

1 H.659

2 An act relating to captive insurance

3 The Senate proposes to the House to amend the bill by striking out Sec. 19,
4 effective date, in its entirety and by inserting in lieu thereof a new Sec. 19 and
5 Secs. 20–50 to read as follows:

6 * * * Housekeeping Amendments * * *

7 Sec. 19. 9 V.S.A. § 5604(d) is amended to read:

8 (d) In a final order under subsection (b) or (c) of this section, the
9 Commissioner may impose a civil penalty of not more than \$15,000.00 for
10 each violation. The Commissioner may also require a person to make
11 restitution or provide disgorgement of any sums shown to have been obtained
12 in violation of this chapter, plus interest at the legal rate. The limitations on
13 civil penalties contained in this subsection shall not apply to settlement
14 agreements. In accordance with 8 V.S.A. § 24(e), the Commissioner may
15 increase a civil penalty amount by not more than \$5,000.00 per violation for
16 violations involving a person who is a vulnerable adult as defined in 33 V.S.A.
17 § 6902(34).

18 Sec. 20. 9 V.S.A. § 5616(f) is amended to read:

19 (f) Vermont Financial Services Education, and Victim Restitution, ~~and~~
20 ~~Whistleblower Award~~ Special Fund. The Vermont Financial Services
21 Education, and Victim Restitution, ~~and~~ ~~Whistleblower Award~~ Special Fund,

1 pursuant to 32 V.S.A. chapter 7, subchapter 5, is created to provide funds for
2 the purposes specified in this section, in subsection 5601(d) of this title, and in
3 section 5617 of this title. All monies received by the State for use in financial
4 services education initiatives pursuant to subsection 5601(d) of this title, in
5 providing uncompensated victims restitution pursuant to this section, or in
6 providing whistleblower awards pursuant to section 5617 of this title shall be
7 deposited into the Fund. The Commissioner may direct a party to deposit a
8 sum not to exceed 15 percent of the total settlement amount into the Fund in
9 conjunction with settling ~~a State securities law~~ an enforcement matter within
10 the Department's jurisdiction, as described in 8 V.S.A. § 11(a). Interest earned
11 on the Fund shall be retained in the Fund.

12 Sec. 21. 8 V.S.A. § 3883 is amended to read:

13 § 3883. NOTICE REQUIREMENTS

14 When notice required under section 3880 or 3881 of this title is provided by
15 mail, such notice shall be by certified mail, except that in the case of
16 cancellation for nonpayment of premium, notice shall be by certified mail ~~or~~,
17 certificate of mailing, or any other similar first-class mail tracking method used
18 or approved by the U.S. Postal Service, including Intelligent Mail barcode
19 Tracing (IMb Tracing). A certificate of mailing from the U.S. Postal Service
20 does not include a certificate of bulk mailing.

1 Sec. 22. 8 V.S.A. § 4226 is amended to read:

2 § 4226. NOTICE REQUIREMENTS

3 When notice required under section 4224 or 4225 of this title is provided by
4 mail, such notice shall be by certified mail, except that in the case of
5 cancellation for nonpayment of premium notice shall be by certified mail ~~or~~
6 certificate of mailing, or any similar first-class mail tracking method used or
7 approved by the U.S. Postal Service, including Intelligent Mail barcode
8 Tracing (IMb Tracing). A certificate of mailing from the U.S. Postal Service
9 does not include a certificate of bulk mailing.

10 Sec. 23. 8 V.S.A. § 4714 is amended to read:

11 § 4714. NOTICE REQUIREMENTS

12 When notice required under section 4712 or section 4713 of this title is
13 provided by mail, such notice shall be by certified mail, except that in the case
14 of cancellation for nonpayment of premium, notice shall be by certified mail
15 ~~or~~ certificate of mailing, or any similar first-class mail tracking method used
16 or approved by the U.S. Postal Service, including Intelligent Mail barcode
17 Tracing (IMb Tracing). A certificate of mailing from the U.S. Postal Service
18 does not include a certificate of bulk mailing.

1 * * * NAIC Holding Company Model Law Updates * * *

2 Sec. 24. 8 V.S.A. § 3681 is amended to read:

3 § 3681. DEFINITIONS

4 As used in this subchapter:

5 (1) “Affiliate” of, or person “affiliated” with, a specific person, means a
6 person that directly, or indirectly through one or more intermediaries, controls,
7 or is controlled by, or is under common control with, the person specified.

8 (2) “Commissioner” means the Commissioner of Financial Regulation
9 or ~~his or her~~ the Commissioner’s deputies, as appropriate.

10 (3) “Control,” including the terms “controlling,” “controlled by,” and
11 “under common control with,” means the possession, direct or indirect, of the
12 power to direct or cause the direction of the management and policies of a
13 person, whether through the ownership of voting securities, by contract other
14 than a commercial contract for goods or nonmanagement services, or
15 otherwise, unless the power is the result of an official position with or
16 corporate office held by the person. Control shall be presumed to exist if any
17 person, directly or indirectly, owns, controls, holds with the power to vote, or
18 holds proxies representing, 10 percent or more of the voting securities of any
19 other person. This presumption may be rebutted by a showing made in the
20 manner provided by subsection 3684(1) of this title that control does not exist
21 in fact. The Commissioner may determine, after furnishing all persons in

1 interest notice and opportunity to be heard and making specific findings of fact
2 to support such determination, that control exists in fact, notwithstanding the
3 absence of a presumption to that effect.

4 (4) “Group capital calculation instructions” means the group capital
5 calculation instructions as adopted by the NAIC and as amended by the NAIC
6 from time to time in accordance with the procedures adopted by the NAIC.

7 (5) “Groupwide supervisor” or “supervisor” means the regulatory
8 official authorized to engage in conducting and coordinating groupwide
9 supervision activities, as specified by the Commissioner under section 3696 of
10 this subchapter.

11 (6) “Insurance holding company system” or “system” means two or
12 more affiliated persons, one or more of which is an insurer.

13 ~~(6)~~(7) “Insurer” means a company qualified and licensed to transact the
14 business of insurance in this State and ~~shall include~~ includes a health
15 maintenance organization, a nonprofit hospital service corporation, and a
16 nonprofit medical service corporation, except that it shall not include:

17 (A) agencies, authorities, or instrumentalities of the United States, its
18 possessions and territories, the Commonwealth of Puerto Rico, the District of
19 Columbia, or a state or political subdivision of a state; or

20 (B) fraternal benefit societies.

1 ~~(7)~~(8) “Enterprise risk” means any activity, circumstance, event, or
2 series of events involving one or more affiliates of an insurer that, if not
3 remedied promptly, is likely to have a material adverse effect upon the
4 financial condition or liquidity of the insurer or its insurance holding company
5 system as a whole, including anything that would cause the insurer’s risk-
6 based capital to fall into company action level as set forth in section 8303 of
7 this title or would cause the insurer to be in hazardous financial condition
8 under Department Regulation I-93-2, sections 3–4.

9 ~~(8)~~(9) “Internationally active insurance group” or “group” means an
10 insurance holding company system that:

11 (A) includes an insurer registered under section 3684 of this
12 subchapter; and

13 (B) meets the following criteria:

14 (i) premiums written in at least three countries;

15 (ii) the percentage of gross premiums written outside the United
16 States is at least 10 percent of the system’s total gross written premiums; and

17 (iii) based on a three-year rolling average, the total assets of the
18 system are at least \$50,000,000,000.00, or the total gross written premiums of
19 the system are at least \$10,000,000,000.00.

20 (10) “NAIC” means the National Association of Insurance
21 Commissioners.

1 (11) “NAIC liquidity stress test framework” means a separate NAIC
2 publication, which includes a history of the NAIC’s development of regulatory
3 liquidity stress testing, the scope criteria applicable for a specific data year, and
4 the liquidity stress test instructions and reporting templates for a specific data
5 year, such scope criteria, instructions, and reporting template as adopted by the
6 NAIC.

7 ~~(9)~~(12) “Person” means an individual, a corporation, a limited liability
8 company, a partnership, an association, a joint stock company, a trust, an
9 unincorporated organization, any similar entity or any combination of the
10 foregoing acting in concert, but shall not include any securities broker
11 performing no more than the usual and customary broker’s function joint
12 venture partnership exclusively engaged in owning, managing, leasing, or
13 developing real or tangible personal property.

14 (13) “Scope criteria” mean the designated exposure bases along with
15 minimum magnitudes thereof for the specified data year used to establish a
16 preliminary list of insurers considered scoped into the NAIC liquidity stress
17 test framework for that data year, as detailed in the NAIC liquidity stress test
18 framework.

19 ~~(10)~~(14) “Security holder” of a specified person means one who owns
20 any security of such person, including common stock, preferred stock, debt

1 obligations, and any other security convertible into or evidencing the right to
2 acquire any of the foregoing.

3 ~~(11)~~(15) “Subsidiary” of a specified person means an affiliate controlled
4 by such person directly, or indirectly through one or more intermediaries.

5 ~~(12)~~(16) “Voting security” ~~shall include~~ includes any security
6 convertible into or evidencing a right to acquire a voting security.

7 Sec. 25. 8 V.S.A. § 3684 is amended to read:

8 § 3684. REGISTRATION OF INSURERS

9 (a) Registration. Every insurer ~~which is~~ authorized to do business in this
10 State ~~and which~~ that is a member of an insurance holding company system
11 shall register with the Commissioner, except a foreign insurer subject to
12 ~~disclosure~~ registration requirements and standards adopted by statute or
13 regulation in the jurisdiction of its domicile ~~which~~ that are substantially similar
14 to those contained in this section and section 3685 of this title. ~~Any~~ An insurer
15 ~~which is~~ subject to registration under this section shall register ~~within 60 days~~
16 ~~after the effective date of this subchapter or~~ 15 business days after it becomes
17 subject to registration, ~~whichever is later,~~ and annually thereafter ~~by~~ on or
18 before March 15 for the previous year ending December 31, unless the
19 Commissioner for good cause shown extends the time for registration, and then
20 within such extended time. The Commissioner may require ~~any~~ an authorized
21 insurer ~~which~~ that is a member of a holding company system ~~which~~ that is not

1 subject to registration under this section to furnish a copy of the registration
2 statement or other information filed by such ~~insurance company~~ insurer with
3 the insurance regulatory authority of its domiciliary jurisdiction.

4 (b) Information and form required. Every insurer subject to registration
5 under this section shall file a registration statement on a form provided by the
6 Commissioner, which shall contain current information about:

7 (1) The capital structure, general financial condition, ownership, and
8 management of the insurer and any person controlling the insurer.

9 (2) The identity and relationship of every member of the insurance
10 holding company system.

11 (3) The following agreements in force, relationships subsisting, and
12 transactions currently outstanding between such insurer and its affiliates:

13 (A) loans, other investments, or purchases, sales or exchanges of
14 securities of the affiliates by the insurer or of the insurer by its affiliates;

15 (B) purchases, sales, or exchanges of assets;

16 (C) transactions not in the ordinary course of business;

17 (D) guarantees or undertakings for the benefit of an affiliate ~~which~~
18 that result in an actual contingent exposure of the insurer's assets to liability,
19 other than insurance contracts entered into in the ordinary course of the
20 insurer's business;

1 (E) all management and service contracts and all cost sharing
2 arrangements;

3 (F) all reinsurance agreements;

4 (G) dividends and other distributions to shareholders; and

5 (H) consolidated tax allocation agreements.

6 (4) Any pledge of the insurer's stock, including stock of any subsidiary
7 or controlling affiliate, for a loan made to any member of the insurance holding
8 company system.

9 (5) If requested by the Commissioner, financial statements of or within
10 an insurance holding company system, including all affiliates. Financial
11 statements may include annual audited financial statements filed with the U.S.
12 Securities and Exchange Commission (SEC) pursuant to the Securities Act of
13 1933, as may be amended, or the Securities Exchange Act of 1934, as may be
14 amended. An insurer required to file financial statements under this
15 subdivision may satisfy the request by providing the Commissioner with the
16 most recently filed parent corporation financial statements that have been filed
17 with the SEC.

18 (6) Other matters concerning transactions between registered insurers
19 and any affiliates as may be included from time to time in any registration
20 forms adopted or approved by the Commissioner.

1 (7) Statements that the insurer’s board of directors oversees corporate
2 governance and internal controls and that the insurer’s officers or senior
3 management have approved, implemented, and continue to maintain and
4 monitor corporate governance and internal control procedures.

5 (8) Any other information required by the Commissioner by rule.

6 (c) Summary of changes to registration statement. All registration
7 statements shall contain a summary outlining all items in the current
8 registration statement representing changes from the prior registration
9 statement.

10 (d) Materiality. No information need be disclosed on the registration
11 statement filed pursuant to subsection (b) of this section if such information is
12 not material for the purposes of this section. Unless the Commissioner by rule
13 or order provides otherwise, sales, purchases, exchanges, loans or extensions
14 of credit, or investments involving one-half of one percent or less of an
15 insurer’s admitted assets as of the 31st day of December next preceding shall
16 not be deemed material for purposes of this section. The definition of
17 materiality provided in this subsection shall not apply for purposes of the
18 group capital calculation or the liquidity stress test framework.

19 (e) Reporting of dividends to shareholders. Subject to subsection 3685(d)
20 of this chapter, each registered insurer shall report to the Commissioner all

1 dividends and other distributions to shareholders within 15 business days
2 following the declaration thereof.

3 (f) Information of insurers. Any person within an insurance holding
4 company system subject to registration shall be required to provide complete
5 and accurate information to an insurer where the information is reasonably
6 necessary to enable the insurer to comply with the provisions of this section.

7 (g) Amendments to registration statements. Each registered insurer shall
8 keep current the information required to be disclosed in its registration
9 statement by reporting all material changes or additions on amendment forms
10 provided by the Commissioner within 15 business days after the end of the
11 month in which it learns of each such change or addition; provided, however,
12 that subject to subsection 3685(c) of this ~~title~~ chapter, each registered insurer
13 shall so report all dividends and other distributions to shareholders within two
14 business days following the declaration thereto.

15 (h) Termination of registration. The Commissioner shall terminate the
16 registration of any insurer ~~which~~ that demonstrates that it no longer is a
17 member of an insurance holding company system.

18 (i) Consolidated filing. The Commissioner may require or allow two or
19 more affiliated insurers subject to registration ~~hereunder~~ under this section to
20 file a consolidated registration statement or consolidated reports amending

1 their consolidated registration statement or their individual registration
2 statements.

3 (j) Alternative registration. The Commissioner may allow an insurer ~~which~~
4 that is authorized to do business in this State and ~~which~~ that is part of an
5 insurance holding company system to register on behalf of any affiliated
6 insurer ~~which~~ that is required to register under subsection (a) of this section
7 and to file all information and material required to be filed under this section.

8 (k) Exemptions. The provisions of this section shall not apply to any
9 insurer, information, or transaction if and to the extent that the Commissioner
10 by rule or order shall exempt the same from the provisions of this section.

11 (l) Disclaimer. Any person may file with the Commissioner a disclaimer of
12 affiliation with any authorized insurer, or such a disclaimer may be filed by
13 such insurer or any member of an insurance holding company system. The
14 disclaimer shall fully disclose all material relationships and bases for affiliation
15 between such person and such insurer as well as the basis for disclaiming such
16 affiliation. After a disclaimer has been filed, the insurer shall be relieved of
17 any duty to register or report under this section ~~which~~ that may arise out of the
18 insurer's relationship with such person unless and until the Commissioner
19 disallows such a disclaimer. The Commissioner shall disallow such a
20 disclaimer only after furnishing all parties in interest with notice and

1 opportunity to be heard and after making specific findings of fact to support
2 such disallowance.

3 (m) Enterprise risk ~~filing~~ filings.

4 (1) Enterprise risk report. The ultimate controlling person of every
5 insurer subject to registration shall also file an annual enterprise risk report.
6 The report shall identify, to the best of the ultimate controlling person's
7 knowledge and belief, the material risks within the insurance holding company
8 system that could pose enterprise risk to the insurer. The report shall be filed
9 with the lead state commissioner of the insurance holding company system as
10 determined by the procedures within the Financial Analysis Handbook adopted
11 by the ~~National Association of Insurance Commissioners~~ NAIC.

12 (2) Group capital calculation. Except as further provided in this
13 subdivision, the ultimate controlling person of every insurer subject to
14 registration shall concurrently file with the registration an annual group capital
15 calculation as directed by the lead state commissioner. The report shall be
16 completed in accordance with the NAIC group capital calculation instructions,
17 which may permit the lead state commissioner to allow a controlling person
18 that is not the ultimate controlling person to file the group capital calculation.
19 The report shall be filed with the lead state commissioner of the insurance
20 holding company system as determined by the Commissioner in accordance
21 with the procedures within the Financial Analysis Handbook adopted by the

1 NAIC. The following insurance holding company systems are exempt from
2 filing the group capital calculation:

3 (A) An insurance holding company system that has only one insurer
4 within its holding company structure, only writes business and is only licensed
5 in its domestic state, and assumes no business from any other insurer.

6 (B) An insurance holding company system that is required to perform
7 a group capital calculation specified by the U.S. Federal Reserve Board. The
8 lead state commissioner shall request the calculation from the Federal Reserve
9 Board under the terms of information sharing agreements in effect. If the
10 Federal Reserve Board cannot share the calculation with the lead state
11 commissioner, the insurance holding company system is not exempt from the
12 group capital calculation filing.

13 (C) An insurance holding company system whose non-U.S.
14 groupwide supervisor is located within a reciprocal jurisdiction as described in
15 subdivision 3634a(b)(6)(A) of this chapter that recognizes the U.S. state
16 regulatory approach to group supervision and group capital.

17 (D) An insurance holding company system:

18 (i) that provides information to the lead state that meets the
19 requirements for accreditation under the NAIC financial standards and
20 accreditation program, either directly or indirectly through the groupwide
21 supervisor, who has determined such information is satisfactory to allow the

1 lead state to comply with the NAIC group supervision approach, as detailed in
2 the NAIC Financial Analysis Handbook; and

3 (ii) whose non-U.S. groupwide supervisor that is not in a
4 reciprocal jurisdiction recognizes and accepts, as specified in a rule adopted by
5 the Commissioner, the group capital calculation as the worldwide group capital
6 assessment for U.S. insurance groups who operate in that jurisdiction.

7 (E) Notwithstanding the provisions of subdivisions (C) and (D) of
8 this subdivision (m)(2), a lead state commissioner shall require the group
9 capital calculation for U.S. operations of any non-U.S. based insurance holding
10 company system where, after any necessary consultation with other
11 supervisors or officials, it is deemed appropriate by the lead state
12 commissioner for prudential oversight and solvency monitoring purposes or for
13 ensuring the competitiveness of the insurance marketplace.

14 (F) Notwithstanding the exemptions from filing the group capital
15 calculation stated in subdivisions (A)–(D) of this subdivision (m)(2), the lead
16 state commissioner has the discretion to exempt the ultimate controlling person
17 from filing the annual group capital calculation or to accept a limited group
18 capital filing or report in accordance with criteria as specified in a rule adopted
19 by the Commissioner.

20 (G) If the lead state commissioner determines that an insurance
21 holding company system no longer meets one or more of the requirements for

1 an exemption from filing the group capital calculation under this subdivision
2 (2), the insurance holding company system shall file the group capital
3 calculation at the next annual filing date unless given an extension by the lead
4 state commissioner based on reasonable grounds shown.

5 (3) Liquidity stress test.

6 (A) The ultimate controlling person of every insurer subject to
7 registration and also scoped into the NAIC liquidity stress test framework shall
8 file the results of a specific year's liquidity stress test. The filing shall be made
9 to the lead state insurance commissioner of the insurance holding company
10 system as determined by the procedures within the Financial Analysis
11 Handbook adopted by the NAIC.

12 (B) The NAIC liquidity stress test framework includes scope criteria
13 applicable to a specific data year. These scope criteria are reviewed at least
14 annually by the Financial Stability Task Force or its successor. Any change to
15 the NAIC liquidity stress test framework or to the data year for which the
16 scope criteria are to be measured shall be effective on January 1 of the year
17 following the calendar year when such changes are adopted. Insurers meeting
18 at least one threshold of the scope criteria are considered scoped into the NAIC
19 liquidity stress test framework for the specified data year unless the lead state
20 insurance commissioner, in consultation with the NAIC Financial Stability
21 Task Force or its successor, determines the insurer should not be scoped into

1 the framework for that data year. Similarly, insurers that do not trigger at least
2 one threshold of the scope criteria are considered scoped out of the NAIC
3 liquidity stress test framework for the specified data year, unless the lead state
4 insurance commissioner, in consultation with the NAIC Financial Stability
5 Task Force or its successor, determines the insurer should be scoped into the
6 framework for that data year.

7 (C) Regulators shall avoid having insurers scoped in and out of the
8 NAIC liquidity stress test framework on a frequent basis. The lead state
9 insurance commissioner, in consultation with the Financial Stability Task
10 Force or its successor, will assess this concern as part of the determination for
11 an insurer.

12 (D) The performance of, and filing of the results from, a specific
13 year's liquidity stress test shall comply with the NAIC liquidity stress test
14 framework's instructions and reporting templates for that year and any lead
15 state insurance commissioner determinations, in conjunction with the Financial
16 Stability Task Force or its successor, provided within the Framework.

17 (n) Violations. The failure to file a registration statement or any
18 amendment ~~thereto~~ to a registration statement required by this section within
19 the time specified for such filing shall be a violation of this section.

