

SENATE BILL NO. 185

BY SENATOR REESE

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

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AN ACT

To amend and reenact R.S. 6:1382, 1384 through 1388, 1390, and 1392 through 1394, to enact R.S. 6:1385.1, 1385.2, 1386.1, 1386.2, 1388.1, 1391(D) through (G), 1391.1, 1391.2, and 1393.1, and to repeal R.S. 6:1383(C)(5)(c) and (7) and (D) and 1389, relative to the regulation and licensure of virtual currency businesses; to provide relative to the authority, functions, and duties of the office of financial institutions; to provide for definitions; to provide for applicability; to provide for licensure requirements; to authorize reciprocity of licensure; to provide for qualifications of licensure; to provide for the issuance, denial, and renewal of licenses; to provide enforcement; to establish penalties for violations; to provide for administrative rules; to provide for terms, conditions, and procedures; to provide for reporting requirements; to provide for effectiveness; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 6:1382, 1384 through 1388, 1390, and 1392 through 1394 are hereby amended and reenacted and R.S. 6:1385.1, 1385.2, 1386.1, 1386.2, 1388.1, 1391(D) through

1 (G), 1391.1, 1391.2, and 1393.1 are hereby enacted to read as follows:

2 §1382. Definitions

3 For the purposes of this Chapter As used in this Chapter, unless the context
 4 otherwise requires, the following terms shall be defined as follows:

5 (1) "Acting in concert" means persons who knowingly act together with
 6 a common goal of jointly acquiring control of a licensee whether or not
 7 pursuant to an express agreement.

8 (2) "Applicant" means a person ~~that~~ who applies for a license pursuant to this
 9 Chapter.

10 (3) "Affiliate" means any person who controls, is controlled by, or is
 11 under common control with another person.

12 (4) "Blockchain" means any ledger of exchange, sale, or transfer of
 13 virtual currency which is accessible by computers or operators that are part of
 14 any virtual currency network.

15 (5) "Commissioner" means the commissioner of the office of financial
 16 institutions.

17 ~~(2)(6)~~ (6) "Control", when used in the context described, means both of the
 18 following:

19 (a) When used in reference to a transaction or relationship involving virtual
 20 currency, power to execute unilaterally or prevent indefinitely a virtual currency
 21 transaction.

22 (b) When used in reference to a person, any of the following:

23 (i) ~~the~~ The direct or indirect power to direct the management, operations, or
 24 policies of the person through legal or beneficial ownership of voting power in the
 25 person or under a contract, arrangement, or understanding.

26 (ii) The power to vote, directly or indirectly, at least twenty-five percent
 27 of outstanding voting shares or voting interests of a licensee or person in control
 28 of a licensee, including persons acting in concert in such instances.

29 (iii) The power to elect or appoint a majority of responsible individuals
 30 of a licensee.

1 **(iv) The power to exercise, directly or indirectly, a controlling influence**
 2 **over the management or policies of a licensee or person in control of a licensee.**

3 **(v) Any other set of facts and circumstances, as determined by the**
 4 **commissioner in his discretion, that may constitute control.**

5 ~~(3)~~ "Department" means the office of financial institutions.

6 ~~(4)~~**(7)** "Exchange", when used as a verb, means to assume control of virtual
 7 currency from, or on behalf of, a resident, at least momentarily, to sell, trade, or
 8 convert either of the following:

9 (a) Virtual currency for legal tender, bank credit, or one or more forms of
 10 virtual currency.

11 (b) Legal tender or bank credit for one or more forms of virtual currency.

12 ~~(5)~~ "Executive officer" means an individual who is a director, officer,
 13 manager, managing member, partner, or trustee of a person that is not an individual.

14 ~~(6)~~**(8)** "Insolvent" means any of the following:

15 (a) Having generally ceased to pay debts in the ordinary course of business
 16 other than as a result of a bona fide dispute.

17 (b) Being unable to pay debts as they become due.

18 (c) Being insolvent within the meaning of federal bankruptcy law.

19 ~~(7)~~**(9)** "Legal tender" means a medium of exchange or unit of value, including
 20 the coin or paper money of the United States, issued by the United States or by
 21 another government **if the issuance by another government is not virtual**
 22 **currency.**

23 ~~(8)~~**(10)** "Licensee" means a person licensed pursuant to this Chapter.

