

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3009H.01I
Bill No.: HB 1428
Subject: Banks and Financial Institutions; Department of Commerce and Insurance
Type: Original
Date: March 21, 2025

Bill Summary: This proposal establishes the "Virtual Currency Kiosk Consumer Protection Act".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Division of Finance Fund (0550)*	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

*The number of unlicensed virtual currency kiosk operators is unknown as well as the money transmitter license fee to be charged by DCI, therefore, the potential revenue generated from current unlicensed virtual currency kiosk operators is unknown, likely, to be less than \$250,000.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	0	0	0

- ☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Commerce and Insurance** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight assumes Subsection 361.1100.18 requires all unlicensed virtual currency kiosk operators to apply for a money transmitter license. If denied by the department, all unlicensed virtual currency kiosk operators will be required to cease operation.

Oversight notes, according to DCI, the number of unlicensed virtual currency kiosk operators is unknown. DCI states the Division of Finance is in the process of drafting an administrative rule to establish the money transmitter license fees. Money transmitter license fees are deposited into the Division of Finance Fund 0550.

Since the number of applicants and the license fee to be charged are both unknown, for fiscal note purposes, Oversight will reflect a positive unknown revenue to the Division of Finance Fund (0550). Oversight assumes the revenue generated will be less than \$250,000.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
DIVISION OF FINANCE FUND (0550)			
Revenue – DCI Virtual Currency Kiosk License Fee	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT TO THE DIVISION OF FINANCE FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

*The number of unlicensed virtual currency kiosk operators is unknown as well as the money transmitter license fee to be charged by DCI, therefore, the potential revenue generated from current unlicensed virtual currency kiosk operators is unknown, likely, to be less than \$250,000.

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Changing some of the requirements a virtual currency kiosk operator will be required to comply with, a direct fiscal impact to small businesses that use a virtual currency kiosk could be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill creates the "Virtual Currency Kiosk Consumer Protection Act" which establishes certain requirements pertaining to and regulations governing virtual currency kiosk operators.

Each virtual currency kiosk operator must meet the following requirements:

- (1) Operators must make certain disclosures upon establishing a relationship with a customer or prior to opening an account for a new customer, indicating the material risks associated with the products, services, and activities offered, as well as the terms and conditions of the services provided;
- (2) Upon completing a transaction, an operator must provide a receipt containing specific information, as detailed in the bill;
- (3) Operators must provide live customer service, weekdays between 8:00 a.m. and 10:00 p.m.;

(4) Operators must take steps to prevent fraud, as specified in the bill, including by establishing and maintaining a written antifraud policy and by the use of blockchain analytics;

(5) Operators must maintain, implement, and enforce a written "Enhanced Due Diligence Policy";

(6) Operators must designate and employ a compliance officer with responsibilities as specified in the bill, and maintain, implement, and enforce written compliance policies and procedures;

(7) Operators must designate and employ a consumer protection officer, with responsibilities as provided in the bill. Virtual currency kiosk operators are required to submit quarterly reports to the Division of Finance, within the Department of Commerce and Insurance, detailing the location of each virtual currency kiosk in the state.

Virtual currency kiosk operators are deemed to be money transmitters and are required to be licensed under and comply with the Money Transmission Modernization Act of 2024.

The Director of the Division of Finance is permitted to request evidence showing compliance with this bill as reasonably necessary or appropriate to administer the bill, and other applicable laws such as the Bank Secrecy Act and the United States

An operator is required to provide the Director with any records requested. All information or reports obtained by the Division from a virtual currency kiosk operator, and all information contained in or related to an examination, investigation, operating report, or condition report are confidential and not subject to disclosure under the Sunshine Law. The bill includes provisions for obtaining information relating to records that are not regarded as confidential.

This bill requires any unlicensed virtual currency kiosk operator to apply for a money transmitter license within 60 days after this provision becomes effective. Any operator that applies within this time is allowed to continue operations while the Division reviews the application.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Commerce and Insurance
Office of the Secretary of State
Joint Committee on Administrative Rules



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Director
March 21, 2025



Jessica Harris
Assistant Director
March 21, 2025