

# ASSEMBLY, No. 2371

## STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED FEBRUARY 7, 2022

**Sponsored by:**

**Assemblywoman YVONNE LOPEZ**  
**District 19 (Middlesex)**

**Co-Sponsored by:**

**Assemblywoman McKnight**

**SYNOPSIS**

“Digital Asset and Blockchain Technology Act.

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 2/28/2022)

1 AN ACT concerning digital assets and blockchain technology,  
2 amending P.L.2005, c.199, and supplementing Title 17 of the  
3 Revised Statutes and chapter 6 of Title 54A of the New Jersey  
4 Statutes.

5  
6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

8  
9 1. This act shall be known and may be cited as the “Digital  
10 Asset and Blockchain Technology Act.”

11  
12 2. “Agent” means a separate business entity from the principal  
13 that the principal authorizes, through a written agreement or  
14 otherwise, to sell its instruments or, in the case of funds  
15 transmission, to sell its send and receive transfer services.

16 “Control” means the ownership of, or the power to vote, 25  
17 percent or more of the outstanding voting interest of a licensee or  
18 controlling person. For purposes of determining the percentage of a  
19 licensee controlled by any person, there shall be aggregated with  
20 the person’s interest the interest of any other person controlled by  
21 that person or by any spouse, parent, or child of that person.

22 “Controlling person” means any person in control of a licensee.

23 “Department” means the Department of Banking and Insurance.

24 “Digital asset” means a representation of economic, proprietary,  
25 or access rights that is stored in a machine-readable format, has a  
26 transaction history that is recorded in a distributed, digital ledger or  
27 digital data structure in which consensus is achieved through a  
28 mathematically verifiable process, and includes digital consumer  
29 assets and virtual currency. “Digital asset” shall not include  
30 securities, whether in digital form or otherwise, as defined pursuant  
31 to subsection m. of section 2 of P.L.1967, c.93 (C.49:3-49), or as  
32 defined pursuant to paragraph (1) of subsection (a) in the federal  
33 “Securities Act of 1933,” 15 U.S.C. s.77b(a)(1), or paragraph (10)  
34 of subsection (a) of the federal “Securities Exchange Act of 1934,”  
35 15 U.S.C. s.78c(a)(10).

36 “Digital asset business” means a business that engages in the  
37 activities listed in subsection b. of section 3 of this act.

38 “Digital consumer asset” means a digital asset that is used or  
39 bought primarily for consumptive, personal, or household purposes  
40 and includes any other digital asset that does not fall within the  
41 term virtual currency.

42 “Issuing” means being the person who has authority over the  
43 initial creation and dissemination of a digital asset.

44 “Key individual” means any individual ultimately responsible for  
45 establishing or directing policies and procedures of the licensee,  
46 such as the licensee’s president, chairperson of the executive

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 committee, senior officer responsible for the business of the  
2 licensee in the State, chief financial officer, an executive manager,  
3 director, trustee and any other person who performs similar  
4 functions.

5 “Licensee” means a person licensed under this act or an applicant  
6 for licensure under this act.

7 “Nationwide Multistate Licensing System” means the licensing  
8 system owned and operated by the State Regulatory Registry, LLC,  
9 a wholly-owned subsidiary of the Conference of State Bank  
10 Supervisors, which functions as a system of record for non-  
11 depository, financial services licensing or registration in  
12 participating state agencies, including the District of Columbia and  
13 the United States Territories of Puerto Rico, the US Virgin Islands,  
14 and Guam, where it is the official system for companies and  
15 individuals seeking to apply for, amend, renew, and surrender  
16 license authorities.

17 “Resident” means a person that is: domiciled in New Jersey;  
18 physically located in New Jersey for more than 183 days of the  
19 previous 365 days; or a limited partnership, limited liability  
20 partnership, limited liability company, or corporation formed or  
21 incorporated in New Jersey.

22 “Responsible individual” means an individual who has  
23 managerial authority with respect to a licensee’s digital asset  
24 business activity with or on behalf of a resident.

25 “Transmission” means to engage in the business of receiving  
26 monetary value for transmission to a location inside or outside of  
27 the United States by any means, including, but not limited to, wire,  
28 facsimile, or electronic transfer.

