

[First Reprint]

SENATE COMMITTEE SUBSTITUTE FOR  
**SENATE, No. 1756**

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**STATE OF NEW JERSEY**  
**220th LEGISLATURE**

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ADOPTED JANUARY 19, 2023

**Sponsored by:**

**Senator NELLIE POU**

**District 35 (Bergen and Passaic)**

**Senator ANDREW ZWICKER**

**District 16 (Hunterdon, Mercer, Middlesex and Somerset)**

**SYNOPSIS**

“Digital Asset and Blockchain Technology Act.”

**CURRENT VERSION OF TEXT**

As amended by the Senate on June 30, 2023.



1 AN ACT concerning digital assets and blockchain technology, and  
2 supplementing P.L.1967, c.93 (C.49:3-47 et seq.).

3

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

6

7 1. <sup>1</sup>a.<sup>1</sup> This act shall be known and may be cited as the “Digital  
8 Asset and Blockchain Technology Act.”

9 <sup>1</sup>b. P.L. , c. (C. ) (pending before the Legislature as this  
10 bill) shall be administered by the Bureau of Securities in the Division  
11 of Consumer Affairs in the Department of Law and Public Safety.

12 c. P.L. , c. (C. ) (pending before the Legislature as this  
13 bill), shall apply to activity that occurs within this State, is directed  
14 toward persons in this State, or is directed from this State.<sup>1</sup>

15

16 2. As used in P.L. , c. (C. ) (pending before the Legislature  
17 as this bill):

18 “Agent” means a separate <sup>1</sup>**【business entity】** person<sup>1</sup> from the  
19 principal that the principal authorizes, through a written agreement or  
20 otherwise, to sell its instruments or, in the case of funds transmission,  
21 to sell its send and receive transfer services.

22 <sup>1</sup>“Bureau chief” means the principal executive officer of the  
23 bureau, or such officer’s designee.<sup>1</sup>

24 “Bureau” means the Bureau of Securities in the Division of  
25 Consumer Affairs in the Department of Law and Public Safety.

26 “Control” means the ownership of, or the power to vote, 25 percent  
27 or more of the outstanding voting interest of a licensee or controlling  
28 person. For purposes of determining the percentage of a licensee  
29 controlled by any person, there shall be aggregated with the person’s  
30 interest the interest of any other person controlled by that person or by  
31 any spouse, parent, or child of that person.

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

33 “Digital asset” means a representation of economic, proprietary, or  
34 access rights that is stored in a machine-readable format, has a  
35 transaction history that is recorded in a distributed, digital ledger or  
36 digital data structure in which consensus is achieved through a  
37 <sup>1</sup>**【mathematically verifiable process】** mechanism consistent with the  
38 underlying protocol<sup>1</sup>, and includes<sup>1</sup>, but is not limited to,<sup>1</sup> digital  
39 consumer assets and virtual currency. “Digital asset” shall not include  
40 securities, whether in digital form or otherwise, as defined pursuant to  
41 subsection m. of section 2 of P.L.1967, c.93 (C.49:3-49), or as defined  
42 pursuant to paragraph (1) of subsection (a) in the federal “Securities  
43 Act of 1933,” 15 U.S.C. s.77b(a)(1), or paragraph (10) of subsection

**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.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup> Senate floor amendments adopted June 30, 2023.

1 (a) of the federal “Securities Exchange Act of 1934,” 15 U.S.C.  
2 s.78c(a)(10).

3 “Digital asset business” means a business that engages in the  
4 activities listed in subsection b. of section 3 of P.L. , c. (C. )  
5 (pending before the Legislature as this bill).

6 “Digital consumer asset” means a digital asset that is <sup>1</sup> [used or  
7 bought] primarily for consumptive, personal, or household purposes  
8 <sup>1</sup> [and includes any other digital asset that does not fall within the term  
9 virtual currency.

10 “Issuing” means being the person who has authority over the initial  
11 creation and dissemination of a digital asset<sup>1</sup>.

12 “Key individual” means any individual ultimately responsible for  
13 establishing or directing policies and procedures of the licensee, such  
14 as the licensee’s president, chairperson of the executive committee,  
15 senior officer responsible for the business of the licensee in the State,  
16 chief financial officer, an executive manager, director, trustee, and any  
17 other person who performs similar functions.

18 “Licensee” means a person licensed under P.L. , c. (C. )  
19 (pending before the Legislature as this bill) or an applicant for  
20 licensure under P.L. , c. (C. ) (pending before the Legislature as  
21 this bill).

22 “Nationwide Multistate Licensing System” means the licensing  
23 system owned and operated by the State Regulatory Registry, LLC, a  
24 wholly-owned subsidiary of the Conference of State Bank Supervisors,  
25 which functions as a system of record for non-depository financial  
26 services licensing or registration in participating state agencies,  
27 including the District of Columbia and the United States Territories of  
28 Puerto Rico, the US Virgin Islands, and Guam, where it is the official  
29 system for companies and individuals seeking to apply for, amend,  
30 renew, and surrender license authorities.

31 <sup>1</sup> [“Resident” means a person that is: domiciled in New Jersey;  
32 physically located in New Jersey for more than 183 days of the  
33 previous 365 days; or a limited partnership, limited liability  
34 partnership, limited liability company, or corporation formed or  
35 incorporated in New Jersey.]

36 “Person” means, whether foreign or domestic, any individual,  
37 corporation, company, association, society, firm, partnership, trust,  
38 unincorporated organization, joint-stock company, government entity,  
39 or any other entity however organized.