1 Sec. 26. 8 V.S.A. § 3685 is amended to read:

2 § 3685. STANDARDS AND MANAGEMENT OF AN INSURER WITHIN
3 AN INSURANCE HOLDING COMPANY SYSTEM

4 (a) Transactions within an insurance holding company system.

5 (1) Transactions within an insurance holding company system to which
6 an insurer subject to registration is a party shall be subject to the following
7 standards:

8 ~~(1)(A) the~~ The terms shall be fair and reasonable;.

9 ~~(2)(B) agreements~~ Agreements for cost-sharing services and
10 management shall include such provisions as required by rule adopted by the
11 Commissioner;.

12 ~~(3)(C) charges~~ Charges or fees for services performed shall be
13 reasonable;.

14 ~~(4)(D) expenses~~ Expenses incurred and payment received shall be
15 allocated to the insurer in conformity with customary insurance accounting
16 practices consistently applied;.

17 ~~(5)(E) the~~ The books, accounts, and records of each party to all such
18 transactions shall be ~~so~~ maintained so as to clearly and accurately disclose the
19 precise nature and details of the transactions, including such accounting
20 information as is necessary to support the reasonableness of the charges or fees
21 to the respective parties; ~~and~~.

1 ~~(F)~~ The insurer's surplus as regards policyholders following
2 any dividends or distributions to shareholder affiliates shall be reasonable in
3 relation to the insurer's outstanding liabilities and adequate to its financial
4 needs.

5 (G) If an insurer subject to this subchapter is deemed by the
6 Commissioner to be in a hazardous financial condition as defined by
7 Regulation I-1993-02, Defining Standards and Commissioner's Authority for
8 Companies Deemed to be in Hazardous Financial Condition, or a condition
9 that would be grounds for supervision, conservation, or a delinquency
10 proceeding, then the Commissioner may require the insurer to secure and
11 maintain either a deposit, held by the Commissioner, or a bond, as determined
12 by the insurer at the insurer's discretion, for the protection of the insurer for the
13 duration of a contract or agreement, or the existence of the condition for which
14 the Commissioner required the deposit or the bond. In determining whether a
15 deposit or a bond is required, the Commissioner shall consider whether
16 concerns exist with respect to the affiliated person's ability to fulfill a contract
17 or agreement if the insurer were to be put into liquidation. Once the insurer is
18 deemed to be in a hazardous financial condition or a condition that would be
19 grounds for supervision, conservation, or a delinquency proceeding, and a
20 deposit or bond is necessary, the Commissioner has discretion to determine the
21 amount of the deposit or bond, not to exceed the value of a contract or

1 agreement in any one year, and whether such deposit or bond should be
2 required for a single contract or agreement, multiple contracts or agreements,
3 or a contract or agreement only with a specific person or persons.

4 (H) All records and data of the insurer held by an affiliate are and
5 remain the property of the insurer, are subject to control of the insurer, are
6 identifiable, and are segregated or readily capable of segregation, at no
7 additional cost to the insurer, from all other persons' records and data. This
8 includes all records and data that are otherwise the property of the insurer, in
9 whatever form maintained, including claims and claim files, policyholder lists,
10 application files, litigation files, premium records, rate books, underwriting
11 manuals, personnel records, financial records, or similar records within the
12 possession, custody, or control of the affiliate. At the request of the insurer,
13 the affiliate shall provide that the receiver can obtain a complete set of all
14 records of any type that pertain to the insurer's business; obtain access to the
15 operating systems on which the data is maintained; obtain the software that
16 runs those systems either through assumption of licensing agreements or
17 otherwise; and restrict the use of the data by the affiliate if it is not operating
18 the insurer's business. The affiliate shall provide a waiver of any landlord lien
19 or other encumbrance to give the insurer access to all records and data in the
20 event of the affiliate's default under a lease or other agreement.

1 (I) Premiums or other funds belonging to the insurer that are
2 collected by or held by an affiliate are the exclusive property of the insurer and
3 are subject to the control of the insurer. Any right of offset in the event an
4 insurer is placed into receivership shall be subject to chapter 145 of this title.

5 (2) The following transactions involving a domestic insurer and any
6 person in its holding company system, including amendments or modifications
7 of affiliate agreements previously filed under this section, that are subject to
8 any materiality standards contained in subdivisions (A)–(G) of this
9 subdivision, shall not be entered into unless the insurer has notified the
10 Commissioner in writing of its intention to enter into such transaction at least
11 30 days prior to the transaction, or such shorter period as the Commissioner
12 may permit, and the Commissioner has not disapproved it within such period.
13 The notice for amendments or modifications shall include the reasons for the
14 change and the financial impact on the domestic insurer. Within 30 days
15 following a termination of a previously filed agreement, informal notice shall
16 be reported to the Commissioner for determination of the type of filing
17 required, if any. Nothing in this subdivision shall be deemed to authorize or
18 permit any transactions that, in the case of an insurer not a member of the same
19 holding company system, would otherwise be contrary to law.

20 (A) Sales, purchases, exchanges, loans, or extensions of credit or
21 investments, provided such transactions are equal to or exceed:

1 (i) with respect to nonlife insurers, the lesser of three percent of
2 the insurer's admitted assets or 25 percent of surplus as regards policyholders
3 as of the 31st day of December next preceding; or

4 (ii) with respect to life insurers, three percent of the insurer's
5 admitted assets; each as of the 31st day of December next preceding.

6 (B) Loans or extensions of credit to any person who is not an
7 affiliate, where the insurer makes such loans or extensions of credit with the
8 agreement or understanding that the proceeds of such transactions, in whole or
9 in substantial part, are to be used to make loans or extensions of credit to
10 purchase assets of or to make investments in any affiliate of the insurer making
11 such loans or extensions of credit, provided such transactions are equal to or
12 exceed:

13 (i) with respect to nonlife insurers, the lesser of three percent of
14 the insurer's admitted assets or 25 percent of surplus as regards policyholders
15 as of the 31st day of December next preceding; or

16 (ii) with respect to life insurers, three percent of the insurer's
17 admitted assets; each as of the 31st day of December next preceding.

18 (C) Reinsurance agreements or modifications of reinsurance
19 agreements, including:

20 (i) all reinsurance pooling agreements; and

1 (ii) agreements in which the reinsurance premium or a change in
2 the insurer's liabilities or the projected reinsurance premium or a change in the
3 insurer's liabilities in any of the next three years equals or exceeds five percent
4 of the insurer's surplus as regards policyholders, as of the 31st day of
5 December next preceding, including those agreements that may require as
6 consideration the transfer of assets from an insurer to a nonaffiliate, if an
7 agreement or understanding exists between the insurer and nonaffiliate that any
8 portion of such assets will be transferred to one or more affiliates of the
9 insurer.

10 (D) All management agreements, service contracts, tax allocation
11 agreements, guarantees, and all cost-sharing arrangements.

12 (E) Guarantees when made by a domestic insurer; provided,
13 however, that a guarantee that is quantifiable as to amount is not subject to the
14 notice requirements of this subdivision (2) unless it exceeds the lesser of one-
15 half of one percent of the insurer's admitted assets or 10 percent of surplus as
16 regards policyholders as of the 31st day of December next preceding. All
17 guarantees that are not quantifiable as to amount are subject to the notice
18 requirements of this subdivision.

19 (F) Direct or indirect acquisitions or investments in a person that
20 controls the insurer or in an affiliate of the insurer in an amount that together
21 with its present holdings in such investments exceeds two and one-half percent

1 of the insurer's surplus to policyholders. Direct or indirect acquisitions or
2 investments in subsidiaries acquired pursuant to section 3682 of this
3 subchapter or authorized under any other Vermont insurance law or in
4 nonsubsidiary insurance affiliates that are subject to the provisions of this
5 subchapter, are exempt from the notice requirement of this subdivision (2).

6 (G) Any material transactions, as specified in a rule adopted by the
7 Commissioner, that the Commissioner determines may adversely affect the
8 interests of the insurer's policyholders.

9 (H) Nothing in this subdivision (2) shall be deemed to authorize or
10 permit any transaction that, in the case of an insurer not a member of the same
11 insurance holding company system, would otherwise be contrary to law.

12 (3) A domestic insurer shall not enter into transactions that are part of a
13 plan or series of like transactions with persons within the insurance holding
14 company system if the purpose of those separate transactions is to avoid the
15 statutory threshold amount and thus avoid the review that would otherwise
16 occur. If the Commissioner determines that such separate transactions were
17 entered into over any 12-month period for such purpose, the Commissioner
18 may exercise the Commissioner's authority under this title.

19 (4) The Commissioner, in reviewing transactions pursuant to
20 subsection (b) of this section, shall consider whether the transactions comply

1 with the standards established in this subsection (a) and whether they may
2 adversely affect the interests of policyholders.

3 (5) The Commissioner shall be notified within 30 days following any
4 investment of the domestic insurer in any one corporation if the total
5 investment in such corporation by the insurance holding company system
6 exceeds 10 percent of such corporation's voting securities.

7 (6)(A) Any affiliate that is party to an agreement or contract with a
8 domestic insurer that is subject to subdivision (2)(D) of this subsection (a)
9 shall be subject to the jurisdiction of any supervision, seizure, conservatorship,
10 or receivership proceedings against the insurer and to the authority of any
11 supervisor, conservator, rehabilitator, or liquidator for the insurer appointed
12 pursuant to chapter 145 of this title for the purpose of interpreting, enforcing,
13 and overseeing the affiliate's obligations under the agreement or contract to
14 perform services for the insurer that:

15 (i) are an integral part of the insurer's operations, including
16 management, administrative, accounting, data processing, marketing,
17 underwriting, claims handling, investment, or any other similar functions; or

18 (ii) are essential to the insurer's ability to fulfill its obligations
19 under insurance policies.

20 (B) The Commissioner may require that an agreement or contract for
21 the provision of services described in subdivisions (2)(A)(i) and (ii) of this

1 subsection specify that the affiliate consents to the jurisdiction as set forth in
2 this subdivision (a)(6).

3 (b) Adequacy of surplus. For purposes of this subchapter, in determining
4 whether an insurer's surplus as regards policyholders is reasonable in relation
5 to the insurer's outstanding liabilities and adequate to its financial needs, the
6 following factors, among others, shall be considered:

7 (1) The size of the insurer as measured by its assets, capital and surplus,
8 reserves, premium writings, insurance in force, and other appropriate criteria.

9 (2) The extent to which the insurer's business is diversified among the
10 several lines of insurance.

11 (3) The number and size of risks insured in each line of business.

12 (4) The extent of the geographical dispersion of the insurer's insured
13 risks.

14 (5) The nature and extent of the insurer's reinsurance program.

15 (6) The quality, diversification, and liquidity of the insurer's investment
16 portfolio.

17 (7) The recent past and projected future trend in the size of the insurer's
18 surplus as regards policyholders.

19 (8) The surplus as regards policyholders maintained by other
20 comparable insurers.

21 (9) The adequacy of the insurer's reserves.

1 (10) The quality and liquidity of investments in ~~subsidiaries made~~
2 ~~pursuant to section 3682 of this title~~ affiliates. The Commissioner may treat
3 any such investment as a disallowed asset for purposes of determining the
4 adequacy of surplus as regards policyholders whenever in ~~his or her~~ the
5 Commissioner's judgment such investment so warrants.

6 (c) Dividends and other distributions. ~~No insurer subject to registration~~
7 ~~under section 3684 of this title shall~~ (1) A domestic insurer shall not pay any
8 extraordinary dividend or make any other extraordinary distribution to its
9 shareholders until:

10 ~~(1)(A)~~ (A) 30 days after the Commissioner has received notice of the
11 declaration ~~thereof~~ of the dividend or distribution and has not within such
12 period disapproved such payment; or

13 ~~(2)(B)~~ (B) the Commissioner shall have approved such payment within such
14 30-day period.

15 ~~(d) Limitation on dividends.~~

16 ~~(1)(2)~~ (2) For purposes of this ~~section~~ subsection, an extraordinary dividend
17 or distribution includes any dividend or distribution of cash or other property
18 whose fair market value together with that of other dividends or distributions
19 made within the preceding 12 months exceeds the lesser of:

20 (A) 10 percent of such insurer's surplus as regards policyholders as
21 of the 31st day of December next preceding; or

1 (B) the net gains from operations of such insurer, if such insurer is a
2 life insurer, or the net income, if such insurer is not a life insurer, not including
3 realized capital gains, for the 12-month period ending the 31st day of
4 December next preceding, but shall not include pro rata distributions of any
5 class of the insurer's own securities.

6 ~~(2)~~(3) In determining whether a dividend or distribution is
7 extraordinary, an insurer other than a life insurer may carry forward net income
8 from the previous two calendar years that has not already been paid out as
9 dividends. This carry-forward shall be computed by taking the net income
10 from the second and third preceding calendar years, not including realized
11 capital gains, less dividends paid in the second and immediate preceding
12 calendar years. In determining whether a dividend or distribution is
13 extraordinary, a life insurer may exclude dividends or distributions paid only
14 from unassigned surplus that do not exceed the greater of subdivision ~~(1)~~(A)
15 (2)(A) or (B) of this subsection, provided that a life insurer relying on this
16 provision shall notify the Commissioner of such dividend or distribution within
17 five business days following declaration and at least 10 days, commencing
18 from the date of receipt by the Commissioner, prior to the payment thereof.

19 ~~(e) Conditional dividends.~~ (4) Notwithstanding any other provision of law
20 to the contrary, an insurer may declare an extraordinary dividend or
21 distribution that is conditional upon the Commissioner's approval ~~thereof~~, and

1 such a declaration shall not confer ~~no~~ any rights upon shareholders until the

2 Commissioner has:

3 ~~(1)(A)~~ approved the payment of such dividend or distribution; or

4 ~~(2)(B)~~ not disapproved such payment within the 30-day period

5 referred to in ~~subsection (e)~~ subdivision (1) of this ~~section~~ subsection (c).

6 (d) Management of domestic insurers subject to registration.

7 (1) Notwithstanding the control of a domestic insurer by any person, the
8 officers and directors of the insurer shall not thereby be relieved of any
9 obligation or liability to which they would otherwise be subject by law, and the
10 insurer shall be managed so as to ensure its separate operating identity
11 consistent with this section.

12 (2) Nothing in this subsection shall preclude a domestic insurer from
13 having or sharing a common management or cooperative or joint use of
14 personnel, property, or services with one or more other persons under
15 arrangements meeting the standards of subdivision (a)(1) of this section.

16 (3) Not less than one-third of the directors of a domestic insurer and not
17 less than one-third of the members of each committee of the board of directors
18 of any domestic insurer shall be persons who are not officers or employees of
19 the insurer or of any entity controlling, controlled by, or under common control
20 with the insurer and who are not beneficial owners of a controlling interest in
21 the voting stock of the insurer or entity. At least one such person shall be

1 included in any quorum for the transaction of business at any meeting of the
2 board of directors or any committee thereof.

3 (4) The board of directors of a domestic insurer shall establish one or
4 more committees composed solely of directors who are not officers or
5 employees of the insurer or of any entity controlling, controlled by, or under
6 common control with the insurer and who are not beneficial owners of a
7 controlling interest in the voting stock of the insurer or any such entity. The
8 committee or committees shall have responsibility for nominating candidates
9 for director for election by shareholders or policyholders, evaluating the
10 performance of officers deemed to be principal officers of the insurer, and
11 recommending to the board of directors the selection and compensation of the
12 principal officers. For purposes of this subsection, principal officers shall
13 mean the chief executive officer, the president, and any chief operating officer.

14 (5) The provisions of subdivisions (3) and (4) of this subsection shall
15 not apply to a domestic insurer if the person controlling the insurer, such as an
16 insurer, a mutual insurance holding company, or a publicly held corporation,
17 has a board of directors and committees thereof that meet the requirements of
18 subdivisions (3) and (4) of this subsection with respect to such controlling
19 entity.

20 (6) An insurer may make application to the Commissioner for a waiver
21 from the requirements of this subsection if the insurer's annual direct written

1 and assumed premium, excluding premiums reinsured with the Federal Crop
2 Insurance Corporation and Federal Flood Program, is less than
3 \$300,000,000.00. An insurer may also make application to the Commissioner
4 for a waiver from the requirements of this subsection based upon unique
5 circumstances. The Commissioner may consider various factors, including the
6 type of business entity, volume of business written, availability of qualified
7 board members, or the ownership or organizational structure of the entity.

8 ~~(f) The following transactions involving a domestic insurer and any person~~
9 ~~in its holding company system, including amendments or modifications of~~
10 ~~affiliate agreements previously filed under this section, which are subject to~~
11 ~~any materiality standards contained in subdivisions (1) through (7) of this~~
12 ~~subsection, may not be entered into unless the insurer has notified the~~
13 ~~Commissioner in writing of its intention to enter into such transaction at least~~
14 ~~30 days prior thereto, or such shorter period as the Commissioner may permit,~~
15 ~~and the Commissioner has not disapproved it within such period. The notice~~
16 ~~for amendments or modifications shall include the reasons for the change and~~
17 ~~the financial impact on the domestic insurer. Informal notice shall be reported~~
18 ~~within 30 days after a termination of a previously filed agreement to the~~
19 ~~Commissioner for determination of the type of filing required, if any. Nothing~~
20 ~~herein contained shall be deemed to authorize or permit any transactions that in~~

1 ~~the case of an insurer not a member of the same holding company system,~~
2 ~~would be otherwise contrary to law.~~

3 ~~(1) Sales, purchases, exchanges, loans, or extensions of credit or~~
4 ~~investments, provided such transactions are equal to or exceed:~~

5 ~~(A) with respect to nonlife insurers, the lesser of three percent of the~~
6 ~~insurer's admitted assets or 25 percent of surplus as regards policyholders as of~~
7 ~~the 31st day of December next preceding;~~

8 ~~(B) with respect to life insurers, three percent of the insurer's~~
9 ~~admitted assets; each as of the 31st day of December next preceding.~~

10 ~~(2) Loans or extensions of credit to any person who is not an affiliate,~~
11 ~~where the insurer makes such loans or extensions of credit with the agreement~~
12 ~~or understanding that the proceeds of such transactions, in whole or in~~
13 ~~substantial part, are to be used to make loans or extensions of credit to, to~~
14 ~~purchase assets of, or to make investments in any affiliate of the insurer~~
15 ~~making such loans or extensions of credit, provided such transactions are equal~~
16 ~~to or exceed:~~

17 ~~(A) with respect to nonlife insurers, the lesser of three percent of the~~
18 ~~insurer's admitted assets or 25 percent of surplus as regards policyholders as of~~
19 ~~the 31st day of December next preceding;~~

20 ~~(B) with respect to life insurers, three percent of the insurer's~~
21 ~~admitted assets; each as of the 31st day of December next preceding.~~

1 ~~(3) Reinsurance agreements or modifications thereto, including:~~

2 ~~(A) all reinsurance pooling agreements;~~

3 ~~(B) agreements in which the reinsurance premium or a change in the~~
4 ~~insurer's liabilities or the projected reinsurance premium or a change in the~~
5 ~~insurer's liabilities in any of the next three years equals or exceeds five percent~~
6 ~~of the insurer's surplus as regards policyholders, as of the 31st day of~~
7 ~~December next preceding, including those agreements that may require as~~
8 ~~consideration the transfer of assets from an insurer to a nonaffiliate, if an~~
9 ~~agreement or understanding exists between the insurer and nonaffiliate that any~~
10 ~~portion of such assets will be transferred to one or more affiliates of the~~
11 ~~insurer.~~

12 ~~(4) Any material transactions, specified by regulation, that the~~
13 ~~Commissioner determines may adversely affect the interests of the insurer's~~
14 ~~policyholders.~~

15 ~~(5) All management agreements, service contracts, and all cost-sharing~~
16 ~~arrangements.~~

17 ~~(6) Guarantees when made by a domestic insurer; provided, however,~~
18 ~~that a guarantee that is quantifiable as to amount is not subject to the notice~~
19 ~~requirements of this subsection unless it exceeds the lesser of one half of one~~
20 ~~percent of the insurer's admitted assets or 10 percent of surplus as regards~~
21 ~~policyholders as of the 31st day of December next preceding. All guarantees~~

1 ~~that are not quantifiable as to amount are subject to the notice requirements of~~
2 ~~this subdivision.~~

3 ~~(7) Direct or indirect acquisitions or investments in a person that~~
4 ~~controls the insurer or an affiliate of the insurer in an amount that together with~~
5 ~~its present holdings in such investments, exceeds two and one half percent of~~
6 ~~the insurer's surplus to policyholders. Direct or indirect acquisitions or~~
7 ~~investments in subsidiaries acquired pursuant to section 3682 of this chapter or~~
8 ~~authorized under any other section of this chapter or in nonsubsidiary~~
9 ~~insurance affiliates that are subject to the provisions of this chapter are exempt~~
10 ~~from this requirement.~~

11 ~~(g) A domestic insurer may not enter into transactions that are part of a~~
12 ~~plan or series of like transactions with persons within the holding company~~
13 ~~system if the purpose of those separate transactions is to avoid the statutory~~
14 ~~threshold amount and thus avoid the review that would occur otherwise. If the~~
15 ~~Commissioner determines that such separate transactions were entered into~~
16 ~~over any 12 month period for such purpose, he or she may exercise his or her~~
17 ~~authority under this title.~~

18 ~~(h) The Commissioner, in reviewing transactions pursuant to subsection (f)~~
19 ~~of this section, shall consider whether the transactions comply with the~~
20 ~~standards set forth in subsection (a) of this section and whether they may~~
21 ~~adversely affect the interests of policyholders.~~