29 “Virtual currency” means a digital asset that is used as a medium  
30 of exchange, unit of account, or store of value, and is not  
31 recognized as legal tender by the United States government.

32

33 3. a. A person shall not engage in a digital asset business  
34 activity, or hold itself out as being able to engage in a digital asset  
35 business activity, with or on behalf of a resident unless the person is  
36 licensed in this State by the department, or has filed a pending  
37 license with the department.

38 b. The department may license a person to carry on one or  
39 more of the following digital asset business activities:

40 (1) receiving a digital asset for transmission or transmitting a  
41 digital asset, except where the transaction is undertaken for non-  
42 financial purposes and does not involve the transfer of more than a  
43 nominal amount of a digital asset;

44 (2) storing, holding, or maintaining custody of a digital asset on  
45 behalf of others, exempting all custodians otherwise regulated as a  
46 bank, trust, broker-dealer, or credit union in any state or by the  
47 United States or money transmitter licensed in this State;

48 (3) buying and selling digital assets as a customer business;

1 (4) performing exchange services of digital assets as a customer  
2 business;

3 (5) issuing a digital asset; or

4 (6) borrowing or lending of, or facilitating the borrowing or  
5 lending of, customer digital assets.

6 c. A person who violates this section shall be liable for a  
7 penalty of \$500 per day, from the first day the department issues a  
8 notice of failure to apply a license until a license application is filed  
9 with the department.

10

11 4. a. An application for a license under this act shall be  
12 submitted through the Nationwide Multistate Licensing System  
13 made in the form and medium to be prescribed by the department  
14 by regulation, utilizing the Nationwide Multistate Licensing  
15 System. The department shall require each application to be  
16 accompanied by a nonrefundable fee.

17 b. An applicant shall provide the following information  
18 relevant to the applicant's proposed digital asset business activity:

19 (1) the legal name of the applicant, each current or proposed  
20 business address of the applicant, and any fictitious or trade name  
21 the applicant uses or plans to use in conducting its digital asset  
22 business activity with or on behalf of a resident;

23 (2) the legal name, any former or fictitious name, and the  
24 residential and business address of each executive officer and  
25 responsible individual of the applicant, and each controlling person  
26 of the applicant;

27 (3) a concise description of the current and former business of  
28 the applicant for the five years before the application is submitted  
29 or if the business has operated for less than five years, for the time  
30 the business has operated, including its products and services and  
31 the digital asset business services that the applicant seeks to provide  
32 in this State;

33 (4) the name, address, and telephone number of a person who  
34 manages each server the applicant expects to use in conducting its  
35 digital asset business activity with or on behalf of a resident;

36 (5) a list of all other states in which the applicant is licensed to  
37 engage in the digital asset business and any license revocation,  
38 license suspension, or other disciplinary action taken against the  
39 licensee in another state and any license applications rejected by  
40 another state;

41 (6) a list of any criminal conviction, deferred prosecution  
42 agreement, and pending criminal proceeding in any jurisdiction  
43 against the applicant, any executive officer, responsible individual,  
44 and controlling person of the applicant, and each person over which  
45 the applicant has control;

46 (7) a list of any litigation, arbitration, or administrative  
47 proceeding in any jurisdiction in which the applicant, or an  
48 executive officer, responsible individual, or controlling person of

1 the applicant has been a party to for the five years before the  
2 application is submitted, determined to be material in accordance  
3 with generally accepted accounting principles and, to the extent the  
4 applicant would be required to disclose the litigation, arbitration, or  
5 administrative proceeding in the applicant's audited financial  
6 statements, reports to equity owners, and similar statements or  
7 reports;

8 (8) a list of any bankruptcy or receivership proceeding in any  
9 jurisdiction for the 10 years prior to the application's submission in  
10 which the applicant, any executive officer, responsible individual,  
11 or controlling person of the applicant, or person over which the  
12 applicant has control, was a debtor;

13 (9) the United States Postal Service address and electronic mail  
14 address to which communications from the department may be sent;

15 (10) the name, United States Postal Service address, and  
16 electronic mail address of the registered agent of the applicant in  
17 this State, if applicable;

