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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

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A N A C T

RELATING TO FINANCIAL INSTITUTIONS -- CURRENCY TRANSMISSIONS

Introduced By: Representatives Casimiro, Noret, Read, Carson, O'Brien, Bennett, Serpa,
Voas, Kazarian, and Alzate

Date Introduced: January 22, 2025

Referred To: House Innovation, Internet, & Technology

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 19-14.3-1.1 of the General Laws in Chapter 19-14.3 entitled
2 "Currency Transmissions" is hereby amended to read as follows:

3 **19-14.3-1.1. Definitions.**

4 In addition to the definitions provided in § 19-14-1 the following definitions are applicable
5 to this chapter:

6 (1) "Blockchain analytics" means the analysis of data from blockchains or public
7 distributed ledgers, including associated transaction information.

8 (2) "Blockchain analytics software" means a software service that uses blockchain
9 analytics data to provide risk-specific information about virtual currency wallet addresses, among
10 other things.

11 ~~(3)~~(3) "Control" means:

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

14 (ii) When used in reference to a person, the direct or indirect power to direct the
15 management, operations, or policies of the person through legal or beneficial ownership of twenty-
16 five percent (25%) or more of the voting power in the person or under a contract, arrangement, or
17 understanding.

18 ~~(4)~~(4) "Department" means the department of business regulation, division of banking.

19 ~~(5)~~(5) "Exchange," used as a verb, means to assume control of virtual currency from or on

1 behalf of a resident, at least momentarily, to sell, trade, or convert:

2 (i) Virtual currency for legal tender, bank credit, or one or more forms of virtual currency;

3 or

4 (ii) Legal tender or bank credit for one or more forms of virtual currency.

5 ~~(4)~~(6) "Legal tender" means a medium of exchange or unit of value, including the coin or
6 paper money of the United States, issued by the United States or by another government.

7 ~~(5)~~(7) "Licensee" means a person licensed under this chapter.

8 ~~(6)~~(8) "Monetary value" means a medium of exchange, whether or not redeemable in
9 money.

10 (9) "New customer" means an individual who has never previously transacted with the
11 virtual currency kiosk operator. The new customer shall remain defined as such during the thirty
12 (30) day period after the first financial transaction with the virtual currency kiosk operator.

13 ~~(7)~~(10) "Reciprocity agreement" means an arrangement between the department and the
14 appropriate licensing agency of another state that permits a licensee operating under a license
15 granted by the other state to engage in currency transmission business activity with or on behalf of
16 a resident.

17 ~~(8)~~(11) "Record" means information that is inscribed on a tangible medium or that is stored
18 in an electronic or other medium and is retrievable in perceivable form.

19 ~~(9)~~(12) "Registry" means the Nationwide Multistate Licensing System.

20 ~~(10)~~(13) "Resident":

21 (i) Means a person that:

22 (A) Is domiciled in this state;

23 (B) Is physically located in this state for more than one hundred eighty-three (183) days of
24 the previous three hundred sixty-five (365) days; or

25 (C) Has a place of business in this state; and

26 (ii) Includes a legal representative of a person that satisfies subsection (10)(i) of this
27 section.

28 ~~(11)~~(14) "Responsible individual" means an individual who has managerial authority with
29 respect to a licensee's currency transmission business activity with or on behalf of a resident.

30 ~~(12)~~(15) "Sign" means, with present intent to authenticate or adopt a record:

31 (i) To execute or adopt a tangible symbol; or

32 (ii) To attach to or logically associate with the record an electronic symbol, sound, or
33 process.

34 ~~(13)~~(16) "State" means a state of the United States, the District of Columbia, Puerto Rico,

1 the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of
2 the United States.

3 ~~(14)~~(17) “Store,” except in the phrase “store of value,” means to maintain control of virtual
4 currency on behalf of a resident by a person other than the resident. “Storage” and “storing” have
5 corresponding meanings.

6 (18) "Transaction hash" means a unique identifier made up of a string of characters that act
7 as a record of and provide proof that the transaction was verified and added to the blockchain.

8 ~~(15)~~(19) “Transfer” means to assume control of virtual currency from or on behalf of a
9 resident and to:

- 10 (i) Credit the virtual currency to the account of another person;
11 (ii) Move the virtual currency from one account of a resident to another account of the
12 same resident; or
13 (iii) Relinquish control of virtual currency to another person.