24 **(11) "Mining" means the use of any machine or device to solve any series**
 25 **of complex mathematical equations, problems, or puzzles, in binary or**
 26 **nonbinary sequences to add a block to any virtual currency network blockchain**
 27 **which is used to do any of the following:**

28 **(a) Validate sales, exchanges, transfers, or ownership of virtual currency.**

29 **(b) Secure a blockchain or virtual currency network.**

30 **(c) Prevent fraud, theft, or misappropriation of virtual currency.**

1 (12) "Minting" means the use of any machine or device to authenticate
 2 data, add any block, or record any information or data on any blockchain by
 3 either of the following:

4 (a) Through any protocol.

5 (b) Under any terms or conditions of any contract or agreement, or both,
 6 to create any virtual currency on a blockchain.

7 (13) "Nationwide Multistate Licensing System and Registry" or
 8 "NMLS" means the multistate system developed by the Conference of State
 9 Bank Supervisors and the American Association of Residential Mortgage
 10 Regulators and owned and operated by the State Regulatory Registry LLC, or
 11 any successor or affiliated entity, for the licensing and registration of persons
 12 in financial services industries or any other similar online multistate database.

13 (14) "Non-fungible token" means any unique digital identifier on any
 14 blockchain or virtual currency network, used to certify authenticity and
 15 ownership rights, that cannot be replaced, exchanged, or interchanged with any
 16 similar type or category of asset.

17 (15) "Office" means the office of financial institutions.

18 ~~(9)(16)~~ "Person" means an individual, general partnership, estate, business
 19 ~~or nonprofit entity, or other legal entity~~ limited partnership, limited liability
 20 company, corporation, trust, association, joint stock corporation, or other legal
 21 entity, or any individual or group of individuals, however organized. The term
 22 shall not include a public corporation, government, or governmental subdivision,
 23 agency, or instrumentality.

24 ~~(10)~~ "Reciprocity agreement" means an arrangement between the department
 25 ~~and the appropriate licensing agency of another state which permits a licensee~~
 26 ~~operating under a license granted by the other state to engage in virtual currency~~
 27 ~~business activity with or on behalf of a resident.~~

28 ~~(11)~~ "Registrant" means a person that registers with this state pursuant to R.S.
 29 ~~6:1390 to conduct virtual currency business activity.~~

30 ~~(12)~~ "Registration" means the ability pursuant to R.S. ~~6:1389 to conduct~~

1 virtual currency business activity:

2 ~~(13)(a)~~**(17)(a)** "Regulated financial institution" means a federally chartered
3 or state-chartered **insured** depository institution and its wholly-owned **wholly**
4 **owned** subsidiaries **chartered pursuant to the laws of this state, another state, or**
5 **the United States**, a Louisiana state-chartered trust company, a trust company
6 chartered by another state, or a federally chartered trust company.

7 (b) "Regulated financial institution" shall not include either of the following:

8 (i) An industrial loan company.

9 (ii) A trust company chartered by a state with which this state does not have
10 a reciprocity governing trust-company activities.

11 ~~(14)(a)~~**(18)(a)** "Resident" means any of the following:

12 (i) A person who is domiciled in this state.

13 (ii) A person who is physically located in this state for more than one hundred
14 eighty-three days of the previous three hundred sixty-five days.

15 (iii) A person who has a place of business in this state.

16 (b) "Resident" shall include a legal representative of a person that meets one
17 of the criteria provided for in Subparagraph (a) of this Paragraph.

18 ~~(15)~~**(19)** "Responsible individual" means ~~an individual who has managerial~~
19 ~~authority with respect to a licensee's or registrant's virtual currency business activity~~
20 ~~with, or on behalf of, a resident.~~ **any individual who is ultimately responsible for**
21 **establishing or directing policies and procedures of the licensee, including but**
22 **not limited to an executive officer, manager, director, or trustee.**

23 ~~(16)~~**(20)** "State" means a state of the United States, the District of Columbia,
24 Puerto Rico, the United States Virgin Islands, or any territory or insular possession
25 subject to the jurisdiction of the United States.

26 ~~(17)~~**(21)** "Store", except in the phrase "store of value", means to maintain
27 control of virtual currency on behalf of a resident by a person other than the resident.

28 "Storage" and "storing" have corresponding meanings.

29 **(22) "Tangible net worth" means all business assets minus liabilities and**
30 **intangible assets, including goodwill and other intangible assets. For the**

1 purposes of this Paragraph, an intangible asset may include but is not limited
2 to favorable leasehold rights, trademarks, trade names, internet domain names,
3 and noncompete agreements.