18 (11) a copy of any certificate of coverage for each liability,  
19 casualty, business-interruption, or cyber-security insurance policy  
20 maintained by the applicant for itself or the applicant's users;

21 (12) a description of the structure or organization of the  
22 applicant, including any parent or subsidiary of the applicant, and  
23 whether any parent or subsidiary is publicly traded;

24 (13) if applicable, the date on which and the state in which the  
25 applicant is formed, and a copy of a current certificate of good  
26 standing issued by that state;

27 (14) policies and procedures to be adopted by the applicant to  
28 meet any obligations required by anti-money laundering and anti-  
29 terror financing laws;

30 (15) a copy of the applicant's audited financial statements for the  
31 most recent fiscal year and, if available, for the two-year period  
32 next preceding the submission of the application;

33 (16) a copy of the applicant's unconsolidated financial  
34 statements for the current fiscal year, whether audited or not, and if  
35 available, for the two-year period next preceding the submission of  
36 the application;

37 (17) if a corporation has control of the applicant and the  
38 corporation's equity interests are publicly traded in the United  
39 States, a copy of the audited financial statement of the corporation  
40 for the most recent fiscal year or most recent report of the  
41 corporation filed under section 13 of the "Securities Exchange Act  
42 of 1934," 15 U.S.C. s.78m;

43 (18) if a corporation has control of the applicant and the  
44 corporation's equity interests are publicly traded outside the United  
45 States, a copy of the audited financial statement of the corporation  
46 for the most recent documentation similar to that required in  
47 paragraph (17) of this subsection, filed with the foreign regulator in  
48 the domicile of the corporation;

1 (19) if available, for each executive officer, responsible  
2 individual, or controlling person of the applicant, for the three years  
3 before the application is submitted, the employment history, and the  
4 history of any enforcement action against the individual or legal  
5 proceeding to which the individual was a party;

6 (20) a sample form of receipt for transactions that involve  
7 money received for the digital asset business;

8 (21) disclosure of who maintains control, ownership, or access  
9 to any private key related to a digital assets consumer's account and  
10 information where the private key is held and the manner in which  
11 the private key is held; and

12 (22) a list of all agents authorized to represent or conduct  
13 business on behalf of the digital asset business.

14 c. At the time of application and within 45 days after the end of  
15 each calendar quarter, each digital asset business shall file with the  
16 department in writing a list of all agents that have been added or  
17 terminated by the licensee, if any. The list shall include the name  
18 and business address of each location.

19 d. The department may conduct a criminal history records  
20 check of the applicant, any controlling persons, executive officers,  
21 and responsible individuals of the applicant and require the  
22 applicant to submit the fingerprints of those persons as part of the  
23 application. The department is authorized to exchange fingerprint  
24 data with and receive criminal history record information from the  
25 State Bureau of Identification in the Division of State Police and the  
26 Federal Bureau of Investigation consistent with applicable State and  
27 federal laws, rules, and regulations, for the purposes of facilitating  
28 determinations concerning licensure eligibility for the applicant,  
29 any controlling persons, executive officers, and responsible  
30 individuals of the applicant. The applicant shall bear the cost for the  
31 criminal history record background check, including all costs of  
32 administering and processing the check. The Division of State  
33 Police shall promptly notify the department in the event any person  
34 who was the subject of a criminal history record background check  
35 pursuant to this section, is arrested for a crime or offense in this  
36 State after the date the background check was performed, whether  
37 the person is a prospective new licensee, or subsequently, a current  
38 license holder.

39 e. No license shall be issued by the department to an individual  
40 who has, within the five years preceding the submission of an  
41 application for a license, been convicted of embezzlement, forgery,  
42 fraud, or theft.

43  
44 5. a. The department shall grant or deny any digital asset  
45 business license application within 120 days of completed  
46 application.

47 b. The department may refuse an application for a digital asset  
48 business license or license reciprocity application if:

- 1 (1) the application is incomplete in a material respect;  
2 (2) the application includes false, misleading, or inaccurate  
3 information;  
4 (3) any applicant, controlling person, key individual, or  
5 responsible individual of an applicant has engaged in dishonest or  
6 unethical practices in a digital asset business or in the securities  
7 commodities, banking, insurance, or investment advisory business;  
8 or  
9 (4) any material aspect of the license application as represented  
10 by the application requirements contained in section 4 of this act.

