B. NO. 250

**Report Title:**

Virtual Currency; Regulation; Uniform Regulation of Virtual Currencies Businesses Act

**Description:**

Adopts the Uniform Regulation of Virtual-Currencies Businesses Act and the Uniform Supplemental Commercial Law for the Uniform Regulation of Virtual-Currency Businesses Act.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