4 ~~(18)~~**(23)** "Transfer" means to assume control of virtual currency from, or on
5 behalf of, a resident and do any of the following:

6 (a) Credit the virtual currency to the account of another person.

7 (b) Move the virtual currency from one account of a resident to another
8 account of the same resident.

9 (c) Relinquish control of virtual currency to another person.

10 ~~(19)~~**(24)** "United States dollar equivalent of virtual currency" means the
11 equivalent value of a particular virtual currency in United States dollars shown on
12 a virtual currency exchange based in the United States for a particular date or period
13 specified in this Chapter.

14 **(25) "Unsafe or unsound act or practice" means and includes but is not**
15 **limited to a practice or conduct by a person licensed to engage in virtual**
16 **currency business activity in the state which creates the likelihood of material**
17 **loss, insolvency, dissipation of the licensee's assets that materially prejudices the**
18 **interests of residents, and any other set of facts and circumstances, as**
19 **determined by the commissioner in accordance with this Chapter and**
20 **applicable law.**

21 ~~(20)~~**(a)(26)(a)** "Virtual currency" means a digital representation of value that
22 is used as a medium of exchange, unit of account, or store of value, and that is not
23 legal tender, whether or not denominated in legal tender.

24 (b) "Virtual currency" shall not include either of the following:

25 (i) A transaction in which a merchant grants, as part of an affinity or rewards
26 program, value that cannot be taken from or exchanged with the merchant for legal
27 tender, bank credit, or virtual currency.

28 (ii) A digital representation of value issued by or on behalf of a publisher and
29 used solely within an online game, game platform, or family of games sold by the
30 same publisher or offered on the same game platform.

1 ~~(21)~~**(27)** "Virtual currency administration" means issuing virtual currency
2 with the authority to redeem the currency for legal tender, bank credit, or other
3 virtual currency.

4 ~~(22)~~**(28)** "Virtual currency business activity" means any of the following:

5 (a) Exchanging, transferring, or storing virtual currency or engaging in virtual
6 currency administration, whether directly or through an agreement with a virtual
7 currency control services vendor.

8 (b) Holding electronic precious metals or electronic certificates representing
9 interests in precious metals on behalf of another person or issuing shares or
10 electronic certificates representing interests in precious metals.

11 (c) Exchanging one or more digital representations of value used within one
12 or more online games, game platforms, or family of games for either of the
13 following:

14 (i) Virtual currency offered by or on behalf of the same publisher from which
15 the original digital representation of value was received.

16 (ii) Legal tender or bank credit outside the online game, game platform, or
17 family of games offered by or on behalf of the same publisher from which the
18 original digital representation of value was received.

19 **(d) "Virtual currency business activity" shall not include any of the**
20 **following:**

21 **(i) Mining.**

22 **(ii) Minting non-fungible tokens.**

23 **(iii) Blockchain activities that do not involve any exchange, holding, sale,**
24 **storing, or transfer of virtual currency to, for, or on behalf of any resident.**

25 ~~(23)~~**(29)** "Virtual currency control services vendor" means a person that has
26 control of virtual currency solely under an agreement with a person that, on behalf
27 of another person, assumes control of virtual currency.

28 **(30) "Virtual currency network" means any computer or operator**
29 **having access to a ledger of exchange, sale, or transfer of one or more virtual**
30 **currencies.**

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§1384. Licensure; general

A person shall not engage in virtual currency business activity, or hold ~~itself~~ **himself** out as being able to engage in virtual currency business activity, with or on behalf of a resident unless the person is one of the following:

(1) Licensed in this state by the ~~department~~ **office** pursuant to R.S. 6:1385.

~~(2) Registered with the department and operating pursuant to R.S. 6:1390.~~

~~(3)~~**(2)** Exempt from licensure ~~or registration~~ pursuant to R.S. 6:1383.

§1385. Requirements

A. An applicant for a license pursuant to the provisions of this Chapter shall submit the application through the Nationwide Multi-State Licensing System (NMLS) and satisfy all of the following:

(1) ~~Except as otherwise provided in Subsection B of this Section, provide~~ **Provide** all of the following information relevant to the applicant's proposed virtual currency business activity:

(a) The legal name of the applicant, each current or proposed business United States Postal Service address of the applicant, and any fictitious or trade name the applicant uses or plans to use in conducting its virtual currency business activity with or on behalf of a resident.