11 c. A license issued pursuant to this act shall not be  
12 transferrable or assignable.

13

14 6. a. A licensee may apply for an annual renewal of a license  
15 by:

16 (1) paying a renewal fee in an amount determined by the  
17 department pursuant to regulation;

18 (2) submitting to the department through the Nationwide  
19 Multistate Licensing System the renewal report required pursuant to  
20 subsection b. of this section.

21 b. A license renewal report required pursuant to this section  
22 shall be submitted in a form and medium prescribed by the  
23 department by regulation. The report shall contain an update of all  
24 information required at initial licensing and a description of any:

25 (1) material change in the financial condition of the licensee;

26 (2) material litigation involving the licensee or an executive  
27 officer, responsible individual, or controlling person of the licensee;

28 (3) license suspension or revocation proceeding commenced, or  
29 other action taken, involving a license to conduct digital asset  
30 business activity issued by another state on which reciprocal  
31 licensing is based;

32 (4) federal or state action involving the licensee;

33 (5) material change in the business of the licensee; and

34 (6) changes to the executive officers of the licensee.

35 c. If a license is suspended for failure to file an annual renewal,  
36 the license shall be reinstated if the licensee files a renewal report  
37 and pays a fee, in an amount determined by the department pursuant  
38 to regulation.

39

40 7. a. The department may suspend or revoke a digital asset  
41 business license upon finding that:

42 (1) the department has been provided with false, misleading, or  
43 inaccurate information by or on behalf of the licensee;

44 (2) the clients of a licensee have been provided with false,  
45 misleading, or inaccurate information by or on behalf of the  
46 licensee;

47 (3) any controlling person, responsible individual, key  
48 individual, or agent of a licensee has engaged in dishonest or

1 unethical practice in a digital asset business or in the securities,  
2 commodities, banking, insurance, or investment advisory business;

3 (4) the licensee fails to provide documents requested by the  
4 department;

5 (5) the licensee fails to renew its license; or

6 (6) the licensee fails safety and soundness as prescribed by the  
7 department.

8 c. The department may provide a warning notice to a licensee  
9 if the department suspects that a condition permitting suspension or  
10 revocation has occurred.

11 d. Any warning notice, suspension, or revocation issued by the  
12 department shall state the reasons for which it is given.

13 e. The department may issue general guidance to industry  
14 participants on how to best protect the interests of clients.

15 f. (1) Whenever it appears to the department that any person  
16 has violated, is violating or is about to violate any of the provisions  
17 of this act, or any regulation adopted pursuant to this act, or any  
18 licensee or any owner, director, officer, member, partner,  
19 shareholder, trustee, employee or agent of a licensee has committed  
20 any fraud, engaged in dishonest activities or made any  
21 misrepresentation, the department may bring a civil suit in a court  
22 of competent jurisdiction to enjoin the violation or potential  
23 violation, seek civil penalties pursuant to paragraph (2) of this  
24 subsection, or both.

25 (2) Any person who violates any provision of this act shall be  
26 liable, in a civil action brought by the department in a court of  
27 competent jurisdiction, for a penalty of not more than \$10,000 for  
28 the first violation, and \$20,000 for the second and each subsequent  
29 offense. The penalty shall be paid to the department to be used in  
30 accordance with this act and shall be collected pursuant to the  
31 "Penalty Enforcement Law of 1999," P.L.1999, c.274 (C.2A:58-10  
32 et seq.). The court shall also award court costs and reasonable  
33 attorneys' fees to the department.

34 g. Each licensee shall maintain and enforce confidential,  
35 written compliance policies, including policies with respect to anti-  
36 fraud, anti-money laundering, cyber security, privacy and  
37 information security, which shall be reviewed and approved by the  
38 licensee's board of directors or an equivalent governing body.