40 “Prepaid card” means an electronic payment device that: is usable  
41 at a single merchant or an affiliated group of merchants that share the  
42 same name, mark, or logo, or is usable at multiple, unaffiliated  
43 merchants or service providers; is issued in and for a specified amount  
44 of fiat currency; can be reloaded in and for only fiat currency, if at all;  
45 is issued or reloaded on a prepaid basis for the future purchase or  
46 delivery of goods or services; is honored upon presentation; and can be  
47 redeemed in and for only fiat currency, if at all.<sup>1</sup>

1       “Responsible individual” means an individual who has managerial  
2 authority with respect to a licensee’s digital asset business activity  
3 <sup>1</sup>【with or on behalf of a resident.  
4       “Transmission” means to engage in the business of receiving  
5 monetary value for transmission to a location inside or outside of the  
6 United States by any means, including, but not limited to, wire,  
7 facsimile, or electronic transfer】<sup>1</sup>.  
8       “Virtual currency” means a digital asset that is used as a medium  
9 of exchange, unit of account, or store of value, and is not recognized as  
10 legal tender by the United States government.  
11       “Issuing” means being the person who has authority over the  
12 initial creation and dissemination of a digital asset.  
13       “Key individual” means any individual ultimately responsible for  
14 establishing or directing policies and procedures of the licensee,  
15 such as the licensee’s president, chairperson of the executive  
16 committee, senior officer responsible for the business of the  
17 licensee in the State, chief financial officer, an executive manager,  
18 director, trustee, and any other person who performs similar  
19 functions.  
20       “Licensee” means a person licensed under P.L.     , c. (C.     )  
21 (pending before the Legislature as this bill) or an applicant for  
22 licensure under P.L.     , c. (C.     ) (pending before the  
23 Legislature as this bill).  
24       “Nationwide Multistate Licensing System” means the licensing  
25 system owned and operated by the State Regulatory Registry, LLC,  
26 a wholly-owned subsidiary of the Conference of State Bank  
27 Supervisors, which functions as a system of record for non-  
28 depository financial services licensing or registration in  
29 participating state agencies, including the District of Columbia and  
30 the United States Territories of Puerto Rico, the US Virgin Islands,  
31 and Guam, where it is the official system for companies and  
32 individuals seeking to apply for, amend, renew, and surrender  
33 license authorities.  
34       “Resident” means a person that is: domiciled in New Jersey;  
35 physically located in New Jersey for more than 183 days of the  
36 previous 365 days; or a limited partnership, limited liability  
37 partnership, limited liability company, or corporation formed or  
38 incorporated in New Jersey.  
39       “Responsible individual” means an individual who has  
40 managerial authority with respect to a licensee’s digital asset  
41 business activity with or on behalf of a resident.  
42       “Transmission” means to engage in the business of receiving  
43 monetary value for transmission to a location inside or outside of  
44 the United States by any means, including, but not limited to, wire,  
45 facsimile, or electronic transfer.  
46       “Virtual currency” means a digital asset that is used as a medium  
47 of exchange, unit of account, or store of value, and is not  
48 recognized as legal tender by the United States government.

1           3. a. A person shall not engage in a digital asset business activity,  
2 or hold itself out as being able to engage in a digital asset business  
3 activity<sup>1</sup> **],** with or on behalf of a resident<sup>1</sup> **],** unless the person is  
4 licensed in this State by the bureau.

5           b. The bureau may license a person to carry on one or more of the  
6 following digital asset business activities:

7           (1) receiving a digital asset for transmission or transmitting a  
8 digital asset <sup>1</sup>to a location inside or outside of the United States by any  
9 means, including but not limited to wire, facsimile, or electronic  
10 transfer<sup>1</sup>, except where<sup>1</sup>:

11           (a)<sup>1</sup> the transaction is undertaken for non-financial purposes and  
12 does not involve the transfer of more than a nominal amount of a  
13 digital asset; <sup>1</sup>or

14           (b) the transmission is otherwise governed under the “New Jersey  
15 Money Transmitters Act,” P.L.1998, c.14, (C.17:15C-1 et seq.), is  
16 conducted by a person or entity licensed under that act, and is  
17 conducted into the country that has authorized or adopted the digital  
18 asset as part of its currency and in which the digital asset is  
19 customarily used and accepted as a medium of exchange;<sup>1</sup>

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

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

25           (4) performing exchange services of digital assets as a customer  
26 business;

27           (5) issuing a digital asset<sup>1</sup>, where the person has authority over its  
28 initial dissemination or offering<sup>1</sup>; or

29           (6) borrowing or lending of, or facilitating the borrowing or  
30 lending of, <sup>1</sup>**[customer]** a customer's<sup>1</sup> digital assets.

31           c. <sup>1</sup>(1)<sup>1</sup> The bureau shall have the authority to determine whether  
32 a person is required to be licensed pursuant to this section.

33           <sup>1</sup>(2) A license shall not be required pursuant to this section if the  
34 subject of the digital asset business activity is a digital asset that:

35           (a) is a digital consumer asset;

36           (b) (i) is used solely within online gaming platforms;

37           (ii) has no market or application outside of those gaming  
38 platforms; and

39           (iii) cannot be converted into, or redeemed for, fiat currency or  
40 virtual currency;

41           (c) can be redeemed for goods, services, discounts, or purchases as  
42 part of a customer affinity or rewards program with the issuer or other  
43 designated merchants or can be redeemed for digital assets in another  
44 customer affinity or rewards program, but cannot be converted into, or  
45 redeemed for, fiat currency or virtual currency; or

46           (d) is used as part of prepaid cards.<sup>1</sup>

1 d. <sup>1</sup>**[A]** In addition to any other applicable penalties, a<sup>1</sup> person  
2 who violates this section shall be liable for a penalty of \$500 per day,  
3 from the first day the bureau issues a notice of failure to apply <sup>1</sup>for<sup>1</sup> a  
4 license until a license application is filed with the bureau. <sup>1</sup>Such  
5 person shall be liable for a violation of any provision of P.L. , c.  
6 (C. ) (pending before the Legislature as this bill) for which the  
7 person would otherwise be liable had the person properly been  
8 licensed.<sup>1</sup>

9  
10 4. a. An application for a license under P.L. , c. (C. )  
11 (pending before the Legislature as this bill) shall be submitted in a  
12 form and manner set forth by the bureau, which may include, if the  
13 bureau so designates, through the Nationwide Multistate Licensing  
14 System. The bureau shall require each application to be accompanied  
15 by a nonrefundable fee.