(b) The legal name, any former or fictitious name, and the residential and business United States Postal Service address of each ~~executive officer~~ and responsible individual of the applicant, and each person that has control of the applicant.

(c) A description of the current and former business of the applicant for the five years before the application is submitted or, if the business has operated for less than five years, for the time the business has operated, including its products and services, associated internet website addresses and social media pages, principal place of business, projected user base, and specific marketing targets.

(d) The name, United States Postal Service address, and telephone number of a person that manages each server the applicant expects to use in conducting its

1 virtual currency business activity with, or on behalf of, a resident and a copy of any
 2 agreement with that person. **A copy of the applicant's business plan, which shall**
 3 **include a three-year financial pro forma, the anticipated volume of virtual**
 4 **currency business activities in this state for the same period, the anticipated**
 5 **number of virtual currency locations in this state, including kiosk machines,**
 6 **and evidence of the surety bond as well as the current and continued**
 7 **maintenance of the tangible net worth required by R.S. 6:1386.**

8 (e) **The name, United States Postal Service address, telephone number**
 9 **of each affiliate of the applicant, and a description of the control relationship.**

10 (f) A list of both of the following:

11 (i) Each money service or money transmitter license the applicant holds in
 12 another state and the date the license expires.

13 (ii) Any license revocation, license suspension, or other disciplinary action
 14 taken against the licensee in another state and any license applications rejected by
 15 another state.

16 ~~(f)~~**(g)** A list of any criminal conviction, deferred prosecution agreement, or
 17 pending criminal proceeding in any jurisdiction against all of the following:

18 (i) The applicant.

19 ~~(ii) Each executive officer of the applicant.~~

20 ~~(iii)~~ Each responsible individual of the applicant.

21 ~~(iv)~~**(iii)** Each person that has control over the applicant.

22 ~~(v)~~**(iv)** Each person over which the applicant has control.

23 ~~(g)~~**(h)** A list of any litigation, arbitration, or administrative proceeding in any
 24 jurisdiction in which the applicant, ~~or an executive officer~~ or a responsible individual
 25 of the applicant, has been a party for the five years before the application is
 26 submitted, determined to be material in accordance with generally accepted
 27 accounting principles and to the extent the applicant would be required to disclose
 28 the litigation, arbitration, or administrative proceeding in the applicant's audited
 29 financial statements, reports to equity owners, and similar statements or reports.

30 ~~(h)~~**(i)** A list of any bankruptcy or receivership proceeding in any jurisdiction

1 for the ten years before the application is submitted in which any of the following
2 was a debtor:

3 (i) The applicant.

4 ~~(ii) Each executive officer of the applicant.~~

5 ~~(iii) Each responsible individual of the applicant.~~

6 ~~(iv)~~**(iii)** Each person who has control over the applicant.

7 ~~(v)~~**(iv)** Each person over which the applicant has control.

8 ~~(j)~~**(i)** The name and United States Postal Service address of each bank in
9 which the applicant plans to deposit funds obtained by its virtual currency business
10 activity.

11 ~~(k)~~**(k)** The source of funds and credit to be used by the applicant to conduct
12 virtual currency business activity with, or on behalf of, a resident and documentation
13 demonstrating that the applicant has the **tangible** net worth ~~and reserves~~ required
14 pursuant to R.S. 6:1386.

15 ~~(l)~~**(l)** The United States Postal Service address and electronic mail address
16 to which communications from the ~~department~~ **office** may be sent.

17 ~~(m)~~**(m)** The name, United States Postal Service address, and electronic mail
18 address of the registered agent of the applicant in this state.

19 ~~(n)~~**(n)** A copy of the certificate, ~~or a detailed summary acceptable to the~~
20 ~~department,~~ of coverage for each liability, casualty, ~~business-interruption,~~ or
21 **business interruption, and** cyber-security **cybersecurity** insurance policy
22 maintained by the applicant for itself, ~~an executive officer, a~~ **or as to any** responsible
23 individual, ~~or the applicant's users~~ **affiliate, agent, or control person, of the**
24 **applicant, with respect to the virtual currency business activities of the**
25 **applicant.**

26 ~~(o)~~**(o)** If applicable, the date on which, and the state where, the applicant is
27 formed and a copy of a current certificate of good standing issued by that state.

28 **(p) A copy of the applicant's audited financial statement for the prior**
29 **year.**

30 ~~(q)~~**(q)** If a person has control of the applicant and the person's equity interests

1 are publicly traded in the United States, a copy of the audited financial statement of
 2 the person for the most recent fiscal year or most recent report of the person filed
 3 pursuant to 15 U.S.C. 78.