39

40 8. Any denial, suspension, or revocation of a license, or  
41 warning notice issued by the department shall prominently indicate  
42 that a right of appeal is available. A licensee or prospective  
43 licensee which is aggrieved by a decision of the department may  
44 appeal the decision by filing a request for a hearing before the  
45 Office of Administrative Law.



- 1       9. a. (1) A licensee shall provide to the department in a  
2 reasonable amount of time any document relating to the operations of  
3 the licensee upon receiving a written request from the department.
- 4       (2) Any notice requiring the production of documents pursuant  
5 to this section shall include the reasons for which it is given.
- 6       b. A licensee shall give written notice to the department within  
7 five days if there are any changes in the identities of the licensee's  
8 executive officers, responsible individuals, or controlling persons.
- 9       c. A licensee shall maintain a record of all client transactions for  
10 a period of not less than six years from the date the transaction  
11 occurred.
- 12
- 13       10. a. The terms and conditions of a digital asset business  
14 involving a consumer's account shall be disclosed as part of  
15 establishing a relationship with a customer and prior to entering into  
16 an initial transaction with the customer at the time the consumer  
17 contracts for a digital asset business service. A disclosure shall be  
18 full and complete, contain no material misrepresentations, be in  
19 readily understandable language and may include, as appropriate  
20 and to the extent applicable:
- 21       (1) a schedule of fees and charges the licensee may assess, the  
22 manner by which fees and charges will be calculated if they are not  
23 set in advance and disclosed, and the timing of the fees and charges;
- 24       (2) whether a consumer's account is protected by the Federal  
25 Deposit Insurance Corporation;
- 26       (3) whether there is support for forked networks of each digital  
27 asset;
- 28       (4) that investment in digital assets is volatile and subject to  
29 market loss;
- 30       (5) that investment in digital assets may result in total loss of  
31 value;
- 32       (6) that legal, legislative and regulatory changes may impair the  
33 value of digital assets;
- 34       (7) that consumers should perform research before investing in  
35 digital assets;
- 36       (8) that transfers of digital assets are irrevocable, if applicable;
- 37       (9) how liability for an unauthorized, mistaken or accidental  
38 transfer shall be apportioned;
- 39       (10) that digital assets are not legal tender in any jurisdiction;
- 40       (11) that digital assets may be subject to cyber theft or theft and  
41 become unrecoverable;
- 42       (12) that losing private key information may result in permanent  
43 total loss of access to digital assets;
- 44       (13) under what circumstances the digital asset business will in  
45 the ordinary course of business disclose information concerning the  
46 consumer's account to third parties; and
- 47       (14) any other material investment risks.

1       b. All disclosures required by this act shall be displayed and  
2 individually agreed to by a consumer before any digital asset  
3 transaction at an electronic kiosk. Any fee to be charged shall be  
4 displayed and individually agreed to by a consumer before any  
5 digital asset transaction or digital asset balance inquiry at an  
6 electronic kiosk.

7       c. A licensee that has custody of digital assets for one or more  
8 persons shall maintain in its custody an amount of each type of  
9 digital assets sufficient to satisfy the aggregate entitlements of the  
10 persons to the type of digital asset.

11       d. Each licensee shall establish and maintain written policies  
12 and procedures to fairly and timely resolve customer complaints.

13       e. Each licensee shall provide, in a clear and conspicuous  
14 manner, on its website or websites, and in all physical locations the  
15 following disclosures:

16       (1) the licensee's mailing address, e-mail address, and telephone  
17 number for the receipt of complaints;

18       (2) a statement that the complainant may also bring a complaint  
19 to the attention of the department; and

20       (3) the department's mailing address, website, and telephone  
21 number.

22       f. The department may audit a licensee's compliance with this  
23 section.

24  
25       11. Authority of department.