1 ~~(i) The Commissioner shall be notified within 30 days of any investment of~~
2 ~~the domestic insurer in any one corporation if the total investment in such~~
3 ~~corporation by the insurance holding company system exceeds 10 percent of~~
4 ~~such corporation's voting securities.~~

5 ~~(j) Management of domestic insurers subject to registration.~~

6 ~~(1) Notwithstanding the control of a domestic insurer by any person, the~~
7 ~~officers and directors of the insurer shall not thereby be relieved of any~~
8 ~~obligation or liability to which they would otherwise be subject by law, and the~~
9 ~~insurer shall be managed so as to ensure its separate operating identity~~
10 ~~consistent with this section.~~

11 ~~(2) Nothing in this section shall preclude a domestic insurer from having~~
12 ~~or sharing a common management or cooperative or joint use of personnel,~~
13 ~~property, or services with one or more other persons under arrangements~~
14 ~~meeting the standards of subsection (a) of this section.~~

15 ~~(3) Not less than one third of the directors of a domestic insurer and not~~
16 ~~less than one third of the members of each committee of the board of directors~~
17 ~~of any domestic insurer shall be persons who are not officers or employees of~~
18 ~~the insurer or of any entity controlling, controlled by, or under common control~~
19 ~~with the insurer and who are not beneficial owners of a controlling interest in~~
20 ~~the voting stock of the insurer or entity. At least one such person must be~~

1 ~~included in any quorum for the transaction of business at any meeting of the~~
2 ~~board of directors or any committee thereof.~~

3 ~~(4) The board of directors of a domestic insurer shall establish one or~~
4 ~~more committees composed of a majority of directors who are not officers or~~
5 ~~employees of the insurer or of any entity controlling, controlled by, or under~~
6 ~~common control with the insurer and who are not beneficial owners of a~~
7 ~~controlling interest in the voting stock of the insurer or any such entity. The~~
8 ~~committee or committees shall have responsibility for nominating candidates~~
9 ~~for director for election by shareholders or policyholders, evaluating the~~
10 ~~performance of officers deemed to be principal officers of the insurer, and~~
11 ~~recommending to the board of directors the selection and compensation of the~~
12 ~~principal officers. For purposes of this subsection, principal officers shall~~
13 ~~mean the chief executive officer, the president, and any chief operating officer.~~

14 ~~(5) The provisions of subdivisions (3) and (4) of this subsection shall~~
15 ~~not apply to a domestic insurer if the person controlling the insurer, such as an~~
16 ~~insurer, a mutual insurance holding company, or a publicly held corporation,~~
17 ~~has a board of directors and committees thereof that meet the requirements of~~
18 ~~subdivisions (3) and (4) of this subsection with respect to such controlling~~
19 ~~entity.~~

20 ~~(6) An insurer may make application to the Commissioner for a waiver~~
21 ~~from the requirements of this subsection if the insurer's annual direct written~~

1 ~~and assumed premium, excluding premiums reinsured with the Federal Crop~~
2 ~~Insurance Corporation and Federal Flood Program, is less than~~
3 ~~\$300,000,000.00. An insurer may also make application to the Commissioner~~
4 ~~for a waiver from the requirements of this subsection based upon unique~~
5 ~~circumstances. The Commissioner may consider various factors, including the~~
6 ~~type of business entity, volume of business written, availability of qualified~~
7 ~~board members, or the ownership or organizational structure of the entity.~~

8 Sec. 27. 8 V.S.A. § 3687 is amended to read:

9 § 3687. CONFIDENTIAL TREATMENT

10 (a) Documents, materials, or other information in the possession or control
11 of the Department that are obtained by or disclosed to the Commissioner or
12 any other person in the course of an examination or investigation made
13 pursuant to section 3686 of this title and all information reported pursuant to
14 subdivisions 3683(b)(12) and (13), section 3684, and section 3685 of this ~~title~~
15 chapter are recognized by this State as being proprietary and to contain trade
16 secrets and shall be given confidential treatment, shall not be subject to
17 subpoena, shall not be subject to public inspection and copying under the
18 Public Records Act, shall not be subject to discovery or admissible in evidence
19 in any private civil action, and shall not be made public by the Commissioner
20 or any other person. However, the Commissioner is authorized to use the
21 documents, materials, or other information in the furtherance of any regulatory

1 or legal action brought as a part of the Commissioner's official duties. The
2 Commissioner shall not otherwise make the documents, materials, or other
3 information public without the prior written consent of the insurer to which it
4 pertains unless the Commissioner, after giving the insurer and its affiliates who
5 would be affected thereby notice and opportunity to be heard, determines that
6 the interests of policyholders, shareholders, or the public will be served by the
7 publication thereof, in which event ~~he or she~~ the Commissioner may publish all
8 or any part thereof in such manner as ~~he or she~~ the Commissioner may deem
9 appropriate.

10 (1) For purposes of the information reported and provided to the
11 Department pursuant to subdivision 3684(m)(2) of this chapter, the
12 Commissioner shall maintain the confidentiality of the group capital
13 calculation and group capital ratio produced within the calculation and any
14 group capital information received from an insurance holding company
15 supervised by the Federal Reserve Board or any U.S. groupwide supervisor.

16 (2) For purposes of the information reported and provided to the
17 Department pursuant to subdivision 3684(m)(3) of this chapter, the
18 Commissioner shall maintain the confidentiality of the liquidity stress test
19 results and supporting disclosures and any liquidity stress test information
20 received from an insurance holding company supervised by the Federal
21 Reserve Board and non-U.S. groupwide supervisors.

1 (b) Neither the Commissioner nor any person who received documents,
2 materials, or other information while acting under the authority of the
3 Commissioner or with whom such documents, materials, or other information
4 are shared pursuant to this chapter shall be permitted or required to testify in
5 any private civil action concerning any confidential documents, materials, or
6 information subject to subsection (a) of this section.

7 (c) In order to assist in the performance of the Commissioner's duties, the
8 Commissioner:

9 (1) ~~may~~ May share documents, materials, or other information,
10 including the confidential and privileged documents, materials, or information
11 subject to subsection (a) of this section, including proprietary and trade secret
12 documents and materials, with other state, federal, and international regulatory
13 agencies, with the NAIC ~~and its affiliates and subsidiaries~~, with third-party
14 consultants designated by the Commissioner, and with state, federal, and
15 international law enforcement authorities, including members of any
16 supervisory college described in section 3695 of this title, provided that the
17 recipient agrees in writing to maintain the confidentiality and privileged status
18 of the document, material, or other information and has verified in writing the
19 legal authority to maintain confidentiality;

20 (2) ~~notwithstanding~~ Notwithstanding subdivision (1) of this subsection,
21 may only share confidential and privileged documents, material, or information

1 reported pursuant to ~~subsection 3684(m)~~ subdivision 3684(m)(1) of this
2 chapter with commissioners of states having statutes or regulations
3 substantially similar to subsection (a) of this section and who have agreed in
4 writing not to disclose such information;

5 (3) ~~may~~ May receive documents, materials, or information, including
6 otherwise confidential and privileged documents, materials, or information,
7 including proprietary and trade-secret information, from the NAIC and its
8 affiliates and subsidiaries and from regulatory and law enforcement officials of
9 other foreign or domestic jurisdictions and shall maintain as confidential or
10 privileged any document, material, or information received with notice or the
11 understanding that it is confidential or privileged under the laws of the
12 jurisdiction that is the source of the document, material, or information; ~~and~~

13 (4) ~~shall~~ Shall enter into written agreements with the NAIC and any
14 third-party consultant designated by the Commissioner governing sharing and
15 use of information provided under this chapter consistent with this subsection
16 that shall:

17 (A) ~~specify~~ Specify procedures and protocols regarding the
18 confidentiality and security of information shared with the NAIC ~~and its~~
19 ~~affiliates and subsidiaries~~ or a third-party consultant designated by the
20 Commissioner pursuant to this ~~section~~ subchapter, including procedures and
21 protocols for sharing by the NAIC with other state, federal, or international

1 regulators; The agreement shall provide that the recipient agrees in writing to
2 maintain the confidentiality and privileged status of the documents, materials,
3 or other information and has verified in writing the legal authority to maintain
4 such confidentiality.

5 (B) ~~specify~~ Specify that ownership of information shared with the
6 NAIC ~~and its affiliates and subsidiaries~~ or a third-party consultant pursuant to
7 this section remains with the Commissioner and the NAIC's use of the
8 information is subject to the direction of the Commissioner;

9 (C) ~~require~~ Excluding documents, materials, or information reported
10 pursuant to subdivision 3684(m)(3) of this title, prohibit the NAIC or third-
11 party consultant designated by the Commissioner from storing the information
12 shared pursuant to this subchapter in a permanent database after the underlying
13 analysis is completed.

14 (D) Require prompt notice be given to an insurer whose confidential
15 information in the possession of the NAIC or third-party consultant designated
16 by the Commissioner under this ~~section~~ subchapter is subject to a request or
17 subpoena to the NAIC or a third-party consultant designated by the
18 Commissioner for disclosure or production; ~~and~~.

19 ~~(D)~~(E) ~~require~~ Require the NAIC ~~and its affiliates and subsidiaries~~ or
20 a third-party consultant designated by the Commissioner to consent to
21 intervention by an insurer in any judicial or administrative action in which the

1 ~~NAIC and its affiliates and subsidiaries~~ or third-party consultant designated by
2 the Commissioner may be required to disclose confidential information about
3 the insurer shared with the NAIC ~~and its affiliates and subsidiaries~~ or third-
4 party consultant designated by the Commissioner pursuant to this section.

5 (F) For documents, materials, or information report pursuant to
6 subdivision 3684(b)(3) of this chapter, in the case of an agreement involving a
7 third-party consultant, provide for notification of the identity of the consultant
8 to the applicable insurers.

9 (d) The sharing of information by the Commissioner pursuant to this
10 section shall not constitute a delegation of regulatory authority or rulemaking,
11 and the Commissioner is solely responsible for the administration, execution,
12 and enforcement of the provisions of this section.

13 (e) No waiver of any applicable privilege or claim of confidentiality in the
14 documents, materials, or information shall occur as a result of disclosure to the
15 Commissioner under this section or as a result of sharing as authorized in
16 subsection (c) of this section.

17 (f) Documents, materials, or other information in the possession or control
18 of the NAIC or third-party consultant designated by the Commissioner
19 pursuant to this section ~~subchapter~~ shall be confidential by law and privileged,
20 shall not be subject to public inspection and copying under the Public Records
21 Act, shall not be subject to subpoena, shall not be subject to discovery or

1 admissible in evidence in any private civil action, and shall not be made public
2 by the Commissioner or any other person.

3 (g) The group capital calculation and resulting group capital ratio required
4 under subdivision 3684(m)(2) of this subchapter and the liquidity stress test
5 along with its results and supporting disclosures required under subdivision
6 3684(m)(3) of this subchapter are regulatory tools for assessing group risks and
7 capital adequacy and group liquidity risks, respectively, and are not intended as
8 a means to rank insurers or insurance holding company systems, generally.
9 Therefore, except as otherwise may be required under the provisions of this
10 chapter, the making, publishing, disseminating, circulating or placing before
11 the public, or causing directly or indirectly to be made, published,
12 disseminated, circulated, or placed before the public in a newspaper, magazine,
13 or other publication, or in the form of a notice, circular, pamphlet, letter, or
14 poster, or over any radio or television station or any electronic means of
15 communication available to the public, or in any other way as an
16 advertisement, announcement, or statement containing a representation or
17 statement with regard to the group capital calculation, group capital ratio, the
18 liquidity stress test results, or supporting disclosures for the liquidity stress test
19 of any insurer or any insurer group, or of any component derived in the
20 calculation by any insurer, broker, or other person engaged in any manner in
21 the insurance business would be misleading and is therefore prohibited.

1 However, if any materially false statement with respect to the group capital
2 calculation, resulting group capital ratio, an inappropriate comparison of any
3 amount to an insurer's or insurance group's group capital calculation or
4 resulting group capital ratio, liquidity stress test result, supporting disclosures
5 for the liquidity stress test, or an inappropriate comparison of any amount to an
6 insurer's or insurance group's liquidity stress test result or supporting
7 disclosures is published in any written publication and the insurer is able to
8 demonstrate to the Commissioner with substantial proof the falsity of such
9 statement or the inappropriateness, as the case may be, then the insurer may
10 publish announcements in a written publication if the sole purpose of the
11 announcement is to rebut the materially false statement.

12 Sec. 28. 8 V.S.A. chapter 149 is added to read:

13 CHAPTER 149. PET INSURANCE

14 § 7151. SHORT TITLE

15 This chapter shall be known and may be cited as the "Pet Insurance Act."

16 § 7152. SCOPE AND PURPOSE

17 (a) The purpose of this chapter is to promote the public welfare by creating
18 a comprehensive legal framework within which pet insurance may be sold in
19 Vermont.

20 (b) The requirements of this chapter shall apply to pet insurance policies
21 that are issued to any resident of this State and are sold, solicited, negotiated,

1 or offered in this State and policies or certificates that are delivered or issued
2 for delivery in this State.

3 (c) All other applicable provisions of Vermont insurance law shall continue
4 to apply to pet insurance except that the specific provisions of this subchapter
5 shall supersede any general provisions of law that would otherwise be
6 applicable to pet insurance.

7 § 7153. DEFINITIONS

8 (a) If a pet insurer uses any term defined in this section in a policy of pet
9 insurance, the pet insurer shall use the definition of the term provided in this
10 section and include the definition of the term in the policy. The pet insurer
11 shall also make the definition available through a clear and conspicuous link
12 on the main page of the website of either the pet insurer or the pet insurer's
13 program administrator.

14 (b) Nothing in this chapter shall in any way prohibit or limit the types of
15 exclusions pet insurers may use in their policies or require pet insurers to have
16 any of the limitations or exclusions defined in this section.

17 (c) As used in this chapter:

18 (1) "Chronic condition" means a condition that can be treated or
19 managed, but not cured.

1 (2) “Congenital anomaly or disorder” means a condition that is present
2 from birth, whether inherited or caused by the environment, which may cause
3 or contribute to illness or disease.

4 (3) “Hereditary disorder” means an abnormality that is genetically
5 transmitted from parent to offspring and may cause illness or disease.

6 (4) “Orthopedic” refers to conditions affecting the bones, skeletal
7 muscle, cartilage, tendons, ligaments, and joints. It includes elbow dysplasia,
8 hip dysplasia, intervertebral disc degeneration, patellar luxation, and ruptured
9 cranial cruciate ligaments. It does not include cancers or metabolic,
10 hemopoietic, or autoimmune diseases.

11 (5) “Pet insurance” means a property insurance policy that provides
12 coverage for accidents and illnesses of pets.

13 (6)(A) “Preexisting condition” means any condition for which any of the
14 following are true within 180 days prior to the effective date of a pet insurance
15 policy or during any waiting period:

16 (i) a veterinarian provided medical advice;

17 (ii) the pet received previous treatment; or

18 (iii) based on information from verifiable sources, the pet had
19 signs or symptoms directly related to the condition for which a claim is being
20 made.

1 (B) A condition for which coverage is afforded on a policy cannot be
2 considered a preexisting condition on any renewal of the policy.

3 (7) “Renewal” means to issue and deliver at the end of an insurance
4 policy period a policy that supersedes a policy previously issued and delivered
5 by the same pet insurer or affiliated pet insurer and that provides types and
6 limits of coverage substantially similar to those contained in the policy being
7 superseded.

8 (8) “Veterinarian” means an individual who holds a valid license to
9 practice veterinary medicine from the appropriate licensing entity in the
10 jurisdiction in which the veterinarian practices.

11 (9) “Veterinary expenses” means the costs associated with medical
12 advice, diagnosis, care, or treatment provided by a veterinarian, including the
13 cost of drugs prescribed by a veterinarian.

14 (10) “Waiting period” means the period of time specified in a pet
15 insurance policy that is required to transpire before some or all of the coverage
16 in the policy can begin. A waiting period may not be applied to a renewal of
17 existing coverage.

18 (11) “Wellness program” means a subscription or reimbursement-based
19 program that is separate from an insurance policy that provides goods and
20 services to promote the general health, safety, or well-being of the pet. If any
21 wellness program meets the definition of insurance in section 3301a of this

1 title and does not qualify for any exclusion, it is transacting in the business of
2 insurance and is subject to the applicable insurance laws and rules. This
3 definition is not intended to classify a contract directly between a service
4 provider and a pet owner that only involves the two parties as being “the
5 business of insurance,” unless other indications of insurance also exist.

6 § 7154. DISCLOSURES

7 (a) A pet insurer transacting pet insurance shall disclose the following to
8 consumers:

9 (1) If the policy excludes coverage due to any of the following:

10 (A) a preexisting condition;

11 (B) a hereditary disorder;

12 (C) a congenital anomaly or disorder; or

13 (D) a chronic condition.

14 (2) If the policy includes any other exclusions, the following statement:

15 “Other exclusions may apply. Please refer to the exclusions section of the

16 policy for more information.”

17 (3) Any policy provision that limits coverage through a waiting or

18 affiliation period, a deductible, coinsurance, or an annual or lifetime policy

19 limit.

1 (4) Whether the pet insurer reduces coverage or increases premiums
2 based on the insured's claim history, the age of the covered pet, or a change in
3 the geographic location of the insured.

4 (5) If the underwriting company differs from the brand name used to
5 market and sell the product.

6 (b)(1) Unless the insured has filed a claim under the pet insurance policy,
7 pet insurance applicants shall have the right to examine and return the policy,
8 certificate, or rider to the company or an agent or insurance producer of the
9 company within 30 days following its receipt and to have the premium
10 refunded if, after examination of the policy, certificate, or rider, the applicant is
11 not satisfied for any reason.

12 (2) Pet insurance policies, certificates, and riders shall have a notice
13 prominently printed on the first page or attached thereto including specific
14 instructions to accomplish a return. The following free-look statement, or
15 substantially similar language, shall be included:

16 You have 30 days following the day you receive this policy, certificate, or
17 rider to review it and return it to the company if you decide not to keep it.
18 You do not have to tell the company why you are returning it. If you decide
19 not to keep it, simply return it to the company at its administrative office or
20 you may return it to the agent or insurance producer that you bought it from,
21 provided you have not filed a claim. You must return it within 30 days

1 following the day you first received it. The company will refund the full
2 amount of any premium paid within 30 days following the day it receives
3 the returned policy, certificate, or rider. The premium refund will be sent
4 directly to the person who paid it. The policy, certificate, or rider will be
5 void as if it had never been issued.

6 (3) A pet insurer shall clearly disclose a summary description of the
7 basis or formula on which the pet insurer determines claim payments under a
8 pet insurance policy within the policy prior to policy issuance and through a
9 clear and conspicuous link on the main page of the website of either the pet
10 insurer or the pet insurer's program administrator.

11 (4) A pet insurer that uses a benefit schedule to determine claim
12 payment under a pet insurance policy shall do the following:

13 (A) clearly disclose the applicable benefit schedule in the policy; and

14 (B) disclose all benefit schedules used by the pet insurer under its pet
15 insurance policies through a clear and conspicuous link on the main page of the
16 website of either the pet insurer or the pet insurer's program administrator.

17 (5) A pet insurer that determines claim payments under a pet insurance
18 policy based on usual and customary fees, or any other reimbursement
19 limitation based on prevailing veterinary service provider charges, shall do the
20 following:

1 (A) include a usual and customary fee limitation provision in the
2 policy that clearly describes the pet insurer’s basis for determining usual and
3 customary fees and how that basis is applied in calculating claim payments;
4 and

5 (B) disclose the pet insurer’s basis for determining usual and
6 customary fees through a clear and conspicuous link on the main page of the
7 website of either the pet insurer or the pet insurer’s program administrator.

8 (6) If any medical examination by a licensed veterinarian is required to
9 effectuate coverage, the pet insurer shall clearly and conspicuously disclose the
10 required aspects of the examination prior to purchase and disclose that
11 examination documentation may result in a preexisting condition exclusion.

12 (7) Waiting periods and the requirements applicable to them must be
13 clearly and prominently disclosed to consumers prior to the policy purchase.

14 (8) The pet insurer shall include a summary of all policy provisions
15 required in subdivisions (1)–(7) of this subsection in a separate document
16 entitled “Insurer Disclosure of Important Policy Provisions.”

17 (9) The pet insurer shall post the “Insurer Disclosure of Important Policy
18 Provisions” document required in subdivision (8) of this subsection through a
19 clear and conspicuous link on the main page of the website of either the pet
20 insurer or the pet insurer’s program administrator.

1 (10) In connection with the issuance of a new pet insurance policy, the
2 pet insurer shall provide the consumer with a copy of the “Insurer Disclosure
3 of Important Policy Provisions” document required pursuant to subdivision (8)
4 of this subsection in at least 12-point type when it delivers the policy.

5 (11) At the time a pet insurance policy is issued or delivered to a
6 policyholder, the pet insurer shall include a written disclosure with the
7 following information, printed in 12-point boldface type:

8 (A) the Department of Financial Regulation’s mailing address, toll-
9 free telephone number, and website address;

10 (B) the address and customer service telephone number of the pet
11 insurer or the agent or broker of record; and

12 (C) if the policy was issued or delivered by an agent or broker, a
13 statement advising the policyholder to contact the broker or agent for
14 assistance.

