

1 S.129

2 Introduced by Senator Cummings

3 Referred to Committee on

4 Date:

5 Subject: Money services; virtual currency; kiosk operators; regulation

6 Statement of purpose of bill as introduced: This bill proposes to amend

7 Vermont law as it pertains to the regulation of virtual-currency kiosk operators.

8 An act relating to the regulation of virtual-currency kiosk operators

9 It is hereby enacted by the General Assembly of the State of Vermont:

10 Sec. 1. 8 V.S.A. § 2577 is amended to read:

11 § 2577. VIRTUAL-CURRENCY KIOSK OPERATORS

12 (a) Daily transaction limit.

13 (1) A virtual-currency kiosk operator shall not accept or dispense more
14 than ~~\$1,000.00~~ \$2,000.00 of cash in a day in connection with virtual-currency
15 transactions with a single new customer in this State via one or more money
16 transmission kiosks. As used in this section, a “new customer” means an
17 individual who has not completed more than two virtual-currency transactions
18 with a virtual-currency kiosk operator or who has completed a second virtual-
19 currency transaction with a virtual-currency kiosk operator but that transaction
20 was completed not more than 72 hours ago.

1 (2) A virtual-currency kiosk operator shall not accept or dispense more
2 than \$5,000.00 of cash in a day in connection with virtual-currency
3 transactions with a single existing customer in this State via one or more
4 money transmission kiosks. As used in this section, an “existing customer”
5 means an individual who has completed at least two virtual-currency
6 transactions with a virtual-currency kiosk operator and the second virtual-
7 currency transaction occurred more than 72 hours ago.

8 (b) Fee cap. The aggregate fees and charges, directly or indirectly, charged
9 to a customer related to a single transaction or series of related transactions
10 involving virtual currency effected through a money transmission kiosk in this
11 State, including any difference between the price charged to a customer to buy,
12 sell, exchange, swap, or convert virtual currency and the prevailing market
13 value of such virtual currency at the time of such transaction, shall not exceed
14 the greater of the following:

15 (1) \$5.00; or

16 (2) ~~three percent~~ 15 percent of the U.S. dollar equivalent of virtual
17 currency involved in the transaction or transactions.

18 (c) Single transaction. The purchase, sale, exchange, swap, or conversion
19 of virtual currency, or the subsequent transfer of virtual currency, in a series of
20 transactions shall be deemed to be a single transaction for purposes of
21 subsection (b) of this section.

1 (d) Licensing requirement. A virtual-currency kiosk operator shall comply
2 with the licensing requirements of this subchapter to the extent that the virtual-
3 currency kiosk operator engages in virtual-currency business activity.

4 (e) Operator accountability. If a virtual-currency kiosk operator allows or
5 facilitates another person to engage in virtual-currency business activity via a
6 money transmission kiosk in this State that is owned, operated, or managed by
7 the virtual-currency kiosk operator, the virtual-currency kiosk operator shall do
8 all of the following:

9 (1) ensure that the person engaging in virtual-currency business activity
10 is licensed under subchapter 2 of this chapter to engage in virtual-currency
11 business activity and complies with all other applicable provisions of this
12 chapter;

13 (2) ensure that any charges collected from a customer via the money
14 transmission kiosk comply with the limits provided by subsection (b) of this
15 section; and

16 (3) comply with all other applicable provisions of this chapter.