26       a. The department shall have the authority to conduct  
27 investigations and examinations as follows:

28       (1) for purposes of initial licensing, license renewal, license  
29 suspension, license conditioning, license revocation or termination,  
30 or general or specific inquiry or investigation to determine  
31 compliance with this act, the department may access, receive and  
32 use any books, accounts, records, files, documents, information or  
33 evidence including, but not limited to:

34       (a) criminal, civil, and administrative history information:

35       (b) financial statements and any other records of financial  
36 condition of the licensee, any control person of the licensee, and  
37 any business entity exerting control over the licensee;

38       (c) personal history and experience information, including  
39 independent credit reports obtained from a consumer reporting  
40 agency described in section 603(p) of the "Fair Credit Reporting  
41 Act," 15 U.S.C. s.1681a(p); and

42       (d) any other documents,, information or evidence the  
43 department deems relevant to the inquiry or investigation regardless  
44 of the location, possession, control or custody of the documents,  
45 information or evidence; and

46       (2) for the purposes of investigating violations or complaints  
47 arising under this act, or for the purposes of examination, the  
48 department may review, investigate, or examine any digital asset

1 business licensee or person subject to this act as often as necessary  
2 in order to carry out the purposes of this act. The commissioner may  
3 direct, subpoena, or order the attendance of and examine under oath  
4 all persons whose testimony may be required about digital assets,  
5 digital consumer assets, virtual currency, or the business or subject  
6 matter of any examination or investigation, and may direct,  
7 subpoena or order the person to produce books, accounts, records,  
8 files and any other documents the department deems relevant to the  
9 inquiry.

10 b. A digital asset business licensee or any person subject to this  
11 act shall make or compile reports or prepare other information as  
12 directed by the department in order to carry out the purposes of this  
13 section including accounting compilations, information lists, and  
14 data concerning digital asset, digital consumer asset, or virtual  
15 currency transactions in a format prescribed by the commissioner or  
16 any other information the department deems necessary to carry out  
17 the purposes of this act.

18 c. In making an examination or investigation authorized by this  
19 section, the department may control access to any documents and  
20 records of the digital asset business or person under examination or  
21 investigation. The commissioner may take possession of the  
22 documents and records or place a person in exclusive charge of the  
23 documents and records in the place where they are usually kept.  
24 During the period of control, no person shall remove or attempt to  
25 remove any of the documents and records except pursuant to a court  
26 order or with the consent of the department. Unless the  
27 commissioner has reasonable grounds to believe the documents or  
28 records of the digital asset business or person have been, or are at  
29 risk of being, altered or destroyed for purposes of concealing a  
30 violation of this act, the digital asset business or owner of the  
31 documents and records shall have access to the documents or  
32 records as necessary to conduct its ordinary business affairs.

33 d. For purposes of conducting the authority of the department,  
34 addition of required resources as follows: 4 examiners, 2 licensing  
35 investigators and 2 enforcement investigators.

36  
37 12. a. Notwithstanding any other provision of law, all  
38 information or reports obtained by the department from an  
39 applicant, licensee or agent, whether obtained through reports,  
40 applications, examinations, audits, investigations, or otherwise,  
41 including, but not limited to, (1) all information contained in or  
42 related to examination, investigation, operating or condition reports  
43 prepared by, or on behalf of, or for the use of the department; or (2)  
44 financial statements, balance sheets, or authorized delegate  
45 information, are confidential and may not be disclosed or  
46 distributed outside the department by the department or any officer  
47 or employee of the department. The department, however, may  
48 provide for the release of information to representatives of state or

1 federal agencies and foreign countries having regulatory or  
2 supervisory authority over the activities of the licensee or similar  
3 licensees if those representatives, upon request of the  
4 commissioner, disclose similar information respecting those  
5 licensees under their regulation or supervision, or to those  
6 representatives who state in writing under oath that they shall  
7 maintain the confidentiality of that information.

8 b. The department may:

9 (1) disclose the fact of filing of applications with the department  
10 pursuant to this act, give notice of a hearing, if any, regarding those  
11 applications, and announce an action thereon;

12 (2) disclose final decisions in connection with proceedings for  
13 the suspension or revocation of licenses issued pursuant to this act;

14 (3) prepare and circulate reports reflecting the assets and  
15 liabilities of digital asset businesses in general, including other  
16 information considered pertinent to the purpose of each report for  
17 general statistical information; and

18 (4) prepare and circulate reports as provided by law.

19 c. Every official report of the department is prima facie  
20 evidence of the facts therein stated in any action or proceeding  
21 wherein the department is a party.