4 ~~(p)~~**(r)** If a person has control of the applicant and the person's equity interests
 5 are publicly traded outside the United States, a copy of the audited financial
 6 statement of the person for the most recent fiscal year of the person or a copy of the
 7 most recent documentation similar to that required in Subparagraph ~~(p)~~ **(q)** of this
 8 Paragraph filed with the foreign regulator in the domicile of the person.

9 ~~(q)~~**(s)** If the applicant is a partnership or a member-managed limited liability
 10 company, the names and United States Postal Service addresses of all general
 11 partners or members.

12 ~~(r)~~**(t)** If the applicant is required to register with the Financial Crimes
 13 Enforcement Network of the United States Department of the Treasury as a money
 14 service business, evidence of the registration.

15 ~~(s)~~**(u)** A set of fingerprints for each ~~executive officer and~~ responsible
 16 individual **and person who has control** of the applicant. **If the person resided**
 17 **outside of the United States anytime within the past ten years, the person shall**
 18 **also provide an investigative background report prepared by an independent**
 19 **search firm that meets the following requirements:**

20 **(i) At a minimum, the search firm shall satisfy both of the following:**

21 **(aa) Demonstrate that it has sufficient knowledge and resources, and**
 22 **employs accepted and reasonable methodologies to conduct the research of the**
 23 **background report.**

24 **(bb) Demonstrate that it does not have an interest in, nor affiliation with,**
 25 **the person who is the subject of the background report.**

26 **(ii) At a minimum, the investigative background report shall be written**
 27 **in the English language and shall contain all of the following:**

28 **(aa) If available in the person's current jurisdiction of residency, a**
 29 **comprehensive credit report, or any equivalent information obtained or**
 30 **generated by the independent search firm to accomplish such report, including**

1 a search of the court data in the countries, provinces, states, cities, towns, and
 2 contiguous areas where the individual resided and worked.

3 (bb) Criminal records information for the past ten years, including but
 4 not limited to felonies, misdemeanors, or similar convictions.

5 (cc) Employment history.

6 (dd) Media history, including an electronic search of national and local
 7 publications, wire services, and business applications.

8 (ee) Financial services-related regulatory history, including but not
 9 limited to money transmission, securities, banking, insurance, and
 10 mortgage-related industries.

11 ~~(+)(v)~~ If available, for ~~For~~ each executive officer and responsible individual
 12 and person who has control of the applicant, for the five years before the
 13 application is submitted, employment history and history of any investigation of the
 14 person who has control or the responsible ~~the~~ individual or legal proceeding to
 15 which the person who has control or responsible individual was a party.

16 ~~(+)(w)~~ Other information the department office reasonably requires by rule.

17 (2) ~~Be accompanied by a nonrefundable fee in the amount determined by the~~
 18 ~~department to cover the reasonable costs of regulation.~~ Provide through and in the
 19 manner prescribed by NMLS, a nonrefundable fee in an amount provided for
 20 by rule for the reasonable regulatory cost of the application and investigation
 21 process. Pursuant to this Section, the applicant shall pay the reasonable costs
 22 of the investigation incurred by the office that are in excess of the amount of the
 23 nonrefundable fee amount, in the manner prescribed by the commissioner.

24 B. ~~For good cause, the department may waive the fee required pursuant to~~
 25 ~~Paragraph (A)(2) of this Section or permit the applicant to submit other information~~
 26 ~~instead of the required information.~~

27 ~~€.~~ An application for a license pursuant to this Section shall not be complete
 28 until the department office receives all information required by the provisions of this
 29 Chapter and completes its investigation pursuant to Subsection ~~D~~ C of this Section.

30 ~~D-(+)~~C.(1) On receipt of a completed application, the department office shall

1 investigate all of the following:

2 (a) The financial condition and responsibility of the applicant.

3 (b) The relevant financial and business experience, character, and general
4 fitness of the applicant.

5 (c) The competence, experience, character, and general fitness of ~~each~~
6 ~~executive officer~~; each responsible individual; and any person that who has control
7 of the applicant, in order for the commissioner to reasonably determine that the
8 applicant will conduct its virtual currency business activity honestly, carefully,
9 efficiently, in accordance with the requirements of this Chapter, and any other
10 applicable state or federal laws or regulations.