15 (12) The disclosures required in this section shall be in addition to any
16 other disclosure requirements required by law or rule.

17 § 7155. POLICY CONDITIONS

18 (a) A pet insurer may issue policies that exclude coverage on the basis of
19 one or more preexisting conditions with appropriate disclosure to the
20 consumer. The pet insurer has the burden of proving that the preexisting
21 condition exclusion applies to the condition for which a claim is being made.

1 (b) A pet insurer may issue policies that impose waiting periods that do not
2 exceed 30 days from the effective date of the policy for illnesses or orthopedic
3 conditions not resulting from an accident. Waiting periods for accidents are
4 prohibited. An insurer must issue coverage to be effective not later than 12:01
5 a.m. on the second calendar day after premium is paid.

6 (1) A pet insurer using a waiting period permitted under this subsection
7 shall include a provision in its contract that allows the waiting period to be
8 waived upon completion of a medical examination. Pet insurers may require
9 the examination to be conducted by a licensed veterinarian after the purchase
10 of the policy.

11 (A) A medical examination pursuant to this subdivision (1) shall be
12 paid for by the policyholder, unless the policy specifies that the pet insurer will
13 pay for the examination.

14 (B) A pet insurer can specify elements to be included as part of the
15 examination and require documentation thereof, provided the specifications do
16 not unreasonably restrict a consumer's ability to waive the waiting period
17 under this subsection.

18 (2) Waiting periods, and the requirements applicable to them, shall be
19 clearly and prominently disclosed to consumers prior to the policy purchase.

20 (3) If a policy does not include a waiting period, an insurer may set a
21 policy effective date that is up to 15 calendar days after purchase, provided

1 such policy effective date is clearly disclosed and no premium is earned before
2 the policy becomes effective.

3 (c) A pet insurer must not require a veterinary examination of the covered
4 pet for the insured to have their policy renewed.

5 (d) If a pet insurer includes any prescriptive, wellness, or noninsurance
6 benefits in the policy form, then it is made part of the policy contract and shall
7 follow all applicable insurance laws and rules.

8 (e) An insured's eligibility to purchase a pet insurance policy shall not be
9 based on participation, or lack of participation, in a separate wellness program.

10 (f) A condition for which coverage is afforded on a policy shall not be
11 considered a preexisting condition on any renewal of the policy.

12 (g) A policyholder shall be allowed to modify coverage amounts without
13 having the policy cancelled and renewed.

14 (h) Coverage for new or existing claims shall not be suspended due to
15 nonpayment of premium. The policy is considered effective until renewal,
16 cancellation, or nonrenewal.

17 (i) Unpaid premiums shall not be deducted from claim payments for a
18 covered loss.

19 § 7156. SALES PRACTICES FOR WELLNESS PROGRAMS

20 (a) A pet insurer or producer shall not market a wellness program as pet
21 insurance.

1 (b) If a wellness program is sold by a pet insurer or producer it shall be
2 subject to the following requirements:

3 (1) The purchase of the wellness program shall not be a requirement to
4 the purchase of pet insurance.

5 (2) The costs of the wellness program shall be separate and identifiable
6 from any pet insurance policy sold by a pet insurer or producer.

7 (3) The terms and conditions for the wellness program shall be separate
8 from any pet insurance policy sold by a pet insurer or producer.

9 (4) The products or coverages available through the wellness program
10 shall not duplicate products or coverages available through the pet insurance
11 policy.

12 (5) The advertising of the wellness program shall not be misleading and
13 shall be in accordance with the requirements of this subsection.

14 (6) A pet insurer or producer shall clearly disclose the following to
15 consumers, printed in 12-point boldface type:

16 (A) that wellness programs are not insurance;

17 (B) the address and customer service telephone number of the pet
18 insurer or producer or broker of record; and

19 (C) the Department of Financial Regulation's mailing address, toll-
20 free telephone number, and website address.

1 (7) Coverages included in the pet insurance policy contract described as
2 “wellness” benefits are insurance.

3 § 7157. INSURANCE PRODUCER TRAINING

4 (a) An insurance producer shall not sell, solicit, or negotiate a pet insurance
5 product until after the producer is appropriately licensed and has completed the
6 required training identified in subsection (c) of this section.

7 (b) An insurer shall ensure that its producers are trained under
8 subsection (c) of this section and that its producers have been appropriately
9 trained on the coverages and conditions of its pet insurance products.

10 (c) The training required under this section shall include information on the
11 following topics:

12 (A) preexisting conditions and waiting periods;

13 (B) the differences between pet insurance and noninsurance wellness
14 programs;

15 (C) hereditary disorders, congenital anomalies or disorders, and
16 chronic conditions and how pet insurance policies interact with those
17 conditions or disorders; and

18 (D) rating, underwriting, renewal, and other related administrative
19 topics.

1 (d) The satisfaction of the training requirements of another state that are
2 substantially similar to the training requirements in subsection (c) of this
3 section shall be deemed to satisfy the training requirements in Vermont.

4 § 7158. RULES

5 The Commissioner may adopt rules to administer this chapter and to
6 effectuate its policies and purposes.

7 § 7159. VIOLATIONS

8 A violation of this chapter shall be subject to the penalties and enforcement
9 provisions specified in section 3661 of this title.

10 * * * Conference of State Bank Supervisors; Money Transmission

11 Modernization Model Act * * *

12 Sec. 29. 8 V.S.A. § 2101 is amended to read:

13 § 2101. DEFINITIONS

14 Except as otherwise provided in this part:

15 (1) “Acting in concert” means persons knowingly acting together with a
16 common goal of jointly acquiring control of a license whether or not pursuant
17 to an express agreement.

18 (2) “Commercial loan” means a loan or extension of credit that is
19 described in 9 V.S.A. § 46(1), (2), or (4). The term does not include a loan or
20 extension of credit secured in whole or in part by an owner-occupied, one- to
21 four-unit dwelling.

1 ~~(2)~~(3) “Commissioner” means the Commissioner of Financial
2 Regulation.

3 ~~(3)~~(4)(A) “Control” means ~~the possession, direct or indirect, of the~~
4 ~~power to direct or cause the direction of the management or policies of a~~
5 ~~person, whether through the ownership of voting securities, by contract other~~
6 ~~than a commercial contract for goods or nonmanagement services, or~~
7 ~~otherwise, unless the power is the result of an official position with or~~
8 ~~corporate office held by the person. Control is presumed to exist if a person,~~
9 ~~directly or indirectly, owns, controls, holds with the power to vote, or holds~~
10 ~~proxies representing 10 percent or more of the voting securities or other~~
11 ~~interest of any other person;~~

12 (i) the power to vote, directly or indirectly, at least 25 percent of
13 the outstanding voting shares or voting interests of a licensee or person in
14 control of a licensee;

15 (ii) the power to elect or appoint a majority of key individuals; or

16 (iii) the power to exercise, directly or indirectly, a controlling
17 influence over the management or policies of a licensee or person in control of
18 a licensee.

19 (B) A person is presumed to exercise a controlling influence when
20 the person holds the power to vote, directly or indirectly, at least 10 percent of

1 the outstanding voting shares or voting interests of a licensee or person in
2 control of a licensee.

3 (C) A person presumed to exercise a controlling influence as defined
4 by subdivision (4)(B) of this section can rebut the presumption of control if the
5 person is a passive investor.

6 (D) For purposes of determining the percentage of a person
7 controlled by any other person, the person’s interest shall be aggregated with
8 the interest of any other immediate family member as defined in
9 subdivision (9) of this section, as well as the interest of the person’s mothers-
10 and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law,
11 and any other person who shares such person’s home.

12 ~~(4)~~(5) “Depository institution” has the same meaning as in 12 U.S.C.
13 § 1813 and includes any bank and any savings association as defined in
14 12 U.S.C. § 1813. The term also includes a credit union organized and
15 regulated as such under the laws of the United States or any state.

16 ~~(5)~~(6) “Dwelling” has the same meaning as in 15 U.S.C. § 1602.

17 ~~(6)~~(7) “Federal banking agencies” means the Board of Governors of the
18 Federal Reserve System, the Comptroller of the Currency, the National Credit
19 Union Administration, and the Federal Deposit Insurance Corporation or any
20 successor of any of these.

21 ~~(7)~~(8) “Holder” means:

1 (A) the person in possession of a negotiable instrument that is
2 payable either to bearer or to an identified person that is the person in
3 possession;

4 (B) the person in possession of a negotiable tangible document of
5 title if the goods are deliverable either to bearer or to the order of the person in
6 possession; or

7 (C) the person in control of a negotiable electronic document of title.

8 ~~(8)~~(9) “Immediate family member” means a spouse, child, sibling,
9 parent, grandparent, or grandchild, aunt, uncle, nephew, niece, including
10 stepparents, stepchildren, stepsiblings, step grandparents, step grandchildren,
11 and adoptive relationships. The term also includes former spouses dividing
12 property in connection with a divorce or separation.

13 ~~(9)~~(10) “Individual” means a natural person.

14 ~~(10)~~(11) “Insurance company” means an institution organized and
15 regulated as such under the laws of any state.

16 ~~(11)~~(12) “Key individual” means any individual ultimately responsible
17 for establishing or directing policies and procedures of the licensee, such as an
18 executive officer, manager, director, or trustee, and includes persons exercising
19 the managerial authority of a person in control of a licensee.

20 (13) “Licensee” means a person required to be licensed or registered
21 under this part.

1 ~~(12)~~(14) “Material litigation” means a litigation that according to
2 generally accepted accounting principles is deemed significant to an
3 applicant’s or a licensee’s financial health and is required to be disclosed in the
4 applicant’s or licensee’s annual audited financial statements, report to
5 shareholders, or similar records.

6 ~~(13)~~(15) “Mortgage loan” means a loan secured primarily by a lien
7 against real estate.

8 (16) “Multistate licensing process” means any agreement entered into by
9 and among state regulators relating to coordinated processing of applications
10 for licenses, applications for the acquisition of control of a licensee, control
11 determinations, or notice and information requirements for a change of key
12 individuals.

13 ~~(14)~~(17) “Nationwide Multistate Licensing System and Registry” or
14 “Nationwide Mortgage Licensing System and Registry” or “NMLS” means a
15 multistate licensing system developed by the Conference of State Bank
16 Supervisors and the American Association of Residential Mortgage Regulators
17 and operated by the State Regulatory Registry LLC for the licensing and
18 registration of ~~non-depository~~ nondepository financial service entities in
19 participating state agencies, or any successor to the Nationwide Multistate
20 Licensing System and Registry.

21 ~~(15)~~(18) “Person” has the same meaning as in 1 V.S.A. § 128.

1 (19) “Passive investor” means a person that:

2 (A) does not have the power to elect a majority of key individuals;

3 (B) is not employed by and does not have any managerial duties of
4 the licensee or person in control of a licensee;

5 (C) does not have the power to exercise, directly or indirectly, a
6 controlling influence over the management or policies of a licensee or person
7 in control of a licensee; and

8 (D) either attests to subdivisions (A), (B), and (C) of this subdivision
9 in a form and in a medium prescribed by the Commissioner or commits to the
10 passivity characteristics of subdivisions (A), (B), and (C) of this subdivision in
11 a written document.

12 ~~(16)~~(20) “Record” means information that is inscribed on a tangible
13 medium or that is stored in an electronic or other medium and is retrievable in
14 perceivable form.

15 ~~(17)~~(21) “Residential mortgage loan” means a loan primarily for
16 personal, family, or household use that is secured by a mortgage, deed of trust,
17 or other equivalent consensual security interest on either a dwelling or
18 residential real estate, upon which is constructed or intended to be constructed
19 a dwelling.

20 ~~(18)~~(22) “Residential real estate” means real property located in this
21 State, upon which is constructed or intended to be constructed a dwelling.

1 ~~(19)~~ “Responsible individual” means an individual who is employed by
2 a licensee and has principal, active managerial authority over the provision of
3 services in this State.

4 ~~(20)~~(23) “State” means a state of the United States, the District of
5 Columbia, Puerto Rico, the U.S. Virgin Islands, or any territory or insular
6 possession subject to the jurisdiction of the United States, except that when
7 capitalized the term means the State of Vermont.

8 ~~(21)~~(24) “Unique identifier” means a number or other identifier assigned
9 by protocols established by the Nationwide Multistate Licensing System and
10 Registry.

11 ~~(22)~~(25) “Unsafe or unsound practice” means a practice or conduct by a
12 person licensed to do business in this State that creates the likelihood of
13 material loss, insolvency, or dissipation of the licensee’s assets, or otherwise
14 materially prejudices the interests of its customers.

15 Sec. 30. 8 V.S.A. § 2102 is amended to read:

16 § 2102. APPLICATION FOR LICENSE

17 (a) Application for a license or registration shall be in writing, under oath,
18 and in the form prescribed by the Commissioner, and shall contain the legal
19 name, any fictitious name or trade name, and the address of the residence and
20 place of business of the applicant, ~~and~~; if the applicant is a partnership ~~or an~~
21 association, of every member thereof, and if a corporation, of each officer and

1 ~~director thereof~~ corporation, limited liability company, partnership, or other
2 entity, the name and title of each key individual and person in control of the
3 applicant; also the county and municipality with street and number, if any,
4 where the business is to be conducted; and such further information as the
5 Commissioner may require.

6 * * *

7 (c) In connection with an application for a license, the applicant, each
8 ~~officer, director, and responsible individual of the applicant~~ key individual,
9 each person in control of the applicant, and any other person the Commissioner
10 requires in accordance with NMLS guidelines or other multistate agreements,
11 shall furnish to the Nationwide Multistate Licensing System and Registry
12 information concerning each person's identity, including:

13 (1) fingerprints for submission to the Federal Bureau of Investigation,
14 and any governmental agency or entity authorized to receive such information
15 for a state, national, and international criminal history background check;

16 (2) personal history and experience in a form prescribed by the
17 Nationwide Multistate Licensing System and Registry, including the
18 submission of authorization for the Nationwide Multistate Licensing System
19 and Registry and the Commissioner to obtain:

20 (A) an independent credit report and credit score obtained from a
21 consumer reporting agency described in 15 U.S.C. § 1681a for the purpose of

1 evaluating the applicant's financial responsibility at the time of application;
2 and the Commissioner may obtain additional credit reports and credit scores to
3 confirm the licensee's continued compliance with the financial responsibility
4 requirements of this part; and

5 (B) information related to any administrative, civil, or criminal
6 findings by any governmental jurisdiction; ~~and~~

7 (3) if the individual has resided outside the United States at any time in
8 the last 10 years, an investigative background report prepared by an
9 independent search firm that meets the following minimum requirements:

10 (A) the search firm demonstrates that it has sufficient knowledge,
11 resources, and employs accepted and reasonable methodologies to conduct the
12 research of the background report;

13 (B) the search firm is not affiliated with nor has an interest with the
14 individual it is researching; and

15 (C) the investigative background report is written in the English
16 language and contains the following:

17 (i) if available in the individual's current jurisdiction of residency,
18 a comprehensive credit report, or any equivalent information obtained or
19 generated by the independent search firm to accomplish such report, including
20 a search of the court data in the countries, provinces, states, cities, towns, and
21 contiguous areas where the individual resided and worked;

1 (ii) criminal records information for the past 10 years, including
2 felonies, misdemeanors, or similar convictions for violations of law in the
3 countries, provinces, states, cities, towns, and contiguous areas where the
4 individual resided and worked;

5 (iii) employment history;

6 (iv) media history, including an electronic search of national and
7 local publications, wire services, and business applications; and

8 (v) financial services-related regulatory history, including money
9 transmission, securities, banking, insurance, and mortgage-related industries;
10 and

11 (4) any other information required by the ~~Nationwide Multistate~~
12 ~~Licensing System and Registry~~ NMLS or the Commissioner.

13 (d) The applicant shall provide a list of any material litigation in which the
14 applicant has been involved in the 10-year period preceding the submission of
15 the application.

16 (e) If an applicant is a corporation, limited liability company, partnership,
17 or other entity, the applicant shall also provide:

18 (1) the date of the applicant's incorporation or formation and state or
19 country of incorporation or formation;

20 (2) if applicable, a certificate of good standing from the state or country
21 in which the applicant is incorporated or formed;

1 (3) a brief description of the structure or organization of the applicant,
2 including any parent or subsidiary of the applicant, and whether any parent or
3 subsidiary is publicly traded;

4 (4) the legal name, any fictitious or trade name, all business and
5 residential addresses, and the employment, in the 10-year period preceding the
6 submission of the application, of each ~~executive officer, manager, responsible~~
7 ~~individual, director of,~~ or key individual and person in control of, the applicant;

8 * * *

9 Sec. 31. 8 V.S.A. § 2103 is amended to read:

10 § 2103. APPROVAL OF APPLICATION AND ISSUANCE OF LICENSE

11 (a) Upon the filing of an application, payment of the required fees, and
12 satisfaction of any applicable bond and liquid asset requirements, the
13 Commissioner shall issue a license to the applicant if the Commissioner finds:

14 (1)(A) The financial condition and responsibility, financial and business
15 experience, competence, character, and general fitness of the applicant
16 command the confidence of the community and warrant belief that the business
17 will be operated honestly, fairly, and efficiently pursuant to the applicable
18 chapter of this title.

19 (⊖) If the applicant is a corporation, partnership, or association,
20 such findings are required with respect to each ~~partner, member, and~~

1 ~~responsible individual of, key individual and each person in control of;~~ the
2 applicant.

3 ~~(ii) If the applicant is a corporation, such findings are required~~
4 ~~with respect to each officer, director, and responsible individual of, and each~~
5 ~~person in control of, the applicant.~~

6 * * *

7 (3) The applicant, each ~~officer, director, and responsible individual of~~
8 key individual, and each person in control of, the applicant, has never had a
9 financial services license or similar license revoked in any governmental
10 jurisdiction, except that a subsequent formal vacation of such revocation shall
11 not be deemed a revocation.

12 (4) The applicant, each ~~officer, director, and responsible individual of~~
13 key individual, and each person in control of, the applicant has not been
14 convicted of, or pled guilty or nolo contendere to, a felony in a domestic,
15 foreign, or military court:

16 * * *

17 (5) The applicant has satisfied the applicable surety bond and liquid
18 asset requirement as follows:

19 * * *

1 (C) for an application for a money transmitter license, the ~~bond and~~
2 net worth and security requirements of sections ~~2507 and 2510~~ 2531 and 2532
3 of this title;

4 * * *

5 (f) If an applicant avails itself or is otherwise subject to a multistate
6 licensing process:

7 (1) the Commissioner is authorized to accept the investigation results of
8 a lead investigative state for the purposes of reaching the findings in
9 subsections (a)–(d) of this section if the lead investigative state has sufficient
10 staffing, expertise, and minimum standards; or

11 (2) if Vermont is a lead investigative state, the Commissioner is
12 authorized to investigate the applicant pursuant to subsections (a)–(e) of this
13 section.

14 (g) This section does not apply to a person applying for a commercial
15 lender license under section 2202a of this title.

16 Sec. 32. 8 V.S.A. § 2107 is amended to read:

17 § 2107. CHANGE OF CONTROL

18 (a) ~~A licensee shall give the Commissioner notice of a proposed change of~~
19 ~~control within 30 days of the proposed change and request approval of the~~
20 ~~acquisition. A money transmitter licensee shall also submit with the notice a~~
21 ~~nonrefundable fee of \$500.00~~ Any person or group of persons acting in concert

1 shall submit a request to the Commissioner and shall obtain the approval of the
2 Commissioner prior to acquiring control. If the person or group of persons is
3 seeking to acquire control of a money transmitter licensee, the person or group
4 of persons shall submit with the request a nonrefundable fee of \$500.00. An
5 individual is not deemed to acquire control of a licensee and is not subject to
6 this section when that individual becomes a key individual in the ordinary
7 course of business.

8 (b) ~~After review of a request for approval under subsection (a) of this~~
9 ~~section, the Commissioner may require the licensee to provide additional~~
10 ~~information concerning the proposed persons in control of the licensee. The~~
11 ~~additional information shall be limited to the same categories of information~~
12 ~~required of the licensee or persons in control of the licensee as part of its~~
13 ~~original license or renewal application~~ The request required by subsection (a)
14 of this section shall include all information required for the person or group of
15 persons seeking to acquire control and all new key individuals that have not
16 previously submitted the application requirements contained in section 2102 of
17 this chapter.

18 (c) The Commissioner shall approve a request for change of control under
19 subsection (a) of this section if, after investigation, the Commissioner
20 determines that the person or group of persons requesting approval has the
21 financial condition and responsibility, competence, experience, character, and

1 general fitness to control and operate the licensee ~~or person in control of the~~
2 ~~licensee~~ in a lawful and proper manner, and that the interests of the public will
3 not be jeopardized by the change of control.

4 * * *

5 (h) If an applicant avails itself or is otherwise subject to a multistate
6 licensing process:

7 (1) the Commissioner is authorized to accept the investigation results of
8 a lead investigative state for the purposes of reaching the findings in
9 subsections (c) of this section if the lead investigative state has sufficient
10 staffing, expertise, and minimum standards; or

11 (2) if Vermont is a lead investigative state, the Commissioner is
12 authorized to investigate the applicant pursuant to subsections (c) of this
13 section.