17 (f) ~~Moratorium. To protect the public safety and welfare and safeguard the~~
18 ~~rights of consumers, virtual currency kiosks shall not be permitted to operate~~
19 ~~in Vermont prior to July 1, 2025. This moratorium shall not apply to a virtual-~~
20 ~~currency kiosk that was operational in Vermont on or before June 30, 2024~~

21 Disclosure of material risks. As part of establishing a relationship with a

1 customer, and prior to entering into an initial transaction for, on behalf of, or
2 with such customer, each virtual-currency kiosk operator shall disclose in
3 clear, conspicuous, and legible writing in the English language, whether in
4 accessible terms of service or elsewhere, all material risks associated with its
5 products, services, and activities and virtual currency generally, including
6 disclosures substantially similar to the following:

7 (1) virtual currency is not legal tender, is not backed by the government,
8 and accounts and value balances are not subject to Federal Deposit Insurance
9 Corporation or Securities Investor Protection Corporation protections;

10 (2) legislative and regulatory changes or actions at the State, federal, or
11 international level may adversely affect the use, transfer, exchange, and value
12 of virtual currency;

13 (3) transactions in virtual currency may be irreversible and, accordingly,
14 losses due to fraudulent or accidental transactions may not be recoverable;

15 (4) some virtual currency transactions shall be deemed to be made when
16 recorded on a public ledger, which is not necessarily the date or time that the
17 customer initiates the transaction;

18 (5) the value of virtual currency may be derived from the continued
19 willingness of market participants to exchange fiat currency for virtual
20 currency, which may result in the potential for permanent and total loss of

1 value of a particular virtual currency should the market for that virtual
2 currency disappear;

3 (6) there is no assurance that a person who accepts a virtual currency as
4 payment today will continue to do so in the future;

5 (7) the volatility and unpredictability of the price of virtual currency
6 relative to fiat currency may result in significant loss over a short period of
7 time;

8 (8) the nature of virtual currency may lead to an increased risk of fraud
9 or cyber attack;

10 (9) the nature of virtual currency means that any technological
11 difficulties experienced by the virtual-currency kiosk operator may prevent the
12 access or use of a customer's virtual currency; and

13 (10) any bond or trust account maintained by the virtual-currency kiosk
14 operator for the benefit of its customers may not be sufficient to cover all
15 losses incurred by customers.

16 ~~(g) Report. On or before January 15, 2025, the Commissioner of Financial~~
17 ~~Regulation shall report to the House Committee on Commerce and Economic~~
18 ~~Development and the Senate Committee on Finance on whether the~~
19 ~~requirements of this section coupled with relevant federal requirements are~~
20 ~~sufficient to protect customers in Vermont from fraudulent activity. If deemed~~
21 ~~necessary and appropriate by the Commissioner, the Commissioner may make~~

1 ~~recommendations for additional statutory or regulatory safeguards. In~~
2 ~~addition, the Commissioner shall make recommendations for enhanced~~
3 ~~oversight and monitoring of virtual currency kiosks for the purpose of~~
4 ~~minimizing their use for illicit activities as described in the U.S. Government~~
5 ~~Accountability Office report on virtual currencies, GAO 22-105462, dated~~
6 ~~December 2021. Disclosure upon opening account. When opening an account~~
7 ~~for a new customer, and prior to entering into an initial transaction for, on~~
8 ~~behalf of, or with such customer, each virtual-currency kiosk operator shall~~
9 ~~disclose in clear, conspicuous, and legible writing in the English language,~~
10 ~~whether in accessible terms of service or elsewhere, all relevant terms and~~
11 ~~conditions associated with its products, services, and activities and virtual~~
12 ~~currency generally, including disclosures substantially similar to the~~
13 ~~following”~~

14 (1) the customer’s liability for unauthorized virtual currency
15 transactions;

16 (2) under what circumstances the virtual-currency kiosk operator will,
17 absent a court or government order, disclose information concerning the
18 customer’s account to third parties;

19 (3) the customer’s right to receive periodic account statements and
20 valuations from the virtual-currency kiosk operator;

1 (4) the customer's right to receive a receipt, trade ticket, or other
2 evidence of a transaction;

3 (5) the customer's right to prior notice of a change in the virtual-
4 currency kiosk operator's rules or policies; and

5 (6) such other disclosures as are customarily given in connection with
6 the opening of customer accounts.