22 d. Nothing in this section shall be construed to prevent the  
23 disclosure of information that is admissible in evidence in any civil  
24 or criminal proceeding brought by or at the request of the  
25 department or this State to enforce or prosecute violations of this  
26 act or the rules, regulations or orders issued or promulgated  
27 pursuant to this act.

28

29 13. Section 2 of P.L.2005, c.199 (C.17:1C-34) is amended to  
30 read as follows:

31 2. For the purposes of this act:

32 "Assessment" means the assessment imposed pursuant to section  
33 3 of this act for the special functions of the division as provided in  
34 that section.

35 "Commissioner" means the Commissioner of Banking and  
36 Insurance.

37 "Department" means the Department of Banking and Insurance.

38 "Depository institution" means any entity holding a state charter  
39 for a bank, savings bank, savings and loan association or credit  
40 union, irrespective of whether the entity accepts deposits.

41 "Division" means the Division of Banking in the Department of  
42 Banking and Insurance.

43 ["Nationwide Mortgage Licensing System and Registry" means  
44 the mortgage licensing system developed and maintained by the  
45 Conference of State Bank Supervisors and the American  
46 Association of Residential Mortgage Regulators, or their  
47 successors, and utilized in this State pursuant to the provisions of

1 the "New Jersey Residential Mortgage Lending Act," sections 1  
2 through 39 of P.L.2009, c.53 (C.17:11C-51 et seq.).】

3 "Nationwide Multistate Licensing System" means the licensing  
4 system owned and operated by the State Regulatory Registry, LLC,  
5 a wholly-owned subsidiary of the Conference of State Bank  
6 Supervisors, which functions as a system of record for non-  
7 depository, financial services licensing or registration in  
8 participating state agencies, including the District of Columbia and  
9 the United States Territories of Puerto Rico, the US Virgin Islands,  
10 and Guam, where it is the official system for companies and  
11 individuals seeking to apply for, amend, renew, and surrender  
12 license authorities.

13 "Other financial entity" means a person who is licensed or  
14 registered pursuant to: the "New Jersey Consumer Finance  
15 Licensing Act," sections 1 through 49 of P.L.1996, c.157  
16 (C.17:11C-1 et seq.); the "New Jersey Residential Mortgage  
17 Lending Act," sections 1 through 39 of P.L.2009, c.53 (C.17:11C-  
18 51 et seq.), other than a financial entity with respect to the payment  
19 of required fees to the Nationwide **【Mortgage】** Multistate Licensing  
20 System **【and Registry】** as set forth by that nationwide system and  
21 registry; "The Check Cashers Regulatory Act of 1993," P.L.1993,  
22 c.383 (C.17:15A-30 et seq.); the "New Jersey Money Transmitters  
23 Act," P.L.1998, c.14 (C.17:15C-1 et seq.); the "Insurance Premium  
24 Finance Company Act," P.L.1968, c.221 (C.17:16D-1 et seq.); the  
25 "Retail Installment Sales Act of 1960," P.L.1960, c.40 (C.17:16C-1  
26 et seq.); the "Door-to-Door Retail Installment Sales Act of 1968,"  
27 P.L.1968, c.223 (C.17:16C-61.1 et seq.); the "Home Repair  
28 Financing Act," P.L.1960, c.41 (C.17:16C-62 et seq.); the "Door-to-  
29 Door Home Repair Sales Act of 1968," P.L.1968, c.224 (C.17:16C-  
30 95 et seq.); P.L.1979, c.16 (C.17:16G-1 et seq.); the "Foreclosure  
31 Rescue Fraud Prevention Act," P.L.2011, c.146 (C.46:10B-53 et  
32 al.); the "Mortgage Servicers Licensing Act," P.L.2019, c.65  
33 (C.17:16F-27 et al.); the provisions of P.L.2019, c.200 (C.17:16ZZ-  
34 1 et al.); or the "pawnbroking law," R.S.45:22-1 et seq; or the  
35 "Digital Asset and Blockchain Technology Act" P.L. \_\_\_\_\_, c.  
36 (C. \_\_\_\_\_) (pending before the Legislature as this bill).