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

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

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

26 (3) a concise description of the current and former business of the  
27 applicant for the five years before the application is submitted or if the  
28 business has operated for less than five years, for the time the business  
29 has operated, including its products and services and the digital asset  
30 business services that the applicant seeks to provide <sup>1</sup>**[in this State]**<sup>1</sup>;

31 (4) the name, address, and telephone number of a person who  
32 manages each server the applicant expects to use in conducting its  
33 digital asset business activity <sup>1</sup>**[with or on behalf of a resident]**<sup>1</sup>;

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

38 (6) a list of any criminal conviction, deferred prosecution  
39 agreement, and pending criminal proceeding in any jurisdiction against  
40 the applicant, any key individual, responsible individual, and  
41 controlling person of the applicant, and each person over which the  
42 applicant has control;

43 (7) a list of any litigation, arbitration, or administrative proceeding  
44 in any jurisdiction <sup>1</sup>**[in]** <sup>1</sup>to<sup>1</sup> which the applicant, or a key individual,  
45 responsible individual, or controlling person of the applicant has been  
46 a party <sup>1</sup>**[to]**<sup>1</sup> for the <sup>1</sup>**[five]** <sup>1</sup>10<sup>1</sup> years before the application is  
47 submitted, determined to be material in accordance with generally

- 1 accepted accounting principles and, to the extent the applicant would  
2 be required to disclose the litigation, arbitration, or administrative  
3 proceeding in the applicant's audited financial statements, reports to  
4 equity owners, and similar statements or reports;
- 5 (8) a list of any bankruptcy or receivership proceeding in any  
6 jurisdiction for the 10 years prior to <sup>1</sup>["the application's"]<sup>1</sup> submission  
7 <sup>1</sup>of the application<sup>1</sup> in which the applicant, any key individual,  
8 responsible individual, or controlling person of the applicant, or person  
9 over which the applicant has control, was a debtor;
- 10 (9) the United States Postal Service address and electronic mail  
11 address to which communications from the bureau may be sent;
- 12 (10) the name, United States Postal Service address, and electronic  
13 mail address of the registered agent of the applicant in this State, if  
14 applicable;
- 15 (11) a copy of any certificate of coverage for each liability,  
16 casualty, business-interruption, or cyber-security insurance policy  
17 maintained by the applicant for itself or the applicant's users;
- 18 (12) a description of the structure or organization of the applicant,  
19 including any parent company or subsidiary of the applicant, and  
20 whether any parent company or subsidiary is publicly traded;
- 21 (13) if applicable, the date on which and the state in which the  
22 applicant is formed, and a copy of a current certificate of good  
23 standing issued by that state;
- 24 (14) policies and procedures to be adopted by the applicant to  
25 meet any obligations required by anti-money laundering and anti-terror  
26 financing laws;
- 27 (15) a copy of the applicant's audited financial statements for the  
28 most recent <sup>1</sup>preceding<sup>1</sup> fiscal year and, if available, for the two-year  
29 period next preceding the submission of the application;
- 30 (16) a copy of the applicant's unconsolidated financial statements  
31 for the current fiscal year, whether audited or not, and if available, for  
32 the two-year period next preceding the submission of the application;
- 33 (17) if a corporation has control of the applicant and the  
34 corporation's equity interests are publicly traded in the United States, a  
35 copy of the audited financial statement of the corporation for the most  
36 recent <sup>1</sup>preceding<sup>1</sup> fiscal year or most recent report of the corporation  
37 filed under section 13 of the "Securities Exchange Act of 1934," 15  
38 U.S.C. s.78m;
- 39 (18) if a corporation has control of the applicant and the  
40 corporation's equity interests are publicly traded outside the United  
41 States, a copy of the audited financial statement of the corporation for  
42 the most recent documentation similar to that required in paragraph  
43 (17) of this subsection, filed with the foreign regulator in the domicile  
44 of the corporation;
- 45 (19) if available, for each key individual, responsible individual,  
46 or controlling person of the applicant, for the three years before the  
47 application is submitted, the employment history, and the history of

1 any enforcement action against the individual or legal proceeding to  
2 which the individual was a party;

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

5 (21) disclosure of who maintains control, ownership, or access to  
6 any private key related to a <sup>1</sup>customer's<sup>1</sup> digital <sup>1</sup>assets consumer's]  
7 asset<sup>1</sup> account and information where the private key is held and the  
8 manner in which the private key is held;

9 (22) a list of all agents authorized to represent or conduct business  
10 on behalf of the digital asset business; and

11 (23) such additional information as the bureau may require.

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

17 d. The bureau<sup>1</sup>, or its designee,<sup>1</sup> may conduct a criminal history  
18 records check of the applicant, any controlling persons, key  
19 individuals, and responsible individuals of the applicant and require  
20 the applicant to submit the fingerprints of those persons as part of the  
21 application. The bureau<sup>1</sup>, or its designee,<sup>1</sup> is authorized to exchange  
22 fingerprint data with and receive criminal history record information  
23 from the State Bureau of Identification in the Division of State Police  
24 and the Federal Bureau of Investigation consistent with applicable  
25 State and federal laws, rules, and regulations, for the purposes of  
26 facilitating determinations concerning licensure eligibility for the  
27 applicant, any controlling persons, key individuals, and responsible  
28 individuals of the applicant. The applicant shall bear the cost for the  
29 criminal history record background check, including all costs of  
30 administering and processing the check. The Division of State Police  
31 shall promptly notify the bureau in the event any person who was the  
32 subject of a criminal history record background check pursuant to this  
33 section, is arrested for a crime or offense in this State after the date the  
34 background check was performed, whether the person is a prospective  
35 new licensee, or subsequently, a current license holder. <sup>1</sup>The bureau  
36 may also utilize the Nationwide Multistate Licensing System or  
37 similar system or entity to carry out the purposes of this subsection, as  
38 authorized by section 13 of P.L. , c. (C. ) (pending before the  
39 Legislature as this bill).<sup>1</sup>