14 ~~(16)~~(20) “U.S. Dollar equivalent of virtual currency” means the equivalent value of a
15 particular virtual currency in United States dollars shown on a virtual currency exchange based in
16 the United States for a particular date or period specified in this chapter.

17 (21) "Virtual currency address" means an alphanumeric identifier associated with a virtual
18 currency wallet identifying the location to which a virtual currency transaction can be sent.

19 ~~(17)~~(22) “Virtual currency business activity” means:

- 20 (i) Exchanging, transferring, or storing virtual currency whether directly or through an
21 agreement with a virtual currency control-services vendor;
22 (ii) Holding electronic precious metals or electronic certificates representing interests in
23 precious metals on behalf of another person or issuing shares or electronic certificates representing
24 interests in precious metals; or
25 (iii) Exchanging one or more digital representations of value used within one or more
26 online games, game platforms, or family of games for:

27 (A) Virtual currency offered by or on behalf of the same publisher from which the original
28 digital representation of value was received; or

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

32 ~~(18)~~(23) “Virtual currency control-services vendor” means a person who has control of
33 virtual currency solely under an agreement with a person who, on behalf of another person, assumes
34 control of virtual currency.

1 (24) "Virtual currency kiosk" means an electronic terminal acting as a mechanical agent of
2 the virtual currency kiosk operator to enable the virtual currency kiosk operator to facilitate the
3 exchange of virtual currency for money, bank credit, or other virtual currency including, but not
4 limited to, by:

5 (i) Connecting directly to a separate "virtual currency exchange" that performs the actual
6 virtual currency transmission; or

7 (ii) Drawing upon the virtual currency in the possession of the electronic terminal's
8 operator.

9 (25) "Virtual currency kiosk transaction" means a transaction conducted or performed, in
10 whole or in part, by electronic means via a virtual currency kiosk. Virtual currency kiosk transaction
11 also means a transaction made at a virtual currency kiosk to purchase virtual currency with fiat
12 currency or to sell virtual currency for fiat currency.

13 (26) "Virtual currency wallet" means a software application or other mechanism providing
14 a means for holding, storing and transferring virtual currency.

15 (27) "Virtual-currency kiosk operator" means a person that engages in virtual-currency
16 business activity via a money transmission kiosk located in this state or a person that owns,
17 operates, or manages a money transmission kiosk located in this state through which virtual
18 currency business activity is offered.

19 SECTION 2. Chapter 19-14.3 of the General Laws entitled "Currency Transmissions" is
20 hereby amended by adding thereto the following sections:

21 **19-14.3-3.9. Virtual currency kiosk operator licensing and kiosk registration.**

22 (a) A kiosk operator shall not engage in virtual currency business activity or hold itself out
23 as being able to engage in virtual currency business activity with or on behalf of another person
24 unless the kiosk operator is licensed in the state as a money transmitter.

25 (b) A virtual currency kiosk operator shall not locate, or allow a third party to locate, a
26 virtual currency kiosk in this state unless the virtual currency kiosk operator registers the money
27 transmission kiosk and obtains the prior approval of the department of business regulation (DBR)
28 for its activation.

29 (c) Each virtual currency kiosk operator shall submit to the DBR a quarterly report of the
30 location of each virtual currency kiosk located within the State of Rhode Island within forty-five
31 (45) days of the end of the calendar quarter. The location report shall include, at a minimum, the
32 following regarding the location where a virtual currency kiosk is located:

33 (1) The Company's legal name;

34 (2) Any fictitious or trade name;

- 1 (3) Physical address;
- 2 (4) Start date of operation of virtual currency kiosk at location;
- 3 (5) End date of operation of virtual currency kiosk at location, if applicable; and
- 4 (6) Virtual currency address(es) associated with the virtual currency kiosk

5 **19-14.3-3.10. Disclosures.**

6 A virtual currency kiosk operator shall disclose in a clear, conspicuous, and easily readable
7 manner in the chosen language of the customer, all relevant terms and conditions generally
8 associated with the products, services, and activities of the virtual currency kiosk operator and
9 virtual currency.

10 (1) With regard to acknowledgment of disclosures, the virtual currency kiosk operator shall
11 receive acknowledgement of receipt of all disclosures required under this section via confirmation
12 of consent.