11 (2) At the option of the ~~department~~ office, it may investigate the business
12 premises of an applicant.

13 ~~E.(1)~~ D.(1) Not later than ~~thirty~~ sixty days after an application is complete,
14 the ~~department~~ office shall send the applicant notice of its decision to approve,
15 conditionally approve, or deny the application.

16 (2) ~~If the department does not send the applicant notice of its decision within~~
17 ~~thirty-one days of completion of the application, the application shall be deemed~~
18 ~~denied.~~

19 (3) ~~If the department~~ office does not receive notice from the applicant that the
20 applicant accepts conditions specified by the ~~department~~ office within thirty-one
21 days ~~following the department's notice conditions~~ after the date of the notice of the
22 conditional approval, the application shall be deemed denied.

23 ~~F.E.~~ A license shall be effective on the later of either of the following:

24 (1) ~~The date on which the department issues the license.~~

25 (2) ~~The date the licensee provides the security required pursuant to R.S.~~
26 ~~6:1386.~~

27 ~~G.~~ An applicant shall pay the reasonable costs of the department's
28 investigation pursuant to this Section.

29 No license shall be issued pursuant to this Chapter unless all of the
30 following occur:

1 (1) The applicant provides a surety bond and the commissioner accepts
 2 the surety bond required pursuant to R.S. 6:1386.

3 (2) The applicant provides evidence acceptable to the commissioner of
 4 the tangible net worth required pursuant to R.S. 6:1386.

5 (3) The applicant has paid all costs and fees required pursuant to this
 6 Chapter in connection with a license application.

7 (4) The commissioner has issued notice of the decision to approve or
 8 conditionally approve the application in accordance with Subsection D of this
 9 Section.

10 §1385.1. Approval of advanced change of control notice

11 A. Whenever a change of control of a licensee or an applicant is
 12 contemplated by any person, or persons acting in concert, the following
 13 information shall be provided to the commissioner through the NMLS:

14 (1) The licensee or applicant shall do all of the following:

15 (a) File an advanced change of control notice within thirty days after
 16 learning of the change of control and at least forty-five days prior to the date
 17 the proposed transaction is to be consummated.

18 (b) Provide such information as required pursuant to R.S. 6:1385(A).

19 (2) After review of an advanced change of control notice filed pursuant
 20 to Paragraph (1) of this Subsection, the commissioner may require the licensee
 21 or applicant to provide additional information concerning the proposed person,
 22 or persons acting in concert, to cause a change of control. The additional
 23 information shall be limited to the same information required from the licensee
 24 or applicant as part of its original application filed pursuant to R.S. 6:1385(A).

25 B. The commissioner shall approve an advanced change of control notice
 26 filed in accordance with Paragraph (1) of this Subsection if, after investigation,
 27 he determines that the person, or persons acting in concert, to cause a change
 28 of control shall not adversely affect the ability of the licensee or applicant to
 29 conduct its virtual currency business activity honestly, carefully, and efficiently,
 30 and in accordance with the requirements of this Chapter and any other

1 applicable state and federal laws and regulations.

2 C. If the commissioner determines that the proposed person, or persons
3 acting in concert, to cause a change of control fails to meet the qualifications,
4 standards, and requirements pursuant to this Chapter, he shall inform the
5 licensee, applicant, proposed person, or persons acting in concert, to cause the
6 change of control in writing that the advanced change of control request is
7 denied and state the reasons for such denial. The licensee, applicant, proposed
8 person, or persons acting in concert, to cause the change of control may appeal
9 the denial in accordance with R.S. 6:1387(C).

10 D. The provisions of Paragraph (A)(1) of this Section shall not apply to
11 a public offering of securities under the laws of the United States.

12 E. Before filing an advanced change of control notice, any person, or
13 persons acting in concert, may request in writing a determination from the
14 commissioner as to whether the person, or persons acting in concert, would be
15 considered to be in control of a licensee or applicant upon consummation of a
16 proposed transaction. If the commissioner determines that the person, or
17 persons acting in concert, would not be in control of the licensee or applicant,
18 the commissioner shall respond in writing that the proposed transaction is not
19 subject to the requirements of Subsection A of this Section.

20 §1385.2. Approval of advanced change of responsible individual notice

21 A. Whenever a change is contemplated with respect to a reasonable
22 individual of a licensee or applicant, all of the following information shall be
23 provided to the commissioner through the NMLS:

24 (1) The legal name, any former or fictitious name, and the residential
25 and business United States Postal Service addresses of the proposed responsible
26 individual.