40 e. <sup>1</sup>[No license shall be issued by the bureau to an individual who  
41 has, within the five years preceding the submission of an application  
42 for a license, been convicted of embezzlement, forgery, fraud, or  
43 theft.] Information provided to the bureau pursuant to an application  
44 for a license under P.L. , c. (C. ) (pending before the  
45 Legislature as this bill) shall be protected from public disclosure,  
46 including, but not limited to, disclosure under P.L.1963, c.73  
47 (C.47:1A-1 et seq.), provided that nothing in this subsection shall be



1 construed to prevent public disclosure of the name, address, phone  
2 number, and email address of a licensee, or information concerning the  
3 status of any application for a license or license issued under P.L. ,  
4 c. (C. ) (pending before the Legislature as this bill).<sup>1</sup>  
5

6 5. a. The bureau <sup>1</sup>shall have the authority to grant or deny any  
7 digital asset business license application. Beginning with applications  
8 received on or after the first day of the 36th month next following  
9 enactment, the bureau<sup>1</sup> shall grant or deny any digital asset business  
10 license application within <sup>1</sup>~~120~~ 180<sup>1</sup> days of receipt of a completed  
11 application.

12 b. The bureau may refuse an application for a digital asset  
13 business license <sup>1</sup>~~or license reciprocity application~~<sup>1</sup> if:

14 (1) the application is incomplete in a material respect;

15 (2) the application includes false, misleading, or inaccurate  
16 information; or

17 (3) any applicant, controlling person, key individual, or  
18 responsible individual of an applicant has engaged in dishonest or  
19 unethical practices in a digital asset business or in the securities  
20 commodities, banking, insurance, or investment advisory business.

21 c. A license issued pursuant to P.L. , c. (C. ) (pending  
22 before the Legislature as this bill) shall not be transferrable or  
23 assignable.  
24

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

26 (1) paying a renewal fee in an amount determined by the bureau  
27 pursuant to regulation; <sup>1</sup>and<sup>1</sup>

28 (2) submitting to the bureau, in a form and manner set forth by the  
29 bureau, the renewal report required pursuant to subsection b. of this  
30 section.

31 b. A license renewal report required pursuant to this section shall  
32 be submitted in a form and medium prescribed by the bureau by  
33 regulation. The report shall contain an update of all information  
34 required at initial licensing and a description of any:

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

36 (2) material litigation involving the licensee or a key individual,  
37 responsible individual, or controlling person of the licensee;

38 (3) license suspension or revocation proceeding commenced, or  
39 other action taken, involving a license to conduct digital asset business  
40 activity issued by another state <sup>1</sup>~~on which reciprocal licensing is~~  
41 ~~based~~<sup>1</sup>;

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

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

44 (6) changes to the key individuals of the licensee.

45 c. If a license is suspended for failure to file an annual renewal,  
46 the license shall be reinstated if the licensee files a renewal report and

1 pays a fee, in an amount determined by the bureau pursuant to  
2 regulation.

3

4 7. a. The bureau may deny, suspend or revoke a digital asset  
5 business license upon finding that:

6 (1) the denial, suspension, or revocation is in the public interest;  
7 and

8 (2) the licensee, or any controlling person, responsible individual,  
9 key individual, or agent of a licensee, or any person occupying a  
10 similar status or performing similar functions or any person directly or  
11 indirectly controlling the digital asset business:

12 (a) has filed an application for licensure that, as of its effective  
13 date or as of any date after filing in the case of an order denying  
14 effectiveness, was incomplete in any material respect or contained any  
15 statement or information that, in the light of the circumstances under  
16 which it was made, was false, misleading, or inaccurate;

17 (b) has provided <sup>1</sup> **the clients of a licensee** consumers<sup>1</sup> with false,  
18 misleading, or inaccurate information;

19 (c) has engaged in dishonest or unethical practice in a digital asset  
20 business or in the securities, commodities, banking, insurance, or  
21 investment advisory business;

22 (d) fails to provide documents requested by the bureau;

23 (e) fails to renew its license;

24 (f) has violated or failed to comply with any provision of P.L. ,  
25 c. (C. ) (pending before the Legislature as this bill), or any rule  
26 or order authorized by P.L. , c. (C. ) (pending before the  
27 Legislature as this bill) or has aided others in such conduct;

28 (g) has been convicted of a crime involving a digital asset or any  
29 aspect of the securities, commodities, banking, insurance or  
30 investment advisory business <sup>1</sup>, embezzlement, forgery, fraud, theft,<sup>1</sup>  
31 or any crime involving moral turpitude; provided however, that where  
32 the licensee can show by proof satisfactory to the bureau that during  
33 the 10-year period preceding the application the licensee has  
34 conducted itself in such a manner as to <sup>1</sup> **warrant** render<sup>1</sup> the  
35 <sup>1</sup> **license** licensure<sup>1</sup> consistent with all other provisions of P.L. , c.  
36 (C. ) (pending before the Legislature as this bill), the conviction  
37 need not be a bar to <sup>1</sup> **license** licensure<sup>1</sup>;

38 (h) is permanently <sup>1</sup> enjoined<sup>1</sup> or <sup>1</sup> has in the past 10 years been<sup>1</sup>  
39 temporarily enjoined<sup>1</sup>, <sup>1</sup> by any court of competent jurisdiction from  
40 engaging in or continuing any conduct or practice involving any aspect  
41 of the digital assets, securities, commodities, banking, insurance or  
42 investment advisory business;

43 (i) is the subject of an effective order of the bureau denying,  
44 suspending, or revoking the license of a digital asset business, or  
45 registration as a broker-dealer, agent, investment adviser, investment  
46 adviser representative, securities offering registrant, or Internet site  
47 operator;