14 Sec. 33. 8 V.S.A. § 2108 is amended to read:

15 § 2108. NOTIFICATION OF MATERIAL CHANGE

16 * * *

17 (b) A licensee ~~shall notify the Commissioner in writing within 30 days of~~
18 ~~any change in the list of executive officers, managers, directors, or responsible~~
19 ~~individuals~~ adding or replacing any key individual shall:

20 (1) notify the Commissioner in writing within 15 days after the effective
21 date of the key individual's appointment; and

1 (2) provide the information required in subsection 2102(c) of this
2 chapter within 45 days after the effective date of the key individual's
3 appointment.

4 (c) The Commissioner may issue a notice of disapproval of a key
5 individual if the Commissioner finds that the financial condition and
6 responsibility, financial and business experience, competence, character, or
7 general fitness of the key individual indicates that it is not in the public interest
8 to permit the individual to provide services in this State.

9 (d) A licensee shall file a report with the Commissioner within 15 business
10 days after the licensee has reason to know of the occurrence of any of the
11 following events involving the licensee, ~~or any executive officer, manager,~~
12 ~~director~~ key individual, or person in control, responsible individual, or
13 ~~equivalent~~ of the licensee:

14 * * *

15 Sec. 34. 8 V.S.A. § 2109(g) is added to read:

16 (g) Notwithstanding any other provisions of this title to the contrary, the
17 license of a money transmitter who fails to pay the annual renewal fee on or
18 before December 1 shall automatically expire on December 31.

1 Sec. 35. 8 V.S.A. § 2110 is amended to read:

2 § 2110. REVOCATION, SUSPENSION, TERMINATION, OR

3 NONRENEWAL OF LICENSE; CEASE AND DESIST ORDERS

4 (a) The Commissioner may deny, suspend, terminate, revoke, condition, or
5 refuse to renew a license or order that any person or licensee cease and desist
6 in any specified conduct if the Commissioner finds:

7 * * *

8 (6) the competence, experience, character, or general fitness of the
9 licensee, person in control of a licensee, or ~~responsible individual of the~~
10 ~~licensee~~ key individual indicates that it is not in the public interest to permit
11 the person to provide services in this State;

12 * * *

13 (b) The Commissioner may issue orders or directives to any person:

14 * * *

15 (5) to remove any officer, director, employee, ~~responsible individual~~ key
16 individual, or ~~control~~ person in control; or

17 * * *

18 Sec. 36. 8 V.S.A. § 2115 is amended to read:

19 § 2115. PENALTIES

20 * * *

1 (d) It shall be a criminal offense, punishable by a fine of not more than
2 \$10,000.00 or imprisonment of not more than three years in prison, or both, for
3 any person to intentionally make a false statement, misrepresentation, or false
4 certification in a record filed or required to be maintained by this part, or to
5 intentionally make a false entry or omit a material entry in such a record, or to
6 knowingly engage in any activity for which a license is required under this
7 chapter without being licensed under this chapter.

8 (e)(1) A loan contract made in knowing and willful violation of subdivision
9 2201(a)(1) of this title is void, and the lender shall not collect or receive any
10 principal, interest, or charges; provided, however, in the case of a loan made in
11 violation of subdivision 2201(a)(1) of this title, where the Commissioner does
12 not find a knowing and willful violation, the lender shall not collect or receive
13 any interest or charges, but may collect and receive principal.

14 (2) If a person who receives an order that directs the person to cease
15 exercising the duties and powers of a licensee and imposes an administrative
16 penalty under this part continues to perform the duties or exercise the powers
17 of a licensee without satisfying the penalty, or otherwise reaching a
18 satisfactory resolution between the parties, or securing a decision vacating the
19 order by the Commissioner or by a court of competent jurisdiction, a loan
20 contract made by the person after receipt of such order is void and the lender
21 shall not collect or receive any principal, interest, or charges.

1 ~~(e)~~(f) The powers vested in the Commissioner in this part are in addition to
2 any other powers to enforce penalties, fines, or forfeitures authorized by law.

3 (g) This section does not limit the power of the State to punish a person for
4 conduct that otherwise constitutes a crime under Vermont law.

5 Sec. 37. 8 V.S.A. § 2127 is added to read:

6 § 2127. NETWORKED SUPERVISION

7 (a) To efficiently and effectively administer and enforce this chapter and to
8 minimize regulatory burden, the Commissioner is authorized and encouraged
9 to participate in multistate supervisory processes established between states
10 and coordinated through the Conference of State Bank Supervisors, Money
11 Transmitter Regulators Association, and affiliates and successors thereof, for
12 all licensees that hold licenses in Vermont and in other states. As a participant
13 in multistate supervision, the Commissioner may:

14 (1) cooperate, coordinate, and share information with other state and
15 federal regulators in accordance with section 22 of this title and section 2126
16 of this chapter;

17 (2) enter into written cooperation, coordination, or information-sharing
18 contracts or agreements with organizations the membership of which is
19 comprised of state or federal governmental agencies; and

20 (3) cooperate, coordinate, and share information with organizations the
21 membership of which is made up of state or federal governmental agencies,

1 provided that the organizations agree in writing to maintain the confidentiality
2 and security of the shared information in accordance with section 22 of this
3 title.

4 (b) The Commissioner shall not waive, and nothing in this section
5 constitutes a waiver of, the Commissioner's authority to conduct an
6 examination or investigation or otherwise take independent action authorized
7 by this chapter or a rule adopted or order issued under this chapter to enforce
8 compliance with applicable State or federal law.

9 Sec. 38. REPEAL

10 8 V.S.A. chapter 79 (money services), subchapter 1 (general provisions)
11 and subchapter 2 (money transmission licenses) are repealed.

12 Sec. 39. 8 V.S.A. chapter 79, subchapter 1 is added to read:

13 Subchapter 1. General Provisions

14 § 2500. PURPOSE

15 ~~This chapter, as amended, is designed to replace portions of the prior money~~
16 ~~services law that addressed money transmission.~~ It is the intent of the General
17 Assembly that the provisions of this chapter accomplish the following:

18 (1) ensure the State can coordinate with other states in all areas of
19 regulation, licensing, and supervision to eliminate unnecessary regulatory
20 burden and more effectively use regulator resources;

21 (2) protect the public from financial crime;

1 (3) standardize the types of activities that are subject to licensing or
2 otherwise exempt from licensing; and
3 (4) modernize safety and soundness requirements to ensure customer
4 funds are protected in an environment that supports innovative and competitive
5 business practices.

6 § 2501. TRANSITION PERIOD

7 (a) A person licensed under subchapter three of this chapter prior to July 1,
8 2024, and their authorized delegates, shall not be subject to the provisions of
9 this chapter that establish new or different requirements from those that existed
10 prior to July 1, 2024 until July 1, 2025.

11 (b) Notwithstanding subsection (a) of this section, on or before July 1, 2025
12 a licensee shall amend its authorized delegate written contracts to comply with
13 the requirements in section 2025 of this chapter, provided the licensee and
14 authorized delegate otherwise operate in full compliance with this chapter
15 pursuant to the timeline established in subsection (a) of this section.

16 § 2502. RELATIONSHIP TO FEDERAL LAW

17 (a) In the event state money transmission jurisdiction is conditioned on a
18 federal law, any inconsistencies between a provision of this chapter and the
19 federal law governing money transmission shall be governed by the applicable
20 federal law to the extent of the inconsistency.

1 (b) In the event of any inconsistencies between this chapter and a federal
2 law that governs pursuant to subsection (a) of this section, the Commissioner
3 may provide interpretive guidance that:

4 (1) identifies the inconsistency; and

5 (2) identifies the appropriate means of compliance with federal law.

6 § 2503. DEFINITIONS

7 As used in this chapter:

8 (1) “Authorized delegate” means a person a licensee designates to
9 engage in money transmission on behalf of the licensee.

10 (2) “Average daily money transmission liability” means the amount of
11 the licensee’s outstanding money transmission obligations in this State at the
12 end of each day in a given period of time, added together, and divided by the
13 total number of days in the given period of time. For purposes of calculating
14 average daily money transmission liability under this chapter for any licensee
15 required to do so, the given periods of time shall be the quarters ending
16 March 31, June 30, September 30, and December 31.

17 (3) “Bank Secrecy Act” means the Bank Secrecy Act, 31 U.S.C. § 5311,
18 et seq. and its implementing regulations, as may be amended.

19 (4) “Check cashing” means receiving at least \$500.00 compensation
20 within a 30-day period for taking payment instruments or stored value, other
21 than traveler’s checks, in exchange for money, payment instruments, or stored

1 value delivered to the person delivering the payment instrument or stored value
2 at the time and place of delivery without any agreement specifying when the
3 person taking the payment instrument will present it for collection.

4 (5) “Closed loop stored value” means stored value that is redeemable by
5 the issuer only for goods or services provided by the issuer or its affiliate or
6 franchisees of the issuer or its affiliate, except to the extent required by
7 applicable law to be redeemable in cash for its cash value.

8 (6) “Control of virtual currency,” when used in reference to a
9 transaction or relationship involving virtual currency, means the power to
10 execute unilaterally or prevent indefinitely a virtual currency transaction.

11 (7) “Currency exchange” means receipt of revenues equal to or greater
12 than five percent of total revenues from the exchange of money of one
13 government for money of another government.

14 (8) “Eligible rating” shall mean a credit rating of any of the three highest
15 rating categories provided by an eligible rating service, whereby each category
16 may include rating category modifiers such as “plus” or “minus” for S&P, or
17 the equivalent for any other eligible rating service. Long-term credit ratings
18 are deemed eligible if the rating is equal to A- or higher by S&P, or the
19 equivalent from any other eligible rating service. Short-term credit ratings are
20 deemed eligible if the rating is equal to or higher than A-2 or SP-2 by S&P, or
21 the equivalent from any other eligible rating service. In the event that ratings

1 differ among eligible rating services, the highest rating shall apply when
2 determining whether a security bears an eligible rating.

3 (9) “Eligible rating service” shall mean any Nationally Recognized
4 Statistical Rating Organization (NRSRO) as defined by the U.S. Securities and
5 Exchange Commission, and any other organization designated by the
6 Commissioner by rule or order.

7 (10) “In this State” means at a physical location within Vermont for a
8 transaction requested in person. For a transaction requested electronically or
9 by phone, the provider of money transmission may determine if the person
10 requesting the transaction is “in this State” by relying on other information
11 provided by the person regarding the location of the individual’s residential
12 address or a business entity’s principal place of business or other physical
13 address location, and any records associated with the person that the provider
14 of money transmission may have to indicate such location, including an
15 address associated with an account.

16 (11) “Licensee” means a person licensed under this chapter.

17 (12) “Limited station” means private premises where a check casher is
18 authorized to engage in check cashing for not more than two days of each
19 week solely for the employees of the particular employer or group of
20 employers specified in the check casher license application.

1 (13) “Mobile location” means a vehicle or a movable facility where
2 check cashing occurs.

3 (14) “Monetary value” means a medium of exchange, whether or not
4 redeemable in money.

5 (15) “Money” means a medium of exchange that is issued by the United
6 States or a foreign government. The term includes a monetary unit of account
7 established by an intergovernmental organization or by agreement between two
8 or more governments.

9 (16) “Money services” means money transmission, check cashing, or
10 currency exchange.

11 (17)(A) “Money transmission” means any of the following:

12 (i) selling or issuing payment instruments to a person located in
13 this State;

14 (ii) selling or issuing stored value to a person located in this State;
15 or

16 (iii) receiving money for transmission from a person located in
17 this State.

18 (B) The term “money transmission” includes payroll processing
19 services.

20 (C) The term “money transmission” does not include the provision
21 solely of telecommunications services or network access.

1 (18) “Money transmission kiosk” means an automated, unstaffed
2 electronic machine that allows users to engage in money transmission,
3 including any machine that is capable of accepting or dispensing cash in
4 exchange for virtual currency. The term does not include consumer cell
5 phones and other similar personal devices.

6 (19)(A) “Outstanding money transmission obligations” shall be
7 established and extinguished in accordance with applicable state law and shall
8 mean:

9 (i) any payment instrument or stored value issued or sold by the
10 licensee to a person located in the United States or reported as sold by an
11 authorized delegate of the licensee to a person that is located in the United
12 States that has not yet been paid or refunded by or for the licensee, or
13 escheated in accordance with applicable abandoned property laws; or

14 (ii) any money received for transmission by the licensee or an
15 authorized delegate in the United States from a person located in the United
16 States that has not been received by the payee or refunded to the sender, or
17 escheated in accordance with applicable abandoned property laws.

18 (B) For purposes of this section, “in the United States” shall include,
19 to the extent applicable, a person in any state, territory, or possession of the
20 United States; the District of Columbia; the Commonwealth of Puerto Rico; or
21 a U.S. military installation located in a foreign country.

1 (20) “Payment instrument” means a written or electronic check, draft,
2 money order, traveler’s check, or other written or electronic instrument for the
3 transmission or payment of money or monetary value, whether or not
4 negotiable. The term does not include stored value or any instrument that is:

5 (A) redeemable by the issuer only for goods or services provided by
6 the issuer or its affiliate or franchisees of the issuer or its affiliate, except to the
7 extent required by applicable law to be redeemable in cash for its cash value;
8 or

9 (B) not sold to the public but issued and distributed as part of a
10 loyalty, rewards, or promotional program.

11 (21) “Payroll processing services” means receiving money for
12 transmission pursuant to a contract with a person to deliver wages or salaries,
13 make payment of payroll taxes to state and federal agencies, make payments
14 relating to employee benefit plans, or make distributions of other authorized
15 deductions from wages or salaries. The term does not include an employer
16 performing payroll processing services on its own behalf or on behalf of its
17 affiliate.

18 (22) “Prevailing market value” means the value to buy or sell a
19 particular virtual currency, as applicable, quoted on a virtual currency
20 exchange operated by a licensee based in the United States, with sufficient
21 volume to reflect the prevailing market price of such virtual currency.

1 (23) “Receiving money for transmission” or “money received for
2 transmission” means receiving money or monetary value in the United States
3 for transmission within or outside the United States by electronic or other
4 means.

5 (24) “Stored value” means monetary value representing a claim against
6 the issuer evidenced by an electronic or digital record, and that is intended and
7 accepted for use as a means of redemption for money or monetary value, or
8 payment for goods or services. The term includes “prepaid access” as defined
9 by 31 C.F.R. § 1010.100, as may be amended. Notwithstanding the foregoing,
10 the term “stored value” does not include a payment instrument or closed loop
11 stored value, or stored value not sold to the public but issued and distributed as
12 part of a loyalty, rewards, or promotional program.

13 (25) “Tangible net worth” means the aggregate assets of a licensee
14 excluding all intangible assets, less liabilities, as determined in accordance
15 with United States generally accepted accounting principles.

16 (26) “U.S. dollar equivalent of virtual currency” means the prevailing
17 market value of a particular virtual currency in United States dollars for a
18 particular date or period specified in this chapter.

19 (27)(A) “Virtual currency” means a digital representation of value that:
20 (i) is used as a medium of exchange, unit of account, or store of
21 value; and

1 (ii) is not money, whether or not denominated in money.

2 (B) The term “virtual currency” does not include:

3 (i) a digital representation of value that can be redeemed for
4 goods, services, discounts, or purchases solely as part of a customer affinity or
5 rewards program with the issuing merchant or other designated merchants, or
6 both, or can be redeemed for digital units in another customer affinity or
7 rewards program, but cannot be, directly or indirectly, converted into,
8 redeemed, or exchanged for money, monetary value, bank credit, or virtual
9 currency; or

10 (ii) a digital representation of value issued by or on behalf of a
11 publisher and used solely within an online game, game platform, or family of
12 games sold by the same publisher or offered on the same game platform, and:

13 (I) has no market or application outside of such online game,
14 game platform, or family of games;

15 (II) cannot be, directly or indirectly, converted into, redeemed,
16 or exchanged for money, monetary value, bank credit, or virtual currency; and

17 (III) may or may not be redeemable for real-world goods,
18 services, discounts, or purchases.

19 (28) “Virtual-currency administration” means:

20 (A) issuing virtual currency with the authority to redeem such virtual
21 currency for money, monetary value, bank credit, or other virtual currency; or

1 (B) issuing virtual currency that entitles the purchaser or holder of
2 such virtual currency, or otherwise conveys or represents a right of the
3 purchaser or holder of such virtual currency, to redeem such virtual currency
4 for money, monetary value, bank credit, or other virtual currency.

5 (29) “Virtual-currency business activity” means:

6 (A) exchanging or transferring virtual currency, engaging in virtual-
7 currency administration, or engaging in virtual-currency storage, in each case
8 whether directly or through an agreement with a virtual-currency control-
9 services vendor;

10 (B) holding electronic precious metals or electronic certificates
11 representing interests in precious metals on behalf of another person or issuing
12 shares or electronic certificates representing interests in precious metals;

13 (C) buying or selling virtual currency as a consumer business; or

14 (D) receiving virtual currency or control of virtual currency for
15 transmission or transmitting virtual currency, except where the transaction is
16 undertaken for nonfinancial purposes and does not involve the transfer of more
17 than a nominal amount of virtual currency.

18 (30) “Virtual-currency control-services vendor” means a person that has
19 control of virtual currency solely under an agreement with a person that, on
20 behalf of another person, assumes control of virtual currency.

1 (31) “Virtual-currency kiosk operator” means a person that engages in
2 virtual-currency business activity via a money transmission kiosk located in
3 this State or a person that owns, operates, or manages a money transmission
4 kiosk located in this State through which virtual-currency business activity is
5 offered.

6 (32) “Virtual-currency storage” means:

7 (A) maintaining possession, custody, or control over virtual currency
8 on behalf of another person, including as a virtual-currency control-services
9 vendor;

10 (B) issuing, transferring, or otherwise granting or providing to any
11 person in this State any claim or right, or any physical, digital, or electronic
12 instrument, receipt, certificate, or record representing any claim or right to
13 receive, redeem, withdraw, transfer, exchange, or control any virtual currency
14 or amount of virtual currency; or

15 (C) receiving possession, custody, or control over virtual currency
16 from a person in this State, in return for a promise or obligation to return,
17 repay, exchange, or transfer such virtual currency or a like amount of such
18 virtual currency.

19 § 2504. EXEMPTIONS

20 This chapter does not apply to:

1 (1) An operator of a payment system to the extent that it provides
2 processing, clearing, or settlement services, between or among persons
3 exempted by this section or licensees, in connection with wire transfers, credit
4 card transactions, debit card transactions, stored-value transactions, automated
5 clearing house transfers, or similar funds transfers.

6 (2) A person appointed as an agent of a payee to collect and process a
7 payment from a payor to the payee for goods or services, other than money
8 transmission itself, provided to the payor by the payee, provided that:

9 (A) there exists a written agreement between the payee and the agent
10 directing the agent to collect and process payments from payors on the payee's
11 behalf;

12 (B) the payee holds the agent out to the public as accepting payments
13 for goods or services on the payee's behalf; and

14 (C) payment for the goods and services is treated as received by the
15 payee upon receipt by the agent so that the payor's obligation is extinguished
16 and there is no risk of loss to the payor if the agent fails to remit the funds to
17 the payee.

18 (3) A person that acts as an intermediary by processing payments
19 between an entity that has directly incurred an outstanding money transmission
20 obligation to a sender, and the sender's designated recipient, provided that the
21 entity;

1 (A) is properly licensed or exempt from licensing requirements under
2 this chapter;

3 (B) provides a receipt, electronic record, or other written
4 confirmation to the sender identifying the entity as the provider of money
5 transmission in the transaction; and

6 (C) bears sole responsibility to satisfy the outstanding money
7 transmission obligation to the sender, including the obligation to make the
8 sender whole in connection with any failure to transmit the funds to the
9 sender's designated recipient.

10 (4) The United States or a department, agency, or instrumentality
11 thereof, or its agent.

12 (5) Money transmission by the U.S. Postal Service or by an agent of the
13 U.S. Postal Service.

14 (6) A state, county, city, or any other governmental agency or
15 governmental subdivision or instrumentality of a state, or its agent.

16 (7) A financial institution as defined in subdivision 11101(32) of this
17 title, or a credit union, provided their deposits are federally insured.

18 (8) A financial institution holding company as defined in subdivision
19 11101(33) of this title; an office of an international banking corporation; a
20 foreign bank that establishes a federal branch pursuant to the International
21 Bank Act, 12 U.S.C. § 3102, as may be amended; a corporation organized

1 pursuant to the Bank Services Company Act, 12 U.S.C. §§ 1862–1867, as may
2 be amended; a corporation organized under the Edge Act, 12 U.S.C. §§ 611–
3 633, as may be amended; an independent trust company organized under
4 chapter 77 of this title; or a special purpose financial institution that is
5 organized under the laws of this State.

6 (9) Electronic funds transfer of governmental benefits for a federal,
7 state, county, or governmental agency by a contractor on behalf of the United
8 States or a department, agency, or instrumentality thereof, or on behalf of a
9 state or governmental subdivision, agency, or instrumentality thereof.

10 (10) A board of trade designated as a contract market under the federal
11 Commodity Exchange Act, 7 U.S.C. §§ 1–25, as may be amended, or a person
12 that, in the ordinary course of business, provides clearance and settlement
13 services for a board of trade to the extent of its operation as or for such a
14 board.

15 (11) A registered futures commission merchant under the federal
16 commodities laws to the extent of its operation as such a merchant.

17 (12) A person registered as a securities broker-dealer under federal or
18 state securities laws to the extent of its operation as such a broker-dealer.

19 (13) An individual employed by a licensee, authorized delegate, or any
20 person exempted from the licensing requirements of this chapter when acting
21 within the scope of employment and under the supervision of the licensee,

1 authorized delegate, or exempted person as an employee and not as an
2 independent contractor.