27 (2) A list of any criminal conviction, deferred prosecution agreement, or
28 pending criminal proceeding in any jurisdiction against the proposed
29 responsible individual.

30 (3) A list of any bankruptcy or receivership proceeding in any

1 jurisdiction for the prior ten years involving the proposed responsible
2 individual.

3 (4) A list of any litigation, arbitration, or administrative proceeding in
4 any jurisdiction in which the proposed responsible individual was a party for
5 the prior five years.

6 (5) A set of fingerprints of the proposed responsible individual for
7 submission to the Federal Bureau of Investigation and the commissioner for
8 purposes of a national and state criminal background check. If the individual
9 resided outside of the United States at any time in the past ten years, he shall
10 also provide an investigative background report prepared by an independent
11 search firm pursuant to the requirements of R.S. 6:1385(A)(1)(u).

12 (6) The employment history of the proposed responsible individual for
13 the prior five years.

14 (7) A history of any investigation or legal proceeding to which the
15 proposed responsible individual was a party for the prior five years.

16 B. After review of an advanced change of responsible individual notice
17 filed pursuant to Subsection A of this Section, the commissioner may require
18 the licensee or applicant to provide additional information concerning the
19 proposed responsible individual. The additional information shall be limited to
20 the same information required from a licensee or an applicant as part of his
21 original application filed pursuant to R.S. 6:1385(A).

22 C. The commissioner shall approve an advanced change of responsible
23 individual notice filed in accordance with Subsection A of this Section if, after
24 investigation, he reasonably determines that the proposed responsible
25 individual has the relevant competence, experience, character, and general
26 fitness considered necessary to ensure that the licensee or applicant will
27 continue to conduct its virtual currency business activity honestly, carefully,
28 and efficiently, and in accordance with the requirements of this Chapter and
29 other applicable state and federal laws and regulations.

30 D. If the commissioner determines that the proposed responsible

individual fails to meet the qualifications, standards, and requirements of this Chapter, he shall inform the licensee, applicant, and proposed responsible individual, in writing, that the advanced change of control request is denied and state the reasons for denial. The licensee, applicant, and proposed responsible individual may appeal the denial in accordance with R.S. 6:1387(C).

§1386. Required documents; securities Surety bond; tangible net worth

A.(1) Before a license is issued pursuant to the provisions of this Chapter, an applicant shall submit a surety bond in the amount of one hundred thousand dollars to the department that secures the applicant's faithful performance of its duties pursuant to the provisions of this Chapter or in an amount the ~~department~~ office specifies based on the nature and extent of risks in the applicant's virtual currency business ~~model~~ plan.

(2)(a) The licensee shall maintain or increase the minimum amount of ~~security~~ the surety bond to reflect the dollar amount of all licensed ~~money transmission~~ virtual currency business activity in this state in the preceding calendar year in accordance with the provisions of this Paragraph. ~~A licensee may decrease its security in accordance with the provisions of this Paragraph if the security required is less than the amount of security on file with the department.~~

Dollar Amount of Virtual Currency <u>Business</u> Activity	Security <u>Minimum Surety</u> <u>Bond Amount</u> Required
\$0 to \$5,000,000	\$ 100,000
\$5,000,000.01 to \$10,000,000	\$ 200,000
\$10,000,000.01 to \$15,000,000	\$ 300,000
\$15,000,000.01 to \$20,000,000	\$ 400,000
\$20,000,000.01 to \$25,000,000	\$ 500,000
\$25,000,000.01 to \$30,000,000	\$ 600,000
\$30,000,000.01 to \$35,000,000	\$ 700,000
\$35,000,000.01 to \$40,000,000	\$ 800,000
\$40,000,000.01 to \$45,000,000	\$ 900,000
Over \$45,000,000	\$1,000,000

1 (b) Security shall be in a form satisfactory to the department and payable to
2 the state for the benefit of any claimant against the licensee to secure the faithful
3 performance of the obligations of the licensee with respect to money transmission.