1 (j) is the subject of an order entered within the past <sup>1</sup>~~five~~ <sup>10</sup>  
2 years by any federal or state digital asset, securities, commodities,  
3 banking, insurance or investment advisory administrator or self-  
4 regulatory organization denying or revoking a digital asset, securities,  
5 commodities, banking, insurance or investment advisory license or  
6 registration under federal or state securities, commodities, banking,  
7 insurance or investment advisory law, including, but not limited to  
8 registration as a broker-dealer, agent, investment adviser, investment  
9 adviser representative or issuer, or the substantial equivalent of those  
10 terms as defined in P.L. , c. (C. ) (pending before the  
11 Legislature as this bill), or is the subject of an order of the Securities  
12 and Exchange Commission, a self-regulatory organization, the  
13 Commodity Futures Trading Commission, an insurance regulator, or a  
14 federal or state banking regulator, suspending or expelling the  
15 applicant or licensee from a national securities or commodities  
16 exchange or national securities or commodities association registered  
17 under the "Securities Exchange Act of 1934," or the "Commodity  
18 Exchange Act," or from engaging in the banking or insurance  
19 business, or is the subject of a United States Post Office fraud order;  
20 provided however that the bureau may not institute a revocation or  
21 suspension proceeding under this subparagraph more than two years  
22 from the date of the order relied on and the bureau may not deny,  
23 suspend, or revoke under this subparagraph on the basis of an order  
24 under another state's act unless that order was based on facts which  
25 would currently constitute a ground for an order under New Jersey  
26 law;

27 (k) is insolvent, either in the sense that its liabilities exceed its  
28 assets or in the sense that it cannot meet its obligations as they mature;

29 (l) is not qualified on the basis of such factors as character,  
30 training, experience, or knowledge of the digital asset business; or

31 (m) has failed to pay the proper fees.

32 b. The bureau may provide a warning notice to a licensee if the  
33 bureau suspects that a condition permitting suspension or revocation  
34 has occurred.

35 c. Any warning notice, suspension, or revocation issued by the  
36 bureau shall state the reasons for which it is given.

37 d. The bureau chief, for good cause shown, may by order  
38 summarily suspend, revoke or deny any license pending final  
39 determination of any proceeding under this section. The suspension or  
40 revocation of a license issued by the bureau shall prominently indicate  
41 that a right to <sup>1</sup>a<sup>1</sup> hearing is available. Upon entry of such an order,  
42 the bureau chief shall promptly notify each person subject thereto that  
43 it has been entered and of the reasons therefor.

44 The bureau chief shall entertain on no less than three days' notice  
45 an application to lift the summary order on written application of the  
46 person subject thereto and in connection therewith may, but need not,  
47 hold a hearing and hear testimony, but shall provide to the person

1 subject thereto a written statement of the reasons for the summary  
2 order.

3 Upon service of notice of the order issued by the bureau chief,  
4 each person subject thereto shall have up to 15 days to respond to the  
5 bureau in the form of a written answer and written request for a  
6 hearing. The bureau chief shall, within five days of receiving the  
7 answer and request for a hearing, either transmit the matter to the  
8 Office of Administrative Law for a hearing, or schedule a hearing at  
9 the Bureau of Securities. Orders issued pursuant to this section shall  
10 be subject to an application to vacate upon 10 days' notice, and in any  
11 event a preliminary hearing on the order shall be held within 20 days  
12 after it is requested, and the filing of a motion to vacate the order shall  
13 toll the time for filing an answer and written request for a hearing.

14 If a person subject to the order fails to respond by either filing a  
15 written answer and written request for a hearing with the bureau or  
16 moving to vacate the order within the 15-day prescribed period, that  
17 person shall have waived the opportunity to be heard and the order  
18 shall remain in effect as to that person until modified or vacated by the  
19 bureau chief.

20 <sup>1</sup>e. The bureau chief may by order summarily revoke a license or  
21 deny an application if the bureau chief finds that a licensee is no  
22 longer in existence, has ceased to do business as a digital asset  
23 business, or cannot be located after a reasonable search.

24 f. (1) A licensee may submit an application to withdraw from  
25 licensure. The withdrawal shall become effective on the 31st day  
26 following receipt by the bureau of the application to withdraw or  
27 within such other period of time as the bureau may determine by rule  
28 or order.

29 (2) The bureau may institute any revocation or suspension  
30 proceeding within two years after a withdrawal becomes effective and  
31 may enter a revocation or suspension order effective as of the last date  
32 on which the license was effective.<sup>1</sup>

33 <sup>1</sup>**[e.] g.**<sup>1</sup> The bureau may issue general guidance to industry  
34 participants on how to best protect the interests of <sup>1</sup>**[clients]**  
35 customers<sup>1</sup>.

36 <sup>1</sup>**[f.] h.**<sup>1</sup> (1) Whenever it appears to the bureau that any person  
37 has violated, is violating or is about to violate any of the provisions of  
38 P.L. , c. (C. ) (pending before the Legislature as this bill), or  
39 any regulation adopted pursuant to P.L. , c. (C. ) (pending  
40 before the Legislature as this bill), <sup>1</sup>**[or any licensee or any owner,**  
41 **director, officer, member, partner, shareholder, trustee, employee or**  
42 **agent of a licensee has committed any fraud, engaged in dishonest**  
43 **activities or made any misrepresentation,]**<sup>1</sup> the bureau may <sup>1</sup>take  
44 administrative action or<sup>1</sup> bring a civil <sup>1</sup>**[suit in a court of competent**  
45 **jurisdiction] action<sup>1</sup>** to enjoin the violation or potential violation, seek  
46 <sup>1</sup>**[civil]**<sup>1</sup> penalties pursuant to paragraph (2) of this subsection, or  
47 both.