13 (2) With regard to relevant disclosures, the disclosures under this subsection shall address
14 at least the following:

15 (i) A warning, written prominently and in bold type, and provided separately from the
16 disclosures below, stating: "WARNING: LOSSES DUE TO FRAUDULENT OR ACCIDENTAL
17 TRANSACTIONS ARE NOT RECOVERABLE AND TRANSACTIONS IN VIRTUAL
18 CURRENCY ARE IRREVERSIBLE. VIRTUAL CURRENCY TRANSACTIONS MAY BE
19 USED TO STEAL YOUR MONEY BY CRIMINALS IMPERSONATING THE
20 GOVERNMENT, ORGANIZATIONS, OR YOUR LOVED ONES. THEY CAN THREATEN
21 JAIL TIME, SAY YOUR IDENTITY HAS BEEN STOLEN, ALLEGE YOUR COMPUTER HAS
22 BEEN HACKED, INSIST YOU WITHDRAW MONEY FROM YOUR BANK ACCOUNT TO
23 PURCHASE VIRTUAL CURRENCY, OR A NUMBER OF OTHER SCAMS. IF YOU BELIEVE
24 YOU ARE BEING SCAMMED, CALL YOUR LOCAL LAW ENFORCEMENT."

25 (ii) The material risks associated with virtual currency and virtual currency transactions,
26 including:

27 (A) A warning that once completed, the transaction may not be reversed;

28 (B) The virtual currency kiosk operator's liability for unauthorized virtual currency
29 transactions;

30 (C) The virtual currency kiosk customer's liability for unauthorized currency transactions;

31 (D) Virtual currency is not legal tender, backed or insured by the government, and accounts
32 and value balances are not subject to Federal Deposit Insurance Corporation, National Credit Union
33 Administration, or Securities Investor Protection Corporation protections;

34 (E) Some virtual currency transactions are deemed to be made when recorded on a public

1 ledger which may not be the date or time when the person initiates the transaction;

2 (F) Virtual currency's value may be derived from market participants' continued
3 willingness to exchange fiat currency for virtual currency, which may result in the permanent and
4 total loss of a particular virtual currency's value if the market for virtual currency disappears;

5 (G) A person who accepts a virtual currency as payment today is not required to accept and
6 might not accept virtual currency in the future;

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

9 (I) The nature of virtual currency means that any technological difficulties experienced by
10 virtual currency kiosk operators may prevent access to or use of a person's virtual currency; and

11 (J) Any bond maintained by the virtual currency kiosk operator for the benefit of a person
12 may not cover all losses a person incurs.

13 (iii) The amount of the transaction denominated in US Dollars as well as the applicable
14 virtual currency;

15 (iv) Any fees or expenses charged by the virtual currency kiosk operator;

16 (v) Any applicable exchange rates;

17 (vi) A daily virtual currency transaction limit of no more than one thousand dollars
18 (\$1,000);

19 (vii) Notice of a change in the virtual currency kiosk operator's rules or policies;

20 (viii) The name, address, and telephone number of the owner of the kiosk and the days,
21 time, and means by which a consumer can contact the owner for consumer assistance shall be
22 displayed on or at the location of the virtual currency kiosk, or on the first screen of such kiosk;

23 (ix) Under what circumstances the virtual currency kiosk operator, without a court or
24 government order, discloses a person's account information to third parties; and

25 (x) Other disclosures that are customarily given in connection with a virtual currency
26 transaction.

27 (3) With regard to a transaction receipt, upon each transaction's completion, the virtual
28 currency kiosk operator shall provide a person with a physical receipt in the language chosen by
29 the customer containing the following information:

30 (i) The virtual currency kiosk operator's name and contact information, including a
31 telephone number to answer questions and register complaints;

32 (ii) The type, value, date, and precise time of the transaction, transaction hash, and each
33 applicable virtual currency address;

34 (iii) The name and contact information of the sender;

- 1 (iv) The name and contact information of the designated recipient;
- 2 (v) All fees charged;
- 3 (vi) The exchange rate of the virtual currency to US Dollars;
- 4 (vii) A statement of the virtual currency kiosk operator's liability for non-delivery or
5 delayed delivery;
- 6 (viii) A statement of the virtual currency kiosk operator's refund policy; and,
- 7 (ix) Any additional information the department of business regulation may require.