3 (14) A person expressly appointed as a third-party service provider to or
4 agent of an entity exempt under subdivision (7) of this section, solely to the
5 extent that:

6 (A) such service provider or agent is engaging in money transmission
7 on behalf of and pursuant to a written agreement with the exempt entity that
8 sets forth the specific functions that the service provider or agent is to perform;
9 and

10 (B) the exempt entity assumes all risk of loss and all legal
11 responsibility for satisfying the outstanding money transmission obligations
12 owed to purchasers and holders of the outstanding money transmission
13 obligations upon receipt of the purchaser's or holder's money or monetary
14 value by the service provider or agent.

15 (15) The sale or issuance of stored value by a public or nonprofit school
16 to its students and employees.

17 (16) A debt adjuster licensed pursuant to chapter 133 of this title when
18 engaged in the business of debt adjustment.

19 (17) A person exempt by rule or order if the Commissioner finds such
20 exemption to be in the public interest and that the regulation of such person is
21 not necessary for the purposes of this chapter.

1 § 2504a. AUTHORITY TO REQUIRE DEMONSTRATION OF
2 EXEMPTION

3 The Commissioner may require that any person claiming to be exempt from
4 licensing pursuant to section 2504 of this chapter provide information and
5 documentation to the Commissioner demonstrating that it qualifies for any
6 claimed exemption.

7 Sec. 40. 8 V.S.A. chapter 79, subchapter 2 is added to read:

8 Subchapter 2. Money Transmission Licenses

9 § 2505. LICENSE REQUIRED

10 (a) A person shall not engage in the business of money transmission or
11 advertise, solicit, or hold itself out as providing money transmission, unless the
12 person is licensed under this subchapter.

13 (b) Subsection (a) of this section does not apply to:

14 (1) a person that is an authorized delegate of a person licensed under this
15 subchapter acting within the scope of authority conferred by a written contract
16 with the licensee; or

17 (2) a person that is exempt pursuant to section 2504 of this chapter and
18 does not engage in money transmission outside the scope of such exemption.

19 §2506. APPLICATION FOR LICENSE; ADDITIONAL INFORMATION

20 (a) In addition to the information required by section 2102 of this title, an
21 application for a license under this subchapter shall state or contain:

1 (1) a description of any money services previously provided by the
2 applicant and the money services that the applicant seeks to provide in this
3 State;

4 (2) a list of the applicant's proposed authorized delegates, and the
5 locations in Vermont where the applicant and its authorized delegates propose
6 to engage in money transmission or provide other money services;

7 (3) a list of other states in which the applicant is licensed to engage in
8 money transmission or provide other money services;

9 (4) information concerning any bankruptcy or receivership proceedings
10 affecting the licensee or a person in control of a licensee;

11 (5) a sample form of contract for authorized delegates, if applicable;

12 (6) a sample form of payment instrument or instrument upon which
13 stored value is recorded, as applicable; and

14 (7) the name and address of any financial institution through which the
15 applicant plans to conduct money services.

16 (b) For good cause shown and consistent with the purposes of this section,
17 the Commissioner may waive one or more requirements of this section or
18 permit an applicant to submit substituted information in lieu of the required
19 information.

1 § 2507. MONEY TRANSMISSION KIOSK REGISTRATION

2 (a) A licensee shall not locate, or allow a third party to locate, a money
3 transmission kiosk in this State that allows users of the money transmission
4 kiosk to engage in money transmission through the licensee unless the licensee
5 registers the money transmission kiosk and obtains the prior approval of the
6 Commissioner for its activation.

7 (b) To apply for registration and approval to activate a money transmission
8 kiosk, a licensee shall submit an application, using a form prescribed by the
9 Commissioner, that includes the ownership and location of the money
10 transmission kiosk, an affidavit of all businesses and services to be offered at
11 the kiosk, the written agreement between the licensee and the owner of the
12 money transmission kiosk if different persons, and the text of each disclosure
13 required pursuant to subsection (c) of this section along with a description of
14 the form, timing, and location for each disclosure.

15 (c) Each money transmission kiosk shall disclose prominently and
16 conspicuously, using as high a contrast or resolution as any other display or
17 graphics on the money transmission kiosk, prior to the point at which a user of
18 the money transmission kiosk is irrevocably committed to completing any
19 transaction:

20 (1) on or at the location of the money transmission kiosk, or on the first
21 screen of such kiosk, the name, address, and telephone number of the owner of

1 the kiosk and the days, time, and means by which a consumer can contact the
2 owner for consumer assistance; and

3 (2) on the screen of the money transmission kiosk:

4 (A) for a transaction that does not involve virtual currency, the
5 amount of the fees or charges that will be assessed to the user of the money
6 transmission kiosk for the transaction by the licensee and by the owner of the
7 money transmission kiosk, a clear explanation of who is imposing each fee or
8 charge and that such fees and charges are in addition to any fees or charges that
9 may be imposed by other entities relevant to the particular transaction, and the
10 method by which the user may cancel the transaction to avoid the imposition of
11 fees or charges; and

12 (B) for a transaction that involves virtual currency, all disclosures
13 required pursuant to subsection 2574(c) of this chapter, a clear explanation of
14 who is imposing each consideration to be charged for the transaction, and that
15 such consideration is in addition to any fees or charges that may be imposed by
16 other entities relevant to the particular transaction, and the method by which
17 the user may cancel the transaction to avoid the imposition of the consideration
18 and other fees or charges.

19 (d) Any alterations in the form, content, timing, or location of previously
20 approved disclosures must be submitted to and approved by the Commissioner
21 prior to their adoption and use.

1 (e) To ensure adequate consumer protection, the Commissioner may by
2 rule or order specify additional minimum disclosure standards for money
3 transmission kiosks, including the form, content, timing, and location of such
4 disclosures.

5 (f) Immediately following the completion of each transaction, each money
6 transmission kiosk shall provide the user of the money transmission kiosk with
7 a receipt that is compliant with sections 2562 and 2574 of this chapter as
8 applicable to the particular transaction.

9 Sec. 41. 8 V.S.A. chapter 79, subchapter 3 is amended to read:

10 Subchapter 3. Check Cashing and Currency Exchange Licenses

11 § 2515. CHECK CASHING AND CURRENCY EXCHANGE ~~LICENSES~~

12 LICENSE REQUIRED

13 (a) A person ~~licensed under this subchapter may~~ shall not engage in check
14 cashing and currency exchange, or hold itself out as providing these money
15 services, unless the person is licensed under this chapter.

16 (b) Subsection (a) of this section shall not apply to:

17 (1) A a person licensed under subchapter 2 of this chapter may engage
18 in check cashing and currency exchange without first obtaining a separate
19 license under this subchapter.;

20 ~~(e)(2) An~~ an authorized delegate of a person licensed under subchapter 2 of
21 this chapter may engage in check cashing and currency exchange without first

1 ~~obtaining a license under this subchapter~~ if such money services are within the
2 scope of ~~activity permissible under the~~ authority conferred by a written
3 contract between the authorized delegate and the licensee; ~~or~~

4 (3) a person that is exempt pursuant to section 2504 of this chapter and
5 that does not engage in money services outside the scope of such exemption.

6 * * *

7 § 2520. APPLICABILITY OF SUBCHAPTERS

8 The following subchapters of this chapter shall not apply to persons
9 licensed under this subchapter: subchapter 4 (authorized delegates of money
10 transmitters), subchapter 5 (reporting and records for money transmitters),
11 subchapter 6 (prudential standards for money transmitters), subchapter 9
12 (timely transmission, refunds, and disclosures by money transmitters), and
13 subchapter 10 (virtual currency).

14 Sec. 42. 8 V.S.A. chapter 79, subchapter 4 is amended to read:

15 Subchapter 4. Authorized Delegates of Money Transmitters

16 § 2525. RELATIONSHIP BETWEEN LICENSEE AND AUTHORIZED
17 DELEGATE

18 (a) ~~In~~ As used in this subchapter, “remit” means to make direct payments
19 of money to a licensee or its representative authorized to receive the money, or
20 to deposit money in a depository institution within the meaning of subdivision

1 ~~11101(24) of this title~~ the money in an entity identified as exempt under
2 subdivision 2504(7) of this chapter, in an account specified by the licensee.

3 (b) ~~A contract between a licensee and an authorized delegate shall require~~
4 ~~the authorized delegate to operate in full compliance with this chapter. The~~
5 ~~licensee shall furnish in a record to each authorized delegate policies and~~
6 ~~procedures sufficient to permit compliance with this chapter.~~

7 (c) ~~An authorized delegate shall remit all money owing to the licensee in~~
8 ~~accordance with the terms of the contract between the licensee and the~~
9 ~~authorized delegate.~~

10 (d) ~~If a license is suspended, revoked, or nonrenewed, the Commissioner~~
11 ~~shall notify all authorized delegates of the licensee whose names are in a~~
12 ~~record filed with the Commissioner of the suspension, revocation, or~~
13 ~~nonrenewal. After notice is sent or publication is made, an authorized delegate~~
14 ~~shall immediately cease to provide money services as a delegate of the~~
15 ~~licensee.~~

16 (e) ~~An authorized delegate may not provide money services outside the~~
17 ~~scope of activity permissible under the contract between the authorized~~
18 ~~delegate and the licensee, except for activity in which the authorized delegate~~
19 ~~is otherwise licensed or authorized to engage.~~

20 (f) ~~An authorized delegate of a licensee holds in trust for the benefit of the~~
21 ~~licensee all money less fees earned from money transmission.~~

1 ~~(g) A person shall not provide money services on behalf of a person not~~
2 ~~licensed under this chapter. A person that engages in any money services~~
3 ~~activity under this chapter shall be subject to the provisions of this chapter to~~
4 ~~the same extent as if the person were a licensee under this chapter.~~

5 ~~(h) A person may not be an authorized delegate of another authorized~~
6 ~~delegate. An authorized delegate must enter into a contract directly with a~~
7 ~~licensee Before a licensee is authorized to conduct business through an~~
8 ~~authorized delegate or allows a person to act as the licensee's authorized~~
9 ~~delegate, the licensee shall:~~

10 ~~(1) adopt, and update as necessary, written policies and procedures~~
11 ~~reasonably designed to ensure that the licensee's authorized delegates comply~~
12 ~~with applicable state and federal law;~~

13 ~~(2) enter into a written contract that complies with subsection (d) of this~~
14 ~~section; and~~

15 ~~(3) conduct a reasonable risk-based background investigation sufficient~~
16 ~~for the licensee to determine whether the authorized delegate has complied and~~
17 ~~will likely comply with applicable state and federal law.~~

18 ~~(c) An authorized delegate must operate in full compliance with this~~
19 ~~chapter.~~

20 ~~(d) The written contract required by subsection (b) of this section must be~~
21 ~~signed by the licensee and the authorized delegate and, at a minimum, shall:~~

1 (1) appoint the person signing the contract as the licensee’s authorized
2 delegate with the authority to conduct money transmission on behalf of the
3 licensee;

4 (2) set forth the nature and scope of the relationship between the
5 licensee and the authorized delegate and the respective rights and
6 responsibilities of the parties;

7 (3) require the authorized delegate to agree to fully comply with all
8 applicable state and federal laws, rules, and regulations pertaining to money
9 transmission, including this chapter and rules implementing this chapter,
10 relevant provisions of the Bank Secrecy Act and the USA PATRIOT Act;

11 (4) require the authorized delegate to remit and handle money and
12 monetary value in accordance with the terms of the contract between the
13 licensee and the authorized delegate;

14 (5) impose a trust on money and monetary value net of fees received for
15 money transmission for the benefit of the licensee;

16 (6) require the authorized delegate to prepare and maintain records as
17 required by this chapter or rules implementing this chapter, or as reasonably
18 requested by the Commissioner;

19 (7) acknowledge that the authorized delegate consents to examination or
20 investigation by the Commissioner;

1 (8) state that the licensee is subject to regulation by the Commissioner
2 and that, as part of that regulation, the Commissioner may suspend or revoke
3 an authorized delegate designation or require the licensee to terminate an
4 authorized delegate designation; and

5 (9) acknowledge receipt of the written policies and procedures required
6 under subsection (b) of this section.

7 (e) If the licensee's license is suspended, revoked, terminated, nonrenewed,
8 surrendered or expired, the licensee must, within five business days, provide
9 documentation to the Commissioner that the licensee has notified all applicable
10 authorized delegates of the licensee whose names are in a record filed with the
11 Commissioner of the suspension, revocation, termination, nonrenewal,
12 surrender, or expiration of a license. Upon suspension, revocation,
13 termination, nonrenewal, or surrender of a license, applicable authorized
14 delegates shall immediately cease to provide money transmission as an
15 authorized delegate of the licensee.

16 (f) An authorized delegate of a licensee holds in trust for the benefit of the
17 licensee all money net of fees received from money transmission. If any
18 authorized delegate commingles any funds received from money transmission
19 with any other funds or property owned or controlled by the authorized
20 delegate, all commingled funds and other property shall be considered held in

1 trust in favor of the licensee in an amount equal to the amount of money net of
2 fees received from money transmission.

3 (g) An authorized delegate shall not use a subdelegate to conduct money
4 transmission on behalf of a licensee.

5 § 2526. UNAUTHORIZED ACTIVITIES

6 A person shall not engage in the business of money transmission on behalf
7 of a person not licensed under subchapter 2 of this chapter or not exempt
8 pursuant to subchapter 1 of this chapter. A person that engages in such activity
9 provides money transmission to the same extent as if the person were a
10 licensee, and shall be jointly and severally liable with the unlicensed or
11 nonexempt person.

12 § 2527. TERMINATION OR SUSPENSION OF AUTHORIZED
13 DELEGATE ACTIVITY

14 (a) The authority granted to the Commissioner over licensees in section
15 2110 of this title applies equally to authorized delegates.

16 (b) The Commissioner may issue an order suspending or barring any
17 authorized delegate or any key individual or person in control of such
18 authorized delegate from continuing to be or becoming an authorized delegate
19 of any licensee during the period for which such orders is in effect, or may
20 order that an authorized delegate cease and desist in any specified conduct.

1 (c) Upon issuance of a suspension or bar order, the licensee shall terminate
2 its relationship with such authorized delegate according to the terms of the
3 order.

4 § 2528. PRIVATE ACTIONS AGAINST AUTHORIZED DELEGATES

5 (a) Distinct from the Commissioner's authority over licensees and
6 authorized delegates, any court in this State with jurisdiction over a private
7 civil action brought by a licensee against an authorized delegate shall have the
8 ability to grant appropriate equitable or legal relief, including prohibiting the
9 authorized delegate from directly or indirectly acting as an authorized delegate
10 for any licensee in this State and the payment of restitution, damages, or other
11 monetary relief, if the court finds that an authorized delegate failed to remit
12 money in accordance with the written contract required by subsection 2525(b)
13 of this chapter or as otherwise directed by the licensee or required by law.

14 (b) If the court issues an order prohibiting a person from acting as an
15 authorized delegate for any licensee pursuant to subsection (a) of this section,
16 the licensee that brought the action shall report the order to the Commissioner
17 within 30 days and shall report the order through NMLS within 90 days.

18 Sec. 43. REPEAL

19 8 V.S.A. chapter 79, subchapter 5 (examinations; reports; records),
20 subchapter 6 (permissible investments), and subchapter 7 (enforcement) are
21 repealed.

1 Sec. 44. 8 V.S.A. chapter 79, subchapters 5–7 are added to read:

2 Subchapter 5. Reporting and Records for Money Transmitters

3 § 2530. REPORT OF CONDITION

4 (a) Each licensee shall submit a report of condition within 45 days of the
5 end of the calendar quarter, or within any extended time as the Commissioner
6 may prescribe.

7 (b) The report of condition shall include:

8 (1) Financial information at the licensee level.

9 (2) Nationwide and state-specific money transmission transaction
10 information in every jurisdiction in the United States where the licensee is
11 licensed to engage in money transmission.

12 (3) A permissible investments report.

13 (4) Transaction destination country reporting for money received for
14 transmission, if applicable.

15 (5) Any other information the Commissioner reasonably requires with
16 respect to the licensee. The Commissioner is authorized and encouraged to use
17 NMLS for the submission of the report required by this section.

18 (c) The information required by subdivision (b)(4) of this section shall only
19 be included in a report of condition submitted within 45 days after the end of
20 the fourth calendar quarter.

1 § 2531. AUDITED FINANCIALS

2 (a) Each licensee shall, within 90 days after the end of each fiscal year, or
3 within any extended time as the Commissioner may prescribe, file with the
4 Commissioner:

5 (1) an audited financial statement of the licensee for the fiscal year
6 prepared in accordance with U.S. generally accepted accounting principles;
7 and

8 (2) any other information as the Commissioner may reasonably require.

9 (b) The audited financial statements shall be prepared by an independent
10 certified public accountant or independent public accountant who is
11 satisfactory to the Commissioner.

12 (c) The audited financial statements shall include or be accompanied by a
13 certificate of opinion of the independent certified public accountant or
14 independent public accountant that is satisfactory in form and content to the
15 Commissioner. If the certificate or opinion is qualified, the Commissioner
16 may order the licensee to take any action as the Commissioner may find
17 necessary to enable the independent or certified public accountant or
18 independent public accountant to remove the qualification.

19 § 2532. AUTHORIZED DELEGATE REPORTING

20 (a) Each licensee shall submit a report of authorized delegates within
21 45 days after the end of the calendar quarter. The Commissioner is authorized

1 and encouraged to use NMLS for the submission of the report required by this
2 section provided that such functionality is consistent with the requirements of
3 this section.

4 (b) The authorized delegate report shall include, at a minimum, each
5 authorized delegate's:

6 (1) company legal name;

7 (2) taxpayer employer identification number;

8 (3) principal provider identifier;

9 (4) physical address;

10 (5) mailing address;

11 (6) any business conducted in other states;

12 (7) any fictitious or trade name;

13 (8) contact person name, phone number, and e-mail

14 (9) start date as licensee's authorized delegate;

15 (10) end date acting as licensee's authorized delegate, if applicable;

16 (11) any administrative, civil, or criminal order against an authorized
17 delegate concerning their activity as an authorized delegate; and

18 (12) any other information the Commissioner reasonably requires with
19 respect to the authorized delegate.

1 § 2533. CHANGE OF AUTHORIZED DELEGATE

2 A licensee shall notify the Commissioner in writing within 30 days after
3 any change in the list of authorized delegates, identifying the name and street
4 address of each new authorized delegate and of each removed authorized
5 delegate.

6 § 2534. MONEY LAUNDERING REPORTS

7 A licensee and an authorized delegate shall file all reports required by
8 federal currency reporting, record keeping, and suspicious activity reporting
9 requirements as set forth in the Bank Secrecy Act and other federal and state
10 laws pertaining to money laundering. The timely filing of a complete and
11 accurate report required under this section with the appropriate federal agency
12 is deemed compliance with the requirements of this section.

13 Subchapter 6. Prudential Standards for Money Transmitters

14 § 2540. NET WORTH

15 (a) A licensee under this chapter shall maintain at all times a tangible net
16 worth of the greater of \$100,000.00 or three percent of total assets for the first
17 \$100,000,000.00, two percent of additional assets for \$100,000,000.00 to
18 \$1,000,000,000.00, and 0.5 percent of additional assets for over
19 \$1,000,000,000.00.

1 (b) Tangible net worth must be demonstrated at initial application by the
2 applicant's most recent audited or unaudited financial statements pursuant to
3 subsection 2102(e) of this title.

4 (c) Notwithstanding subsections (a) and (b) of this section, the
5 Commissioner for good cause shown has the authority to exempt an applicant
6 or licensee from the requirements of this section, in part or in whole.

7 § 2541. SECURITY

8 (a) An applicant for a money transmission license shall provide, and a
9 licensee at all times shall maintain, security consisting of a surety bond in a
10 form satisfactory to the Commissioner or, with the Commissioner's approval, a
11 deposit that meets the requirements of this section.

12 (b) The amount of the required security shall be the greater of \$100,000.00
13 or an amount equal to one hundred percent of the licensee's average daily
14 money transmission liability in this State calculated for the most recently
15 completed three-month period, up to a maximum of \$2,000,000.00.

16 (c) A licensee that maintains a surety bond or deposit in the maximum
17 amount provided for in subsection (b) of this section shall not be required to
18 calculate its average daily money transmission liability in this State for
19 purposes of this section.

20 (d) A licensee may exceed the maximum required surety bond or deposit
21 amount pursuant to subdivision 2543(a)(5) of this subchapter.

1 (e) The surety bond or deposit shall be payable to the State for use of the
2 State and for the benefit of any claimant against the licensee and its authorized
3 delegates to secure the faithful performance of the obligations of the licensee
4 and its authorized delegates with respect to money transmission.

5 (f) The aggregate liability on a surety bond may not exceed the principal
6 sum of the bond. A claimant against a licensee or its authorized delegate may
7 maintain an action directly against the bond, or the Commissioner may
8 maintain an action on behalf of the claimant against the bond. The power
9 vested in the Commissioner by this subsection shall be in addition to any other
10 powers of the Commissioner under this chapter.

11 (g) The surety bond or deposit shall cover claims effective for as long as
12 the Commissioner specifies, but for at least five years after the licensee ceases
13 to provide money services in this State. However, the Commissioner may
14 permit the amount of security to be reduced or eliminated before the expiration
15 of that time to the extent the amount of the licensee's outstanding money
16 transmission obligations in this State is reduced.