1 (2) Any person who violates any provision of P.L. , c. (C. )  
2 (pending before the Legislature as this bill) shall be liable, in a civil  
3 or administrative action brought by the bureau in a court of  
4 competent jurisdiction, for a penalty of not more than \$10,000 for  
5 the first violation, and \$20,000 for the second and each subsequent  
6 offense. The penalty shall be paid to the bureau to be used in  
7 accordance with P.L. , c. (C. ) (pending before the Legislature  
8 as this bill) and shall be entered, with the requisite notice, and  
9 recovered by and in the name of the bureau chief and shall be  
10 collected and enforced by summary proceeding pursuant to the  
11 “Penalty Enforcement Law of 1999,” P.L.1999, c.274 (C.2A:58-10 et  
12 seq.), or administratively. The court shall also award court costs and  
13 reasonable attorneys' fees to the bureau.

14 g.i. Each licensee shall maintain and enforce written  
15 compliance policies, including policies with respect to anti-fraud, anti-  
16 money laundering, cyber security, privacy and information security,  
17 which shall be reviewed and approved by the licensee’s board of  
18 directors or an equivalent governing body.

19 j. It shall be unlawful for any person, in conducting digital  
20 business activity or otherwise in connection with the offer, sale,  
21 purchase, or trade of any digital asset, directly or indirectly, to:

- 22 (1) employ any device, scheme, or artifice to defraud;  
23 (2) make any untrue statement of a material fact or to omit a  
24 material fact necessary in order to make the statements made, in the  
25 light of the circumstances under which they are made, not misleading;  
26 or  
27 (3) engage in any act, practice, or course of business which  
28 operates or would operate as a fraud or deceit upon any person.  
29

30 8. a. (1) A licensee shall provide to the bureau in a  
31 reasonable amount of time any document or record relating to the  
32 operations of the licensee upon receiving a written request from the  
33 bureau.

34 (2) Any notice requiring the production of documents pursuant  
35 to this section shall include the reasons for which it is given.

36 b. A licensee shall give written notice to the bureau within five  
37 days if there are any changes in the identities of the licensee’s key  
38 individuals, responsible individuals, or controlling persons.

39 c. A licensee shall maintain a record of all client customer  
40 transactions, and any accounts, correspondence, memoranda, and other  
41 records as the bureau may prescribe, for a period of not less than six  
42 years from the date the transaction occurred, unless the bureau by rule  
43 prescribes otherwise. A licensee shall make any records available for  
44 inspection by the bureau.

1 d. The bureau may conduct examinations to determine a  
2 licensee's compliance with P.L. , c. (C. ) (pending before the  
3 Legislature as this bill).<sup>1</sup>  
4

5 9. a. The terms and conditions of a <sup>1</sup>licensee's<sup>1</sup> digital asset  
6 business <sup>1</sup>activity<sup>1</sup> involving a <sup>1</sup>**【consumer's】** customer's<sup>1</sup> account  
7 shall be disclosed as part of establishing a relationship with a customer  
8 and prior to entering into an initial transaction with the customer at the  
9 time the <sup>1</sup>**【consumer】** customer<sup>1</sup> contracts for a digital asset business  
10 service. A disclosure shall be full and complete, contain no material  
11 misrepresentations, be in readily understandable language and <sup>1</sup>**【may】**  
12 shall, at a minimum<sup>1</sup> include, as appropriate and to the extent  
13 applicable:

14 (1) a schedule of fees and charges the licensee may assess, the  
15 manner by which fees and charges will be calculated if they are not set  
16 in advance and disclosed, and the timing of the fees and charges;

17 (2) whether a <sup>1</sup>**【consumer's】** customer's<sup>1</sup> account is protected by  
18 the Federal Deposit Insurance Corporation;

19 (3) whether there is support for forked networks of each digital  
20 asset;

21 (4) that investment in digital assets is volatile and subject to  
22 market loss;

23 (5) that investment in digital assets may result in total loss of  
24 value;

25 (6) that legal, legislative and regulatory changes may impair the  
26 value of digital assets;

27 (7) that <sup>1</sup>**【consumers】** customers<sup>1</sup> should perform research before  
28 investing in digital assets;

29 (8) that transfers of digital assets are irrevocable, if applicable;

30 (9) how liability for an unauthorized, mistaken or accidental  
31 transfer shall be apportioned;

32 (10) that digital assets are not legal tender in any jurisdiction;

33 (11) that digital assets may be subject to cyber theft or theft and  
34 become unrecoverable;

35 (12) that losing private key information may result in permanent  
36 total loss of access to digital assets;

37 (13) under what circumstances the digital asset business will in the  
38 ordinary course of business disclose information concerning the  
39 <sup>1</sup>**【consumer's】** customer's<sup>1</sup> account to third parties; and

40 (14) any other material investment risks.

41 b. All disclosures required by P.L. , c. (C. ) (pending  
42 before the Legislature as this bill) shall be displayed and individually  
43 agreed to by a consumer before any digital asset transaction at an  
44 electronic kiosk. Any fee to be charged shall be displayed and  
45 individually agreed to by a consumer before any digital asset  
46 transaction or digital asset balance inquiry at an electronic kiosk.

1 c. A licensee that has custody of digital assets for one or more  
2 persons shall maintain in its custody an amount of each type of digital  
3 <sup>1</sup>~~assets~~ asset<sup>1</sup> sufficient to satisfy the aggregate entitlements of the  
4 persons to the type of digital asset.

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

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

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

12 (2) a statement that the complainant may also bring a complaint to  
13 the attention of the bureau; and

14 (3) the <sup>1</sup>~~bureau's~~ bureau<sup>1</sup> mailing address, website, and  
15 telephone number.

16 <sup>1</sup>~~f. The bureau may audit a licensee's compliance with this~~  
17 ~~section.]~~<sup>1</sup>

18

19 10. <sup>1</sup>~~a.~~<sup>1</sup> It shall be unlawful for any person to make or cause to be  
20 made, in any document filed with the bureau or in any proceeding,  
21 investigation or examination conducted under P.L. , c. (C. )  
22 (pending before the Legislature as this bill), any statement which is, at  
23 the time and in the light of the circumstances under which it is made,  
24 false or misleading in any material respect.