7 (h). Disclosure prior to transaction. Prior to entering into a virtual-currency
8 transaction with a customer, each virtual-currency kiosk operator shall ensure a
9 warning is disclosed to a customer substantially similar to the following:

10 Customer Notice. Please Read Carefully.

11 Did you receive a phone call from your bank, software provider, the police,
12 or were you directed to make a payment for social security, utility bill,
13 investment, warrants, or bail money at this kiosk? STOP

14 Is anyone on the phone pressuring you to make a payment of any kinds?
15 STOP

16 I understand that the purchase and sale of cryptocurrency is a final,
17 irreversible, and nonrefundable transaction.

18 I confirm I am sending funds to a wallet I own or directly have control over.
19 I confirm that I am using funds gained from my own initiative to make my
20 transaction.

1 (i) Blockchain analytics. A virtual-currency kiosk operator shall use
2 blockchain analytics software to assist in the prevention of sending purchased
3 virtual currency from a virtual-currency kiosk operator to a digital wallet
4 known to be affiliated with fraudulent activity at the time of a transaction. The
5 Commissioner may request evidence from any virtual-currency kiosk operator
6 of current use of blockchain analytics.

7 (j) Customer service. A virtual-currency kiosk operator shall provide live
8 customer service at a minimum on Monday through Friday between the hours
9 for 8:00 a.m. and 10:00 p.m. CST. The customer service toll free number shall
10 be displayed on the virtual-currency kiosk or the virtual-currency kiosk screen.

11 (k) Fraud prevention. A virtual-currency kiosk operator shall take
12 reasonable steps to detect and prevent fraud, including establishing and
13 maintaining a written anti-fraud policy. The anti-fraud policy shall, at a
14 minimum, include the following:

15 (1) the identification and assessment of fraud related risk areas;

16 (2) procedures and controls to protect against identified risks;

17 (3) allocation of responsibility for monitoring risks; and

18 (4) procedures for the periodic evaluation and revision of the anti-fraud
19 procedures, controls, and monitoring mechanisms.

20 (l) Due diligence policy. A virtual-currency kiosk operator shall maintain,
21 implement, and enforce a written Enhanced Due Diligence Policy. The Policy

1 shall be reviewed and approved by the virtual-currency kiosk operator's board
2 of directors or an equivalent governing body of the virtual-currency kiosk
3 operator. The Policy shall identify, at a minimum, individuals who are at risk
4 of fraud based on age or mental capacity.

5 (m) Compliance policies. A virtual-currency kiosk operator shall maintain,
6 implement, and enforce written compliance policies and procedures. Such
7 policies and procedures shall be reviewed and approved by the virtual-currency
8 kiosk operator's board of directors or an equivalent governing body of the
9 virtual-currency kiosk operator.

10 (n) Compliance officer.

11 (1) A virtual-currency kiosk operator shall designate and employ a
12 compliance officer who meets the following requirements:

13 (A) is qualified to coordinate and monitor compliance with this
14 section and all other applicable federal and State laws and regulations;

15 (B) is employed full-time by the virtual-currency kiosk operator; and

16 (C) is not an individual who owns more than 20 percent of the
17 virtual-currency kiosk operator by whom the individual is employed.

18 (2) Compliance responsibilities required under federal and State law and
19 regulation shall be completed by one or more full-time employees of the
20 virtual-currency kiosk operator.

1 (o) Consumer protection officer. A virtual-currency kiosk operator shall
2 designate and employ a consumer protection officer who meets the following
3 requirements:

4 (1) is qualified to coordinate and monitor compliance with this section
5 and all other applicable federal and State laws and regulations;

6 (2) is employed full-time by the virtual-currency kiosk operator; and

7 (3) is not an individual who owns more than 20 percent of the virtual-
8 currency kiosk operator by whom the individual is employed.

9 Sec. 2. EFFECTIVE DATE

10 This act shall take effect on July 1, 2025.