

HB 1428 -- VIRTUAL CURRENCY

SPONSOR: Casteel

COMMITTEE ACTION: Voted "Do Pass" by the Special Committee on Intergovernmental Affairs by a vote of 9 to 3 with 1 member voting present.

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

REQUIREMENTS OF 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 anti-fraud 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.

POWER OF DIVISION DIRECTOR

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 PATRIOT Act. An operator is required to provide the Director with any records requested.

CONFIDENTIALITY OF RECORDS

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.

LICENSING OF EXISTING MACHINES

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 bill is the same as SB 779 (2025).

PROPONENTS: Supporters say that citizens need protection from bad actors when they go to buy cryptocurrency with cash. Right now, there aren't a lot of guardrails in place. This bill verifies that when they are receiving the cryptocurrency, it isn't going to a high-risk wallet. The State will have an opportunity to review compliance, procedures, and programs to make sure consumers are kept safe.

Testifying in person for the bill were Representative Casteel; Larry J. Lipka, Gpd Holdings LLC D/B/A Coinflip.

OPPONENTS: There was no opposition voiced to the committee.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.