25 <sup>1</sup>b. It shall be unlawful for any officer or employee of the bureau  
26 to use for personal benefit any information which is filed with or  
27 obtained by the bureau that is not made public.<sup>1</sup>

28

29 11. a. The bureau chief in the bureau chief's discretion may:

30 (1) make such private investigations within or outside of this  
31 State as the bureau chief deems necessary to determine whether any  
32 person has violated or is about to violate any provision of P.L. , c.  
33 (C. ) (pending before the Legislature as this bill) or any rule or  
34 order hereunder, or to aid in the enforcement of P.L. , c. (C. )  
35 (pending before the Legislature as this bill) or in the prescribing of  
36 rules and forms hereunder;

37 (2) require or permit any person to file a statement in writing,  
38 under oath or otherwise as the bureau chief determines, as to all the  
39 facts and circumstances concerning the matter to be investigated;  
40 and

41 (3) publish information concerning any violation of P.L. , c.  
42 (C. ) (pending before the Legislature as this bill) or any rule or  
43 order hereunder.

44 b. For the purpose of any investigation or proceeding under  
45 P.L. , c. (C. ) (pending before the Legislature as this bill),  
46 the bureau chief or any officer designated by the bureau chief may  
47 administer oaths and affirmations, subpoena witnesses, compel their

1 attendance, take evidence and require the production of any books,  
2 papers, correspondence, memoranda, agreements or other  
3 documents or records which the bureau chief deems relevant or  
4 material to the inquiry. At the bureau chief's discretion, the bureau  
5 chief may make available private investigative materials to  
6 representatives of domestic or foreign governmental authorities,  
7 self-regulatory organizations, state or federal law enforcement  
8 officers, state securities, banking and insurance administrators, and  
9 trustees in bankruptcy.

10 The bureau may also disclose that information:

11 (1) in court proceedings;

12 (2) if ordered to do so by a court of competent jurisdiction; or

13 (3) if appropriate, in furtherance of any ongoing investigation or  
14 proceeding. The bureau chief may also request and use private  
15 investigative materials provided to it by other federal and state  
16 authorities, including authorities of other states and foreign  
17 countries.

18 c. In case of contumacy by, or refusal to obey a subpoena or  
19 order issued to, any person, the Superior Court, upon application by  
20 the bureau chief, may issue to the person an order requiring the  
21 person to appear before the bureau chief, or the officer designated  
22 by the bureau chief, there to produce documentary evidence if so  
23 ordered or to give evidence touching the matter under investigation  
24 or in question. The court may grant injunctive relief restraining  
25 engaging in any digital asset business activity, or holding itself out  
26 as being able to engage in any digital asset business activity by a  
27 person, licensee, controlling person, responsible individual, key  
28 individual, or agent of a licensee until such person has fully  
29 complied with such subpoena or order and the bureau has  
30 completed its investigation. The court may proceed in the action in  
31 a summary manner or otherwise.

32 d. No person is excused from attending and testifying or from  
33 producing any document or record before the bureau or in  
34 obedience to the subpoena or order of the bureau chief or any  
35 officer designated by the bureau chief, or in any proceeding  
36 instituted by the bureau, on the ground that the testimony or  
37 evidence (documentary or otherwise) required of the person may  
38 tend to incriminate the person or subject the person to a penalty or  
39 forfeiture; but the testimony or evidence (documentary or  
40 otherwise) compelled from an individual who has claimed their  
41 privilege against self-incrimination, or the fruits thereof, shall not  
42 be used to prosecute that individual or to subject that individual to  
43 any penalty or forfeiture, except that the individual testifying is not  
44 exempt from prosecution and punishment for perjury, false  
45 swearing or contempt committed in testifying.

46 e. When it appears to the bureau chief that the testimony of any  
47 person is essential to an investigation instituted by the bureau chief  
48 as provided by P.L. , c. (C. ) (pending before the



1 Legislature as this bill), and that the failure of such person to appear  
2 and testify may defeat the proper and effective conduct thereof, the  
3 bureau chief, in addition to the other remedies provided for herein,  
4 may, by petition verified generally, setting forth the facts, apply to  
5 the Superior Court for a writ of ne exeat against such person. The  
6 court shall thereupon direct the issuance of the writ against such  
7 person requiring the person to give sufficient bail conditioned to  
8 insure the person's appearance before the bureau chief for  
9 examination under oath in such investigation and that the person  
10 will continue their appearance therein from time to time until the  
11 completion of the investigation and will appear before the court if  
12 the bureau chief shall institute any proceeding therein as a result of  
13 the bureau chief's investigation.

14 The court shall cause to be indorsed on the writ of ne exeat, in  
15 words at length, a suitable amount of bail upon which the person  
16 named in the writ shall be freed, having a due regard to the nature  
17 of the case and the value of the digital assets involved. All  
18 applications to be freed on bail shall be on notice to the bureau  
19 chief and the sufficiency of the bail given on the writ shall be  
20 approved by the court. All recognizances shall be to the State and  
21 all forfeitures thereof shall be declared by the court. The proceeds  
22 of the forfeitures shall be paid into the State treasury.

23

24 12. Restraints ordered by bureau chief.

25 a. <sup>1</sup>[(1)]<sup>1</sup> In case of contumacy by, or refusal to obey a subpoena  
26 or order issued to, any person, the bureau chief may, in the bureau  
27 chief's discretion, summarily order restraints on engaging in any  
28 digital asset business activity, or holding itself out as being able to  
29 engage in any digital asset business activity by a person, licensee,  
30 controlling person, responsible individual, key individual, or agent of a  
31 licensee, until that person has fully complied with that subpoena or  
32 order and the bureau has completed its investigation. The bureau chief  
33 may proceed in an action in a summary manner or otherwise, by  
34 issuing a cease and desist order, by denying, revoking or suspending  
35 any license under P.L. , c. (C. ) (pending before the  
36 Legislature as this bill), by assessing civil monetary penalties, or by  
37 any combination of these actions the bureau chief deems appropriate.  
38 Upon entry of such an order, the bureau chief shall promptly notify  
39 each person subject thereto that it has been entered and of the reasons  
40 therefor.