17 § 2542. MAINTENANCE OF PERMISSIBLE INVESTMENTS

18 (a) A licensee shall maintain at all times permissible investments that have
19 a market value computed in accordance with U.S. generally accepted
20 accounting principles of not less than the aggregate amount of all of its
21 outstanding money transmission obligations.

1 (b) Except for permissible investments enumerated in subsection 2543(a)
2 of this subchapter, the Commissioner, with respect to any licensee, may by rule
3 or order limit the extent to which a specific investment maintained by a
4 licensee within a class of permissible investments may be considered a
5 permissible investment, if the specific investment represents undue risk to
6 customers, not reflected in the market value of investments.

7 (c) Permissible investments, even if commingled with other assets of the
8 licensee, are held in trust for the benefit of the purchasers and holders of the
9 licensee's outstanding money transmission obligations upon the occurrence of
10 one or more of the following events:

11 (1) the insolvency of the licensee;

12 (2) the filing of a petition by or against the licensee under the U.S.
13 Bankruptcy Code, 11 U.S.C. §§ 101–110, as may be amended, for bankruptcy
14 or reorganization;

15 (3) the filing of a petition by or against the licensee for receivership;

16 (4) the commencement of any other judicial or administrative
17 proceeding for its dissolution or reorganization, or

18 (5) the commencement of an action by a creditor against the licensee
19 who is not a beneficiary of this statutory trust.

20 (d) No permissible investments impressed with a trust pursuant to
21 subsection (c) of this section shall be subject to attachment, levy of execution,

1 or sequestration by order of any court, except for a beneficiary of this statutory
2 trust.

3 (e) Upon the establishment of a statutory trust in accordance with
4 subsection (c) of this section or when any funds are drawn on a letter of credit
5 pursuant to subdivision 2543(a)(4) of this subchapter, the Commissioner shall
6 notify the applicable regulator of each state in which the licensee is licensed to
7 engage in money transmission, if any, of the establishment of the trust or the
8 funds drawn on the letter of credit, as applicable. Notice shall be deemed
9 satisfied if performed pursuant to a multistate agreement or through NMLS.
10 Funds drawn on a letter of credit, and any other permissible investments held
11 in trust for the benefit of the purchasers and holders of the licensee's
12 outstanding money transmission obligations, are deemed held in trust for the
13 benefit of such purchasers and holders on a pro rata and equitable basis in
14 accordance with statutes pursuant to which permissible investments are
15 required to be held in this State, and other states, as applicable. Any statutory
16 trust established hereunder shall be terminated upon extinguishment of all of
17 the licensee's outstanding money transmission obligations.

18 (f) The Commissioner by rule or order may allow other types of
19 investments that the Commissioner determines are of sufficient liquidity and
20 quality to be a permissible investment. The Commissioner is authorized to
21 participate in efforts with other state regulators to determine that other types of

1 investments are of sufficient liquidity and quality to be a permissible
2 investment.

3 § 2543. TYPES OF PERMISSIBLE INVESTMENTS

4 (a) The following investments are permissible under section 2542 of this
5 subchapter:

6 (1) cash, including demand deposits, savings deposits, and funds in such
7 accounts held for the benefit of the licensee’s customers in an entity identified
8 as exempt under subdivision 2504(7) of this chapter, and cash equivalents,
9 including ACH items in transit to the licensee and ACH items or international
10 wires in transit to a payee, cash in transit via armored car, cash in smart safes,
11 cash in licensee-owned locations, debit card or credit card-funded transmission
12 receivables owed by any bank, or money market mutual funds rated “AAA” by
13 S&P or the equivalent from any eligible rating service;

14 (2) certificates of deposit or senior debt obligations of an insured
15 depository institution, as defined in the Federal Deposit Insurance Act, 12
16 U.S.C. § 1813(c), as may be amended, or as defined under the federal Credit
17 Union Act, 12 U.S.C. § 1781, as may be amended;

18 (3) an obligation of the United States or a commission, department,
19 agency, or instrumentality thereof; an obligation that is guaranteed fully as to
20 principal and interest by the United States; or an obligation of a state or a
21 governmental subdivision, agency, or instrumentality thereof;

1 (4) the full drawable amount of an irrevocable standby letter of credit
2 for which the stated beneficiary is the Commissioner that stipulates that the
3 beneficiary need only draw a sight draft under the letter of credit and present it
4 to obtain funds up to the letter of credit amount within seven days of
5 presentation of the items required by subdivision (a)(4)(C) of this section.

6 (A) The letter of credit shall:

7 (i) be issued by a financial institution as defined in subdivision
8 11101(32) of this title with federally insured deposits, a credit union with
9 federally insured deposits, a foreign bank that is authorized under federal law
10 to maintain a federal agency or federal branch office in a state or states, or a
11 foreign bank that is authorized under state law to maintain a branch in a state
12 that:

13 (I) bears an eligible rating or whose parent company bears an
14 eligible rating; and

15 (II) is regulated, supervised, and examined by federal or state
16 authorities having regulatory authority over banks, credit unions, and trust
17 companies;

18 (ii) be irrevocable, unconditional, and indicate that it is not subject
19 to any condition or qualifications outside of the letter of credit;

20 (iii) not contain reference to any other agreements, documents, or
21 entities, or otherwise provide for any security interest in the licensee; and

1 (iv) contain an issue date and expiration date, and expressly
2 provide for automatic extension, without a written amendment, for an
3 additional period of one year from the present or each future expiration date,
4 unless the issuer of the letter of credit notifies the Commissioner in writing by
5 certified or registered mail or courier mail or other receipted means, at least 60
6 days prior to any expiration date, that the irrevocable letter of credit will not be
7 extended.

8 (B) In the event of any notice of expiration or non-extension of a
9 letter of credit issued under subdivision (a)(4)(A) of this section, the licensee
10 shall be required to demonstrate to the satisfaction of the Commissioner,
11 15 days prior to expiration, that the licensee maintains and will maintain
12 permissible investments in accordance with subsection 2542(a) of this
13 subchapter upon the expiration of the letter of credit. If the licensee is not able
14 to do so, the Commissioner may draw on the letter of credit in an amount up to
15 the amount necessary to meet the licensee's requirements to maintain
16 permissible investments in accordance with subsection 2542(a) of this
17 subchapter. Any such draw shall be offset against the licensee's outstanding
18 money transmission obligations. The drawn funds shall be held in trust by the
19 Commissioner or the Commissioner's designated agent, to the extent
20 authorized by law, as agent for the benefit of the purchasers and holders of the
21 licensee's outstanding money transmission obligations.

1 (C) The letter of credit shall provide that the issuer of the letter of
2 credit will honor, at sight, a presentation made by the beneficiary to the issuer
3 of the following documents on or prior to the expiration date of the letter of
4 credit:

5 (i) the original letter of credit, including any amendments; and

6 (ii) a written statement from the beneficiary stating that any of the
7 following events have occurred:

8 (I) the filing of a petition by or against the licensee under the
9 U.S. Bankruptcy Code, 11 U.S.C. §§ 101–110, as may be amended, for
10 bankruptcy or reorganization;

11 (II) the filing of a petition by or against the licensee for
12 receivership or the commencement of any other judicial or administrative
13 proceeding for its dissolution or reorganization;

14 (III) the seizure of assets of a licensee by a Commissioner
15 pursuant to an emergency order issued in accordance with applicable law on
16 the basis of an action, a violation, or a condition that has caused or is likely to
17 cause the insolvency of the licensee; or

18 (IV) the beneficiary has received notice of expiration or non-
19 extension of a letter of credit and the licensee failed to demonstrate to the
20 satisfaction of the beneficiary that the licensee will maintain permissible

1 investments in accordance with subsection 2542(a) of this subchapter upon the
2 expiration or non-extension of the letter of credit.

3 (D) The Commissioner may designate an agent to serve on the
4 Commissioner's behalf as beneficiary to a letter of credit provided the agent
5 and letter of credit meet requirements established by the Commissioner. The
6 Commissioner's agent may serve as agent for multiple licensing authorities for
7 a single irrevocable letter of credit if the proceeds of the drawable amount for
8 the purposes of subdivision (a)(4) of this section are assigned to the
9 Commissioner.

10 (E) The Commissioner is authorized and encouraged to participate in
11 multistate processes designed to facilitate the issuance and administration of
12 letters of credit, including but not limited to services provided by the NMLS
13 and State Regulatory Registry, LLC.

14 (5) One hundred percent of the surety bond or deposit provided for
15 under section 2541 of this subchapter that exceeds the average daily money
16 transmission liability in this state.

17 (b) Unless permitted by the Commissioner by rule or order to exceed the
18 limit as set forth in this subchapter, the following investments are permissible
19 under subdivision 2542(a) of this subchapter to the extent specified:

20 (1) receivables that are payable to a licensee from its authorized
21 delegates in the ordinary course of business that are less than seven days old,

1 up to 50 percent of the aggregate value of the licensee’s total permissible
2 investments;

3 (2) of the receivables permissible under subdivision (b)(1) of this
4 section, receivables that are payable to a licensee from a single authorized
5 delegate in the ordinary course of business may not exceed 10 percent of the
6 aggregate value of the licensee’s total permissible investments.

7 (3) the following investments are permissible up to 20 percent per
8 category and combined up to 50 percent of the aggregate value of the
9 licensee’s total permissible investments:

10 (A) a short-term investment of up to six months bearing an eligible
11 rating;

12 (B) commercial paper bearing an eligible rating;

13 (C) a bill, note, bond, or debenture bearing an eligible rating;

14 (D) U.S. tri-party repurchase agreements collateralized at 100 percent
15 or more with U.S. government or agency securities, municipal bonds, or other
16 securities bearing an eligible rating;

17 (E) money market mutual funds rated less than “AAA” and equal to
18 or higher than “A-” by S&P or the equivalent from any other eligible rating
19 service; and

1 (F) a mutual fund or other investment fund composed solely and
2 exclusively of one or more permissible investments listed in subdivisions
3 (a)(1)–(3) of this section.

4 (4) cash, including demand deposits, savings deposits, and funds in such
5 accounts held for the benefit of the licensee’s customers, at foreign depository
6 institutions are permissible up to 10 percent of the aggregate value of the
7 licensee’s total permissible investments if the licensee has received a
8 satisfactory rating in its most recent examination and the foreign depository
9 institution:

10 (A) has an eligible rating;

11 (B) is registered under the Foreign Account Tax Compliance Act;

12 (C) is not located in any country subject to sanctions from the Office
13 of Foreign Asset Control; and

14 (D) is not located in a high-risk or non-cooperative jurisdiction as
15 designated by the Financial Action Task Force.

16 Subchapter 7. Requirements for Money Servicers

17 § 2545. CHANGE OF LOCATION

18 (a) A licensee shall notify the Commissioner in writing within 30 days
19 following any change in locations in this State where the licensee or an
20 authorized delegate of the licensee provides money services, including limited
21 stations and mobile locations.

1 (b) The notice required in subsection (a) of this section shall state the name
2 and street address of each location removed or added to the licensee's list.

3 (c) Licensees shall submit with the notice required in subsection (a) of this
4 section a nonrefundable fee of \$25.00 for each new authorized delegate
5 location and for each change in location for an authorized delegate. There is
6 no fee to remove locations of authorized delegates.

7 § 2546. RECORDS

8 (a) In addition to the records required to be maintained by section 2119 of
9 this title and any other records the Commissioner requires pursuant to this
10 chapter or rule, a licensee shall maintain the following records for at least five
11 years for determining the licensee's compliance with this chapter:

12 (1) a general ledger posted at least monthly containing all asset, liability,
13 capital, income, and expense accounts;

14 (2) bank statements and bank reconciliation records; and

15 (3) if the licensee is a money transmitter:

16 (A) a record of each outstanding money transmission obligation sold;

17 (B) records of outstanding money transmission obligations;

18 (C) records of each outstanding money transmission obligation paid
19 within the five-year period; and

20 (D) a list of the last known names and addresses of all of the
21 licensee's authorized delegates.

1 (b) The records specified in subsection (a) of this section shall be
2 maintained in any form permitted in subsection 11301(c) of this title.

3 (c) Records specified in subsection (a) of this section may be maintained
4 outside this State if they are made accessible to the Commissioner on seven
5 business-days' notice.

6 Sec. 45. 8 V.S.A. § 2555 is amended to read:

7 § 2555. CONSERVATION, LIQUIDATION, AND INSOLVENCY

8 To the extent applicable, the provisions of subchapters 2, 3, and ~~5~~ 4 of
9 chapter 209 of this title, excluding sections 19207, 19208, 19210, 19306, and
10 19307 of this title, shall apply to the conservation, liquidation, and insolvency
11 of any licensee under this chapter. Such licensee shall be treated as a financial
12 institution for the purposes of application of those subchapters. If an impaired
13 or insolvent licensee is or becomes a debtor in bankruptcy or the subject of a
14 bankruptcy proceeding under federal law, the Commissioner shall be relieved
15 of any obligation otherwise imposed under this section and subchapters 2, 3,
16 and ~~5~~ 4 of chapter 209 of this title, and shall relinquish control of the assets and
17 estate of such debtor to the duly appointed trustee in bankruptcy or the debtor
18 in possession, as the case may be.

19 Sec. 46. REPEAL

20 8 V.S.A. chapter 79, subchapter 9 (Nationwide Licensing System) is
21 repealed.

1 Sec. 47. 8 V.S.A. chapter 79, subchapter 9 is added to read:

2 Subchapter 9. Timely Transmission, Refunds, and Disclosures by Money

3 Transmitters

4 § 2560. TIMELY TRANSMISSION

5 (a) Every licensee shall forward all money received for transmission in
6 accordance with the terms of the agreement between the licensee and the
7 sender unless the licensee has a reasonable belief or a reasonable basis to
8 believe that the sender may be a victim of fraud or that a crime or violation of
9 law, rule, or regulation has occurred, is occurring, or may occur.

10 (b) If a licensee fails to forward money received for transmission in
11 accordance with this section, the licensee must respond promptly to inquiries
12 by the sender with the reason for the failure unless providing a response would
13 violate a state or federal law, rule, or regulation.

14 § 2561. REFUNDS

15 (a) This section does not apply to:

16 (1) money received for transmission subject to the federal Remittance
17 Rule, 12 C.F.R. Part 1005, subpart B, as may be amended; or

18 (2) money received for transmission pursuant to a written agreement
19 between the licensee and payee to process payments for goods or services
20 provided by the payee.

1 (b) Every licensee shall refund to the sender within 10 days of receipt of
2 the sender's written request for a refund of any and all money received for
3 transmission unless any of the following occurs:

4 (1) The money has been forwarded within 10 days following the date on
5 which the money was received for transmission.

6 (2) Instructions have been given committing an equivalent amount of
7 money to the person designated by the sender within 10 days following the
8 date on which the money was received for transmission.

9 (3) The agreement between the licensee and the sender instructs the
10 licensee to forward the money at a time that is beyond 10 days following the
11 date on which the money was received for transmission. If funds have not yet
12 been forwarded in accordance with the terms of the agreement between the
13 licensee and the sender, the licensee shall issue a refund in accordance with the
14 other provisions of this section.

15 (4) The refund is requested for a transaction that the licensee has not
16 completed based on a reasonable belief or a reasonable basis to believe that a
17 crime or violation of law, rule, or regulation has occurred, is occurring, or may
18 occur.

19 (5) The refund request does not enable the licensee to:

20 (A) identify the sender's name and address or telephone number; or

1 (B) identify the particular transaction to be refunded in the event the
2 sender has multiple transactions outstanding.

3 § 2562. RECEIPTS

4 (a) This section does not apply to:

5 (1) money received for transmission subject to the federal Remittance
6 Rule, 12 C.F.R. Part 1005, subpart B, as may be amended;

7 (2) money received for transmission that is not primarily for personal,
8 family, or household purposes;

9 (3) money received for transmission pursuant to a written agreement
10 between the licensee and payee to process payments for goods or services
11 provided by the payee; or

12 (4) payroll processing services.

13 (b) As used in this section and sections 2507 and 2574 of this chapter,
14 “receipt” means a paper receipt, electronic record, or other written
15 confirmation. For a transaction conducted in person, the receipt may be
16 provided electronically if the sender requests or agrees to receive an electronic
17 receipt. For a transaction conducted electronically or by phone, a receipt may
18 be provided electronically. All electronic receipts shall be provided in a
19 retainable form.

20 (c) Every licensee or its authorized delegate shall provide the sender a
21 receipt for money received for transmission.

- 1 (1) The receipt shall contain the following information, as applicable:
- 2 (A) the name of the sender;
- 3 (B) the name of the designated recipient;
- 4 (C) the date of the transaction;
- 5 (D) the unique transaction or identification number;
- 6 (E) the name of the licensee, NMLS Unique ID, the licensee’s
7 business address, and the licensee’s customer service telephone number;
- 8 (F) the amount of the transaction in U.S. dollars;
- 9 (G) for transactions that involve money sent in a different currency
10 from the money received:
- 11 (i) if the rate of exchange is fixed by the licensee at the time the
12 transmission is initiated, the receipt shall disclose the rate of exchange for the
13 transaction, and the duration, if any, for the payment to be made at the fixed
14 rate of exchange so specified;
- 15 (ii) if the rate of exchange is not fixed at the time the transmission
16 is initiated, the receipt shall disclose that the rate of exchange for the
17 transaction will be set at the time the money is received;
- 18 (H) any fee charged by the licensee to the sender for the transaction;
- 19 and
- 20 (I) any taxes collected by the licensee from the sender for the
21 transaction.

1 (2) The receipt required by this section shall be in English and in the
2 language principally used by the licensee or authorized delegate to advertise,
3 solicit, or negotiate, either orally or in writing, for a transaction conducted in
4 person, electronically, or by phone, if other than English.

5 § 2563. NOTICE

6 Every licensee or authorized delegate shall disclose on their website and
7 mobile application the name of the Department and a current link to the
8 Vermont Banking Consumer Complaint Form accompanied by statements
9 conveying that, should the licensee’s customers have a complaint about the
10 licensee’s money transmission services they should first contact the licensee
11 using contact information supplied by the licensee and, if the complaint
12 remains unresolved, they can submit a complaint to the Department using the
13 form.

14 § 2564. DISCLOSURE FOR PAYROLL PROCESSING SERVICES

15 (a) A licensee that provides payroll processing services shall:

16 (1) issue reports to clients detailing client payroll obligations in advance
17 of the payroll funds being deducted from an account; and

18 (2) make available worker paystubs or an equivalent statement to
19 workers.

20 (b) This section shall not apply to a licensee providing payroll processing
21 services where the licensee’s client designates the intended recipients to the

1 licensee and is responsible for providing the disclosures required by
2 subdivision (a)(2) of this section.

3 Sec. 48. 8 V.S.A. chapter 79, subchapter 10 is added to read:

4 Subchapter 10. Virtual Currency

5 § 2571. DEFINITIONS

6 As used in this subchapter:

7 (1) “Exchange,” used as a verb, means to assume or exercise control of
8 virtual currency from or on behalf of a person, including momentarily, to buy,
9 sell, trade, or convert:

10 (A) virtual currency for money, monetary value, bank credit, or one
11 or more forms of virtual currency, or other consideration; or

12 (B) money, monetary value, bank credit, or other consideration for
13 one or more forms of virtual currency.

14 (2) “Transfer” means to assume or exercise control of virtual currency
15 from or on behalf of a person and to:

16 (A) credit the virtual currency to the account or digital wallet of
17 another person;

18 (B) move the virtual currency from one account or digital wallet of a
19 person to another account or digital wallet of the same person; or

20 (C) relinquish or transfer control or ownership of virtual currency to
21 another person, digital wallet, distributed ledger address, or smart contract.

1 § 2572. EXEMPTIONS

2 (a) This subchapter shall not apply to the exchange or transfer of virtual
3 currency, or to virtual-currency storage or virtual-currency administration, by a
4 person to the extent that the Securities Exchange Act of 1934, 15 U.S.C.
5 §§ 78a–78oo, as may be amended, or the Commodities Exchange Act of 1936,
6 7 U.S.C. §§ 1–27f, as may be amended, govern such activity and the person is
7 conducting such activity in compliance with all applicable requirements of
8 such laws and any regulations promulgated thereunder.

9 (b) This subchapter shall not apply to activity by:

10 (1) a person that:

11 (A) provides only data storage or security services for a business
12 engaged in virtual-currency business activity and does not otherwise engage in
13 virtual-currency business activity on behalf of another person; or

14 (B) provides only to a person otherwise exempt from this chapter
15 virtual currency as one or more enterprise solutions used solely among each
16 other and has no agreement or relationship with a person that is an end-user of
17 virtual currency;

18 (2) a person using virtual currency, including creating, investing, buying
19 or selling, or obtaining virtual currency as payment for the purchase or sale of
20 goods or services, solely on its own behalf for personal, family, or household
21 purposes or for academic purposes;

1 (3) a person whose virtual-currency business activity with or on behalf
2 of persons is reasonably expected to be valued, in the aggregate, on an annual
3 basis at \$5,000.00 or less, measured by the U.S. dollar equivalent of virtual
4 currency;

5 (4) a securities intermediary, as defined in 9A V.S.A. § 8-102, or a
6 commodity intermediary, as defined in 9A V.S.A. § 9-102, that:

7 (A) does not engage in the ordinary course of business in virtual-
8 currency business activity with or on behalf of a person in addition to
9 maintaining securities accounts or commodities accounts and is regulated as a
10 securities intermediary or commodity intermediary under federal law, law of
11 this State other than this chapter, or law of another state; and

12 (B) affords a person protections comparable to those set forth in
13 section 2574 of this subchapter;

14 (5) a person that is engaged in testing products or services with the
15 person's own funds.