8 **19-14.3-3.11. Prevention of fraudulent activity.**

9 All virtual currency kiosk operators shall use blockchain analytics software to assist in the
10 prevention of sending purchased virtual currency from a virtual currency kiosk operator to a virtual
11 currency wallet known to be affiliated with fraudulent activity at the time of a transaction. The
12 DBR may request evidence from any virtual currency kiosk operator of current use of blockchain
13 analytics.

14 (1) With regard to fraud policy, all virtual currency kiosk operators shall take reasonable
15 steps to detect and prevent fraud, including establishing and maintaining a written anti-fraud policy.

16 The anti-fraud policy shall, at a minimum, include:

- 17 (i) The identification and assessment of fraud related risk areas;
- 18 (ii) Procedures and controls to protect against identified risks;
- 19 (iii) Allocation of responsibility for monitoring risks; and
- 20 (iv) Procedures for the periodic evaluation and revision of the anti-fraud procedures,
21 controls, and monitoring mechanisms.

22 (2) With regard to a compliance officer, each virtual currency kiosk operator shall
23 designate and employ a compliance officer with the following requirements:

24 (i) The individual shall be qualified to coordinate and monitor compliance with any virtual
25 currency business activity transacted in this state pursuant to this chapter and all other applicable
26 federal and state laws, rules, and regulations;

27 (ii) The individual shall be employed full-time by the virtual currency kiosk operator;

28 (iii) The designated compliance officer shall not be any individual who owns more than
29 twenty percent (20%) of the virtual currency kiosk operator by whom the individual is employed;
30 and

31 (iv) Compliance responsibilities required under federal and state laws, rules, and
32 regulations shall be completed by full-time employees of the virtual currency kiosk operator.

33 (3) With regard to refunds for new customers, a virtual currency kiosk operator shall issue
34 a refund to a new customer for the full amount of all transactions made within the thirty (30) day

1 new customer time period upon the request of the customer. In order to receive a refund under this
2 subsection, a new customer shall have been fraudulently induced to engage in the virtual currency
3 transactions and contacts the virtual currency kiosk operator and a government or law enforcement
4 agency to inform them of the fraudulent nature of the transaction agency within ninety (90) days
5 of the last transaction to occur during the thirty (30) day new customer time period.

6 (4) With regard to refunds for existing customers, a virtual currency kiosk operator shall
7 issue a refund to an existing customer for the full amount of all transaction fees upon the request
8 of an existing customer. In order to receive a refund under this subsection, a customer shall have
9 been fraudulently induced to engage in the virtual currency transactions and contacts the virtual
10 currency kiosk operator and a government or law enforcement agency to inform them of the
11 fraudulent nature of the transaction within ninety (90) days of the transaction.

12 **19-14.3-3.12. Daily transaction limit.**

13 A virtual currency kiosk operator shall not accept transactions of more than one thousand
14 US dollars (\$1,000) of cash or the equivalent in virtual currency in a day in connection with virtual
15 currency kiosk transactions with a single customer in this state via one or more virtual currency
16 kiosks.

17 **19-14.3-3.13. Fee cap.**

18 The aggregate fees and charges, directly or indirectly, charged to a customer related to a
19 single transaction or series of related transactions involving virtual currency effected through a
20 money transmission kiosk in Rhode Island, including any difference between the price charged to
21 a customer to buy, sell, exchange, swap, or convert virtual currency and the prevailing market value
22 of such virtual currency at the time of such transaction, shall not exceed the greater of the following:

23 (1) Five US dollars (\$5.00); or

24 (2) Three percent (3.0%) of the US dollar equivalent of virtual currency involved in the
25 transaction or transactions.

26 **19-14.3-3.14. Customer service.**

27 All virtual currency kiosk operators performing business in the state shall provide live
28 customer service at a minimum on Monday through Friday between 8:00 AM EST and 10:00 PM
29 EST. The customer service toll free number shall be displayed on the virtual currency kiosk or the
30 virtual currency kiosk screens.

31 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO FINANCIAL INSTITUTIONS -- CURRENCY TRANSMISSIONS

1 This act would establish regulation by the department of business regulation (DBR) over
2 the practices and procedures of virtual currency kiosk operators to prevent fraud related to the use
3 of virtual currency kiosks, by establishing daily transaction limits and the regulating of fees.

4 This act would take effect upon passage.

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