41 <sup>1</sup>[(2)] b.<sup>1</sup> The bureau chief shall entertain on no less than three  
42 days' notice an application to lift the summary order on written  
43 application of the person subject thereto and in connection therewith  
44 may, but need not, hold a hearing and hear testimony, but shall provide  
45 to the person subject thereto a written statement of the reasons for the  
46 summary order.

47 <sup>1</sup>[(3)] c.<sup>1</sup> Upon service of notice of the order issued by the bureau  
48 chief, each person subject thereto shall have up to 15 days to respond

1 to the bureau in the form of a written answer and written request for a  
2 hearing. The bureau chief shall, within five days of receiving the  
3 answer and request for a hearing, either transmit the matter to the  
4 Office of Administrative Law for a hearing, or schedule a hearing at  
5 the Bureau of Securities. Orders issued pursuant to this section shall  
6 be subject to an application to vacate upon 10 days' notice, and in any  
7 event a preliminary hearing on the order shall be held within 20 days  
8 after it is requested, and the filing of a motion to vacate the order shall  
9 toll the time for filing an answer and written request for a hearing.

10 <sup>1</sup>[(4)] d.<sup>1</sup> If a person subject to the order fails to respond by either  
11 filing a written answer and written request for a hearing with the  
12 bureau or moving to vacate the order within the 15-day prescribed  
13 period, that person shall have waived the opportunity to be heard and  
14 the order shall remain in effect as to that person until modified or  
15 vacated by the bureau chief.

16

17 <sup>1</sup>13. a. In order to carry out the purposes of P.L. , c. (C. )  
18 (pending before the Legislature as this bill), the bureau is authorized to  
19 establish relationships or to contract with the Nationwide Multistate  
20 Licensing System, or similar system or entity, and other entities  
21 designated thereby to collect and maintain records and process  
22 transaction fees or other fees related to licensees or other persons  
23 subject to P.L. , c. (C. ) (pending before the Legislature as this  
24 bill).

25 b. The bureau may require any person subject to the provisions of  
26 P.L. , c. (C. ) (pending before the Legislature as this bill),  
27 including any applicant, key individual, responsible individual,  
28 controlling person, or person over whom the applicant has control, to  
29 participate in a multistate licensing system, including, if so designated,  
30 the Nationwide Multistate Licensing System.

31 c. The bureau is authorized to waive or modify, in whole or in  
32 part, by rule, regulation, or order, any requirement set forth in P.L. ,  
33 c. (C. ) (pending before the Legislature as this bill), and to  
34 establish new requirements, as reasonably necessary for the purpose of  
35 participation in the Nationwide Multistate Licensing System or similar  
36 system or entity including: payment of nonrefundable fees to apply  
37 for, maintain, and renew licenses through the system; renewal or  
38 reporting dates; procedures for amending or surrendering a license;  
39 and requirements pertaining to any other activity necessary for  
40 participation in the system.<sup>1</sup>

41

42 <sup>1</sup>[(13)] 14.<sup>1</sup> There is established in the Division of Consumer  
43 Affairs in the Department of Law and Public Safety the “Digital  
44 Asset Enforcement Fund,” which shall continue as a dedicated,  
45 nonlapsing, revolving fund. All fees, penalties, costs, fines and  
46 other moneys collected pursuant to P.L. , c. (C. ) (pending  
47 before the Legislature as this bill), shall be deposited in the fund.  
48 Moneys in the fund shall be appropriated for use by the Director of

1 the Division of Consumer Affairs to administer and enforce the  
2 provisions of P.L. , c. (C. ) (pending before the Legislature  
3 as this bill) and to conduct any investigations related thereto. There  
4 shall be made available from the General Fund such additional  
5 amounts as may be required to carry out the provisions of P.L. , c.  
6 (C. ) (pending before the Legislature as this bill).

7  
8 <sup>1</sup>~~14.~~ 15.<sup>1</sup> a. The bureau may adopt, amend, or rescind any  
9 <sup>1</sup>guidance, guidelines,<sup>1</sup> forms and orders and, pursuant to the  
10 “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.),  
11 any rules and regulations as are necessary to effectuate the purposes of  
12 P.L. , c. (C. ) (pending before the Legislature as this bill),  
13 including those governing applications<sup>1</sup>, forms,<sup>1</sup> and reports, and  
14 defining any terms, whether or not used in P.L. , c. (C. )  
15 (pending before the Legislature as this bill), insofar as the definitions  
16 are not inconsistent with the provisions of P.L. , c. (C. )  
17 (pending before the Legislature as this bill).

18 <sup>1</sup>b. The bureau may prescribe the form, manner, and medium in  
19 which any application, form, report, statement, or any other document  
20 shall be prepared, including whether in accordance with generally  
21 accepted accounting principles or practices.

22 c. The bureau may set fees by order, which shall remain in effect  
23 until applicable rules and regulations are promulgated.<sup>1</sup>

24  
25 <sup>1</sup>~~15.~~ 16.<sup>1</sup> P.L. , c. (C. ) (pending before the  
26 Legislature as this bill), shall not be construed to limit the authority  
27 of the Department of Banking and Insurance over any financial  
28 institution, insurance company or other entity chartered, licensed or  
29 regulated by the department pursuant to Title 17 of the Revised  
30 Statutes or Title 17B of the New Jersey Statutes.

31  
32 <sup>1</sup>~~16.~~ 17.<sup>1</sup> This act shall take effect <sup>1</sup>immediately, except that  
33 section 3 shall take effect<sup>1</sup> on the first day of the <sup>1</sup>~~tenth~~ 25th<sup>1</sup> month  
34 next following enactment, <sup>1</sup>~~except~~ but<sup>1</sup> the Director of the Division  
35 of Consumer Affairs and the bureau chief may take any anticipatory  
36 administrative action in advance as shall be necessary for the  
37 implementation of this act.