16 (c) The Commissioner may determine that other persons or classes of
17 persons, given facts particular to the person or class, are exempt from this
18 chapter, when the person or class is covered by requirements imposed under
19 federal law on business engaged in money services and the Commissioner
20 determines that no additional requirements are necessary to ensure the
21 protection of the public.

1 § 2573. CONDITIONS PRECEDENT TO ENGAGING IN VIRTUAL-
2 CURRENCY BUSINESS ACTIVITY

3 (a) A person shall not engage in virtual-currency business activity, or hold
4 itself out as being able to engage in virtual-currency business activity, with or
5 on behalf of another person unless the person is:

6 (1) licensed under subchapter 2 of this chapter to engage in virtual-
7 currency business activity;

8 (2) an authorized delegate of a person licensed under subchapter 2 of
9 this chapter to engage in virtual-currency business activity if such money
10 services are within the scope of authority conferred by a written contract
11 between the authorized delegate and the licensee;

12 (3) exempt pursuant to section 2572 of this subchapter and engages in
13 no licensable activity outside the scope of such exemption; or

14 (4) exempt pursuant to section 2504 of this chapter and does not engage
15 in money services outside the scope of such exemption.

16 (b) A person that engages in virtual-currency business activity is engaged
17 in the business of money transmission.

18 (c) It is prohibited for a person to facilitate the provision of unlicensed
19 virtual-currency business activity by another person that is required to be
20 licensed under this subchapter, when the first person or the first person's
21 authorized agent receives notice from a regulatory, law enforcement, or similar

1 governmental authority, or knows from its normal monitoring and compliance
2 systems, or consciously avoids knowing that the unlicensed person is in
3 violation of this chapter.

4 (d) All provisions of this chapter, and any rule adopted under this chapter,
5 that apply to a person licensed under subchapter 2 of this chapter to engage in
6 virtual-currency business activity shall apply equally to any person required to
7 hold a license pursuant to subsection (a) of this section that does not hold one.
8 Nothing herein shall be interpreted to permit any such unlicensed person to
9 engage in virtual-currency business activity or hold itself out as being able to
10 engage in any virtual-currency business activity without a license.

11 § 2574. REQUIRED DISCLOSURES

12 (a) A person licensed under subchapter 2 of this chapter to engage in
13 virtual-currency business activity shall provide the disclosures required by this
14 section and any additional disclosure the Commissioner determines reasonably
15 necessary for the protection of the public.

16 (1) A disclosure required by this section must be made separately from
17 any other information provided by the licensee and in a clear and conspicuous
18 manner in a record the person may keep.

19 (2) The Commissioner may waive one or more requirements in
20 subsections (b)–(d) of this section and approve alternative disclosures proposed
21 by a licensee if the Commissioner determines that the alternative disclosure is

1 more appropriate for the virtual-currency business activity and provides the
2 same or equivalent information and protection to the public.

3 (b) Before engaging in virtual-currency business activity with a person, a
4 licensee shall disclose, to the extent applicable to the virtual-currency business
5 activity the licensee will undertake with the person:

6 (1) a schedule of fees and charges the licensee may assess, the manner
7 by which fees and charges will be calculated if they are not set in advance and
8 disclosed, and the timing of the fees and charges, including general disclosure
9 regarding mark-ups and mark-downs on purchases, sales, or exchanges of
10 virtual currency in which the licensee or any affiliate thereof is acting in a
11 principal capacity;

12 (2) whether the product or service provided by the licensee is covered
13 by:

14 (A) a form of insurance or is otherwise guaranteed against loss by an
15 agency of the United States:

16 (i) up to the full U.S. dollar equivalent of virtual currency
17 purchased from the licensee or for control of virtual currency by the licensee as
18 of the date of the placement or purchase, including the maximum amount
19 provided by insurance under the Federal Deposit Insurance Corporation or
20 otherwise available from the Securities Investor Protection Corporation; or

21 (ii) if not provided at the full U.S. dollar equivalent of virtual

1 currency purchased from the licensee or for control of virtual currency by the
2 licensee, the maximum amount of coverage for each person expressed in the
3 U.S. dollar equivalent of the virtual currency; or

4 (B) private insurance against theft or loss, including cyber theft or
5 theft by other means;

6 (3) the irrevocability of a transfer or exchange and any exception to
7 irrevocability;

8 (4) a description of:

9 (A) liability for an unauthorized, mistaken, or accidental transfer or
10 exchange;

11 (B) the person's responsibility to provide notice to the licensee of the
12 transfer or exchange;

13 (C) the basis for any recovery by the person from the licensee;

14 (D) general error-resolution rights applicable to the transfer or
15 exchange; and

16 (E) the method for the person to update the person's contact
17 information with the licensee;

18 (5) that the date or time when the transfer or exchange is made and the
19 person's account is debited may differ from the date or time when the person
20 initiates the instruction to make the transfer or exchange;

21 (6) whether the person has a right to stop a preauthorized payment or

1 revoke authorization for a transfer and the procedure to initiate a stop-payment
2 order or revoke authorization for a subsequent transfer;

3 (7) the person's right to receive a receipt, trade ticket, or other evidence
4 of the transfer or exchange;

5 (8) the person's right to at least 30 days' prior notice of a change in the
6 licensee's fee schedule, other terms and conditions of operating its virtual-
7 currency business activity with the person, and the policies applicable to the
8 person's account; and

9 (9) that virtual currency is not money.

10 (c) In connection with any virtual-currency transaction effected through a
11 money transmission kiosk in this State, or in any transaction where the licensee
12 or any affiliate thereof is acting in a principal capacity in a sale of virtual
13 currency to, or purchase of virtual currency from, a customer, then
14 immediately prior to effecting such a purchase or sale transaction with or on
15 behalf of a customer, a licensee shall prominently disclose and require the
16 customer to acknowledge and confirm:

17 (1) the type, value, date, precise time, and amount of the transaction;

18 and

19 (2) the consideration charged for the transaction, including:

20 (A) any charge, fee, commission, or other consideration for any trade,
21 exchange, conversion, or transfer involving virtual currency; and

1 (B) any difference between the price paid by the customer for any
2 virtual currency and the prevailing market price of such virtual currency, if
3 any.

4 (d) Except as otherwise provided in subsection (e) of this section, at the
5 conclusion of a virtual-currency transaction with or on behalf of a person, a
6 licensee shall provide the person with a receipt that contains:

7 (1) the name and contact information of the licensee, including
8 information the person may need to ask a question or file a complaint;

9 (2) the type, value, date, precise time, and amount of the transaction;

10 (3) the consideration charged for the transaction, including:

11 (A) any charge, fee, commission, or other consideration for any trade,
12 exchange, conversion, or transfer involving virtual currency; or

13 (B) the amount of any difference between the price paid by the
14 customer for any virtual currency and the prevailing market price of such
15 virtual currency, if any; and

16 (4) any other information required pursuant to section 2562 of this title.

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

21 § 2575. PROPERTY INTERESTS AND ENTITLEMENTS TO VIRTUAL

1 CURRENCY

2 (a) A person licensed under subchapter 2 of this chapter to engage in
3 virtual-currency business activity that has control of virtual currency or
4 provides virtual-currency storage to, for, or on behalf of one or more persons
5 shall maintain custody and control of virtual currency in an identical type and
6 amount of virtual currency sufficient to satisfy the aggregate entitlements of
7 such persons to such identical types and amounts of virtual currency.

8 (b) For the purposes of subsection (a) of this section, units of virtual
9 currency are only of an identical type and amount if such units are fungible in
10 all respects, including having the same issuer and being identical in amount,
11 market capitalization, circulating supply, name, U.S. dollar equivalent of
12 virtual currency, liquidity, use, rights, restrictions, functionality, permissions,
13 and any other material attribute.

14 (c) If a licensee violates section subsection (a) of this section, the property
15 interests of the persons in the virtual currency are pro rata property interests in
16 the type of virtual currency to which the persons are entitled, without regard to
17 the time the persons became entitled to the virtual currency or the licensee
18 obtained control of the virtual currency.

19 (d) The virtual currency referred to in this section is and shall be:

20 (1) held for the persons entitled to the virtual currency;

21 (2) not property of the licensee or any person required to be licensed

1 under this chapter;

2 (3) not subject to any claims, liens, or encumbrances of creditors of the
3 licensee or any person required to be licensed under this chapter; and

4 (4) deemed to be a permissible investment under this chapter to the
5 extent that there is an outstanding money transmission obligation owed to a
6 customer in such type and amount of virtual currency.

7 (e) A person licensed under subchapter 2 of this chapter to engage in
8 virtual-currency business activity is prohibited from selling, transferring,
9 assigning, lending, hypothecating, pledging, or otherwise using or
10 encumbering virtual currency stored, held, controlled, or maintained by, or
11 under the custody or control of, such licensee on behalf of another person
12 except for the sale, transfer of ownership, or assignment of such assets at the
13 direction of such other person.

14 (f) A person licensed under subchapter 2 of this chapter to engage in
15 virtual-currency business activity shall not directly or indirectly use or engage
16 any other person, including any virtual-currency control-services vendor, to
17 store or hold custody or control of any virtual currency for or on behalf of any
18 customer in this State, unless such other person is licensed under subchapter 2
19 of this chapter to engage in virtual-currency business activity, a financial
20 institution or credit union that is exempt from licensing under section 2504(7)
21 of this chapter, or a qualified custodian approved by the Commissioner by rule

1 or order to hold virtual currency on behalf of customers in this State.

2 (g) Virtual currency held in violation of subsection (f) of this section shall
3 not be deemed to be a permissible investment for purposes of satisfying a
4 licensee's obligations under section 2542(a) of this chapter, but shall be
5 deemed to be a permissible investment for purposes of section 2542(c)–(e) of
6 this chapter.

7 (h) The Commissioner may by rule or order adopt additional consumer
8 protections concerning virtual currency, including:

9 (1) rules regarding the segregation of virtual currencies and accounts
10 held for or on behalf of customers from a licensee's own virtual currencies and
11 assets;

12 (2) rules related to the custody, storage, security, ownership of, and title
13 to permissible investments and customer virtual currencies and assets;

14 (3) rules related to the use of virtual-currency control service vendors or
15 other custodians to hold custody or control of virtual currency;

16 (4) rules related to audit requirements for customer assets;

17 (5) rules setting standards, limits, prohibitions, disclosure requirements,
18 and procedures regarding the types of virtual currencies and related services,
19 activities, and transactions that licensees may offer in this State as may be
20 necessary or appropriate for the protection of consumers or compliance with
21 the terms of this chapter;

1 (6) rules requiring compliance with specific provisions of the Uniform
2 Commercial Code; and

3 (7) any rules as may be necessary or appropriate for the protection of
4 consumers or necessary or appropriate to effectuate the purposes of this
5 chapter.

6 § 2576. ADDITIONAL REQUIREMENTS AND CLARIFICATIONS FOR
7 VIRTUAL-CURRENCY BUSINESS ACTIVITIES

8 (a) To ensure adequate consumer protection, the Commissioner may adopt
9 by rule provisions that specify limitations to and the method by which a person
10 licensed under subchapter 2 of this chapter to engage in virtual-currency
11 business activity may include virtual currency and virtual currency-
12 denominated assets in the calculation of its net worth pursuant to section 2540
13 of this chapter.

14 (b) In addition to the records required to be maintained by sections 2119
15 and 2546 of this title and any other records the Commissioner requires
16 pursuant to this chapter or rule, a person licensed under subchapter 2 of this
17 chapter to engage in virtual-currency business activity shall maintain, for all
18 virtual-currency business activity with or on behalf of a person, for at least five
19 years after the date of the activity, a record of:

20 (1) each transaction of the licensee with or on behalf of the person or for
21 the licensee's account in this state, including:

- 1 (A) the identity of the person;
- 2 (B) the form of the transaction;
- 3 (C) the amount, date, and payment instructions given by the person;
- 4 and
- 5 (D) the account number, name, and U.S. Postal Service address of the
- 6 person, and, to the extent feasible, other parties to the transaction;
- 7 (2) the aggregate number of transactions and aggregate value of
- 8 transactions by the licensee with or on behalf of the person and for the
- 9 licensee’s account in this State, expressed in U.S. dollar equivalent of virtual
- 10 currency for the previous 12 calendar months;
- 11 (3) each transaction in which the licensee exchanges one form of virtual
- 12 currency for money or another form of virtual currency with or on behalf of the
- 13 person;
- 14 (4) a general ledger posted at least monthly that lists all assets,
- 15 liabilities, capital, income, and expenses of the licensee;
- 16 (5) each business-call report the licensee is required to create or provide
- 17 to the Department or NMLS;
- 18 (6) bank statements and bank reconciliation records for the licensee and
- 19 the name, account number, and U.S. Postal Service address of each bank the
- 20 licensee uses in the conduct of its virtual-currency business activity with or on
- 21 behalf of the person;

1 (7) a report of any dispute with the person; and

2 (8) a report of any virtual-currency business activity transaction with or
3 on behalf of a person which the licensee was unable to complete.

4 (c) It is unlawful for a person licensed under subchapter 2 of this chapter to
5 engage in virtual-currency business activity, or any other person, in connection
6 with the offer to sell, the offer to purchase, the sale, the purchase of a virtual
7 currency, or in connection with any virtual-currency business activity or
8 transaction in virtual currency, directly or indirectly:

9 (1) to employ a device, scheme, or artifice to defraud;

10 (2) to make an untrue statement of a material fact or to omit to state a
11 material fact necessary in order to make the statements made, in light of the
12 circumstances under which they were made, not misleading; or

13 (3) to engage in an act, practice, or course of business that operates or
14 would operate as a fraud or deceit upon another person.

15 (d) Persons licensed under subchapter 2 of this chapter to engage in virtual-
16 currency business activity shall comply at all times with all applicable federal
17 and state laws, rules, and regulations, including the following laws, as may be
18 amended: the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, the Securities
19 Exchange Act of 1934, 15 U.S.C. §§ 78a–78oo, the Commodities Exchange
20 Act of 1936, 7 U.S.C. §§ 1–27f, and the Vermont Securities Act, 9 V.S.A.
21 chapter 150.

1 § 2577. VIRTUAL CURRENCY KIOSK OPERATORS

2 (a) A virtual-currency kiosk operator shall not accept or dispense more than
3 \$1,000.00 of cash in a day in connection with virtual currency transactions
4 with a single customer in this State via one or more money transmission
5 kiosks.

6 (b) The aggregate fees and charges, directly or indirectly, charged to a
7 customer related to a single transaction or series of related transactions
8 involving virtual currency effected through a money transmission kiosk in this
9 State, including any difference between the price charged to a customer to buy,
10 sell, exchange, swap, or convert virtual currency and the prevailing market
11 value of such virtual currency at the time of such transaction, shall not exceed
12 the greater of the following:

13 (1) \$5.00; or

14 (2) 15 percent of the U.S. dollar equivalent of virtual currency involved
15 in the transaction or transactions.

16 (c) The purchase, sale, exchange, swap, or conversion of virtual currency,
17 or the subsequent transfer of virtual currency, in a series of transactions shall
18 be deemed to be a single transaction for purposes of subsection (b) of this
19 section.

1 (d) A virtual-currency kiosk operator shall comply with the licensing
2 requirements of this subchapter to the extent that the virtual-currency kiosk
3 operator engages in virtual-currency business activity.

4 (e) If a virtual-currency kiosk operator allows or facilitates another person
5 to engage in virtual-currency business activity via a money transmission kiosk
6 in this State that is owned, operated, or managed by the virtual-currency kiosk
7 operator, the virtual-currency kiosk operator shall do all of the following:

8 (1) ensure that the person engaging in virtual-currency business activity
9 is licensed under subchapter 2 of this chapter to engage in virtual-currency
10 business activity and complies with all other applicable provisions of this
11 chapter;

12 (2) ensure that any charges collected from a customer via the money
13 transmission kiosk comply with the limits provided by subsection (b) of this
14 section; and

15 (3) comply with all other applicable provisions of this chapter.

16 * * * Automated Teller Machines * * *

17 Sec. 49. 8 V.S.A. § 10302 is amended to read:

18 § 10302. AUTOMATED TELLER MACHINES

19 (a) The owner of an automated teller machine or other remote service unit,
20 ~~including a cash dispensing machine,~~ located or ~~employed~~ to be located in this
21 State shall ~~prominently and conspicuously disclose on or at the location of~~

1 ~~each such machine or on the first screen of each such machine the identity,~~
2 ~~address, and telephone number of the owner and the availability of consumer~~
3 ~~assistance. The owner shall also disclose on the screen of such machine or on~~
4 ~~a paper notice issued from the machine the amount of the fees or charges that~~
5 ~~the owner will assess to the consumer for the use of that machine. The amount~~
6 ~~of the fees or charges shall be disclosed before the consumer is irrevocably~~
7 ~~committed to completing the transaction. The Commissioner shall approve the~~
8 ~~form, content, timing, and location of such disclosures and any amendments~~
9 ~~prior to use. The Commissioner shall act on any submission made under this~~
10 ~~section within 30 days after receipt. If the Commissioner determines that any~~
11 ~~disclosures do not provide adequate consumer protection, the Commissioner~~
12 ~~may by order or by rule specify minimum disclosure standards, including the~~
13 ~~form, content, timing, and location of such disclosures. The Commissioner~~
14 ~~may impose on the owner of an automated teller machine or other remote~~
15 ~~service unit an administrative penalty of not more than \$1,000.00 for each~~
16 ~~day's failure of the owner to apply to the Commissioner for approval of~~
17 ~~disclosures required under this section, for each day's failure of the owner to~~
18 ~~use disclosures approved by the Commissioner, or for each day's continuing~~
19 ~~violation of an order of the Commissioner relating to the disclosures required~~
20 ~~by this section.~~

1 ~~(b) The owner of an automated teller machine or other remote service unit,~~
2 ~~including a cash dispensing machine, located or employed in this State shall~~
3 ~~notify the Commissioner of the location of each terminal at least 30 days prior~~
4 ~~to the activation of such terminal. The owner shall notify the Commissioner of~~
5 ~~the deactivation of any terminal within 30 days after the deactivation of such~~
6 ~~terminal, using a form prescribed by the Commissioner:~~

7 (1) provide the ownership and location of each machine or unit at least
8 30 days prior to the activation of the machine or unit;

9 (2) obtain Commissioner approval of the form, content, timing, and
10 location of all disclosures required by subsection (b) of this section prior to
11 their use; and

12 (3) notify the Commissioner of the deactivation of any machine or unit
13 within 30 days after its deactivation.

14 (b) The owner of an automated teller machine or other remote service unit
15 located or to be located in this State shall disclose prominently and
16 conspicuously, using as high a contrast or resolution as any other display or
17 graphics on the machine or unit, prior to the point at which a consumer using
18 the machine or unit is irrevocably committed to completing any transaction:

19 (1) on or at the location of each machine or unit, or on the first screen of
20 such machine or unit, the name, address, and telephone number of the owner of

1 the machine or unit and the days, time, and means by which a consumer can
2 contact the owner for consumer assistance; and
3 (2) on the screen of each machine or unit, the amount of the fees or
4 charges that the owner will assess to the consumer for the transaction, a clear
5 explanation that the fees or charges are imposed by the owner of the machine
6 or unit in connection with the consumer's transaction and are in addition to any
7 fees or charges that may be imposed by the issuer of a consumer's card, and
8 the method by which the consumer may cancel the transaction to avoid
9 imposition of the fees or charges.

10 (c) The Commissioner shall act on complete applications for approval of
11 disclosures required by subsection (b) of this section within 30 days after
12 receipt. The absence of full ownership and location information for each
13 machine or unit that will use the disclosures will result in return of the
14 application as incomplete.

15 (d) To ensure adequate consumer protection, the Commissioner may by
16 order or by rule specify additional minimum disclosure standards for
17 automated teller machines or other remote service units, including the form,
18 content, timing, and location of such disclosures.

19 (e) The Commissioner may impose on the owner of an automated teller
20 machine or other remote service unit an administrative penalty of not more
21 than \$1,000.00 for each day's failure of the owner to apply to the

1 Commissioner for approval of disclosures required under this section, for each
2 day's failure of the owner to use disclosures approved by the Commissioner, or
3 for each day's continuing violation of an order of the Commissioner relating to
4 the disclosures required by this section.

5 ~~(e)~~(f) In addition to an automated teller machine or other remote service
6 unit owned by a financial institution or credit union, the provisions of this
7 section shall apply to ~~any automated teller machine or other remote service~~
8 ~~unit~~ such machine or unit not owned by a financial institution or credit union,
9 except it shall not include a money transmission kiosk governed by chapter 79
10 of this title or a point-of-sale terminal owned or operated by a merchant who
11 does not charge a fee for the use of the point-of-sale terminal.

12 (g) The activities of an automated teller machine or other remote service
13 unit whose owner is not a financial institution or credit union shall be limited
14 to cash dispensing or the offer or sale of nonbanking services and products.

15 * * * Effective Dates * * *

16 Sec. 50. EFFECTIVE DATES

17 This act shall take effect on July 1, 2024, except that Sec. 28 (pet insurance)
18 shall take effect on July 1, 2025.

19 And that after passage the title of the bill be amended to read: An act
20 relating to banking, insurance, and securities