37 "Regulated entity" means a depository institution, other financial  
38 entity or person chartered, licensed or registered by the Division of  
39 Banking or who should be chartered, licensed or registered.  
40 (cf: P.L.2019, c.200, s.17)

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42 14. This act shall take effect on the first day of the sixth month  
43 next following enactment, except the commissioner may take any  
44 anticipatory administrative action in advance as shall be necessary  
45 for the implementation of this act.

STATEMENT

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This bill, the “Digital Asset and Blockchain Technology Act,” regulates digital asset business activity. The bill defines “digital asset” to mean a representation of economic, proprietary, or access rights that is stored in a machine-readable format, has a transaction history that is recorded in a distributed, digital ledger or digital data structure in which consensus is achieved through a mathematically verifiable process. Examples of digital assets include digital consumer assets, digital securities, and virtual currency. “Digital asset” does not include securities, whether in digital form or otherwise, as defined pursuant to subsection m. of section 2 of P.L.1967, c.93 (C.49:3-49), or as defined pursuant to paragraph (1) of subsection (a) in the federal “Securities Act of 1933,” 15 U.S.C. s.77b(a)(1), or paragraph (10) of subsection (a) of the federal “Securities Exchange Act of 1934,” 15 U.S.C. s.78c(a)(10).

The bill provides that a person may not engage in a digital asset business activity, or hold itself out as being able to engage in a digital asset business activity, with or on behalf of a resident unless the person is licensed in this State by the Department of Banking and Insurance (department), or has filed a pending license with the department.

The bill provides the department may license a person to carry on one or more digital asset business activities described in the bill.

The bill provides that a person who violates the provisions requiring licensure is liable for a penalty of \$500 per day, from the first day the department issues a notice of failure to apply a license until a license application is filed with the department.

The bill provides that an application for a license is to be submitted through the Nationwide Multistate Licensing System, and made in the form and medium to be prescribed by the department by regulation. Each application is to be accompanied by a nonrefundable fee.

Applicants are to provide certain information relevant to the applicant’s proposed digital asset business activity, submitting the information through the Nationwide Multistate Licensing System. The bill provides that no license may be issued by the department to an individual who has, within the five years preceding the submission of an application for a license, been convicted of embezzlement, forgery, fraud, or theft.

The bill requires the department to grant or deny any digital asset business license application or license reciprocity application within 120 days of its receipt. The department may refuse an application for a digital asset business license or license reciprocity application if a licensee or applicant fails to meet certain standards specified in the bill.

Licensees are required to submit a renewal report, through the Nationwide Multistate Licensing System, that contains an update of

1 all information required at initial licensing and a description of  
2 certain information described in the bill.

3 The bill provides that the department may audit any digital asset  
4 business licensee. The bill stipulates that each licensee is to  
5 maintain and enforce confidential, written compliance policies  
6 which are to be reviewed and approved by the licensee's board of  
7 directors or an equivalent governing body. The department may  
8 suspend or revoke a digital asset business license upon certain  
9 findings that are provided in the bill.

10 Under the bill, any denial, suspension, or revocation of a license,  
11 or warning notice issued by the department, is to prominently  
12 indicate that a right of appeal is available. A licensee or prospective  
13 licensee that is aggrieved by a decision of the department may  
14 appeal the decision by filing a request for a hearing before the  
15 Office of Administrative Law. The department may issue written  
16 requests for information to a licensee regarding the operations of  
17 the licensee. A record on all client transactions is to be maintained  
18 by the licensee for not less than six years.

19 The bill requires the terms and conditions of a digital asset  
20 business involving a consumer's account to be disclosed at the time  
21 the consumer contracts for a digital asset business service. The  
22 disclosure is to be full and complete, contain no material  
23 misrepresentations, be in readily understandable language and may  
24 include, as appropriate and to the extent applicable, certain  
25 information concerning fees and charges, risks to the consumer, and  
26 any protections or securities that are in place.

27 The disclosures required by the bill are to be displayed and  
28 individually agreed to by a consumer before any digital asset  
29 transaction at an electronic kiosk. Any fee to be charged is required  
30 to be displayed and individually agreed to by a consumer before any  
31 digital asset transaction or digital asset balance inquiry at an  
32 electronic kiosk.