4 (c) ~~The aggregate liability on a surety bond may not exceed the principal sum~~
5 ~~of the bond. A claimant against a licensee may maintain an action on the bond, or the~~
6 ~~department may maintain an action on behalf of the claimant.~~

7 (d) ~~A surety bond shall cover claims for as long as the department specifies,~~
8 ~~but for at least five years after the licensee ceases to provide money services in this~~
9 ~~state. However, the department may permit the amount of security to be reduced or~~
10 ~~eliminated before the expiration of that time to the extent the amount of the licensee's~~
11 ~~obligations outstanding in this state is reduced. The department may permit a~~
12 ~~licensee to substitute another form of security acceptable to the department for the~~
13 ~~security effective at the time the licensee ceases to provide money services in this~~
14 ~~state.~~

15 (e) The department **office** may increase the amount of security **the surety**
16 **bond** required to a maximum of seven million dollars.

17 **(c) The surety bond shall be issued by an entity authorized to sell**
18 **insurance in this state in a form satisfactory to the commissioner and payable**
19 **to the office for the benefit of any claimant against the licensee to secure the**
20 **faithful performance of the obligations and duties of the licensee with respect**
21 **to virtual currency business activities, with, or on behalf of, residents of this**
22 **state, and the payment of required but unpaid fee amounts due to the office, and**
23 **assessed but unpaid civil money penalties.**

24 **(d) The aggregate liability on a surety bond shall not exceed the principal**
25 **sum of the bond. A claimant against a licensee may maintain an action on the**
26 **bond.**

27 **(e) A surety bond shall cover claims for as long as the office specifies, but**
28 **for at least five years after the licensee ceases to engage in virtual currency**
29 **business activities in this state. However, the commissioner may permit the**
30 **amount of the surety bond to be reduced or eliminated before the expiration of**

1 that time to the extent the amount of the licensee's obligations outstanding in
 2 this state is reduced.

3 ~~(3) Security deposited pursuant to this Subsection shall cover claims for the~~
 4 ~~period the department specifies by rule and for an additional period the department~~
 5 ~~specifies after the licensee ceases to engage in virtual currency business activity with~~
 6 ~~or on behalf of a resident.~~

7 B.(1)In addition to the security surety bond required pursuant to Subsection
 8 A of this Section, a licensee ~~and a registrant~~, at the time of the application for a
 9 license pursuant to the provisions of this Chapter ~~or filing of a registration~~, shall
 10 submit to the ~~department~~ office evidence of and maintain at all times a tangible net
 11 worth of the greater of one hundred thousand dollars or three percent of total assets
 12 for the first one hundred million dollars, two percent of additional assets for one
 13 hundred million to one billion dollars, and one-half percent of additional assets
 14 for over one billion dollars.

15 (2) If a licensee materially violates any provision of this Chapter, any
 16 rule or regulation promulgated by the office, or any order issued by the
 17 commissioner pursuant to this Chapter, the commissioner may, at any time,
 18 require a licensee to increase its tangible net worth required to be maintained
 19 pursuant to this Section. The licensee shall submit to the commissioner evidence
 20 that it has the required additional tangible net worth not later than thirty days
 21 after the licensee is notified in writing of the required increase.

22 (3) In determining the required additional tangible net worth, the
 23 commissioner may consider factors including but not limited to the following:

24 (a) The actual and projected volume of the licensee's virtual currency
 25 business activity in this state.

26 (b) Whether the licensee is currently licensed or regulated by the
 27 commissioner in accordance with the Sale of Checks and Money Transmission
 28 Act, R.S. 6:1031 et seq., and whether the licensee is in good standing in that
 29 capacity.

30 (c) The amount of leverage employed by the licensee.

1 (d) The liquidity position of the licensee.

2 (e) The products or services offered by the licensee.

3 C. A licensee or registrant may include in its calculation of net worth virtual
4 currency, ~~measured by the average value of the virtual currency in United States~~
5 ~~dollar equivalent over the prior six months, other than the virtual currency over~~
6 ~~which it has control for a resident entitled to the protections provided in R.S. 10:8-~~
7 ~~501 et seq.~~

8 D. ~~For good cause, the department may require a licensee or registrant to~~
9 ~~increase the net worth or reserves required under this Section. The licensee or~~
10 ~~registrant shall submit to the department evidence that it has the additional net worth~~
11 ~~or reserves not later than fifteen days after the licensee or registrant receives notice.~~

12 §1386.1. Meeting tangible net worth requirements

13 A. In satisfying the licensure and renewal requirements provided in this
14 Chapter, tangible net worth shall be clearly evidenced by filing or submitting
15 a current audited financial statement to the commissioner through the NMLS
16 that is prepared in accordance with the general acceptable accounting
17 principles standards (GAAP) or consistent with the Public Company
18 Accounting Oversight Board (PCAOB) standards.

19 B. All licensing requirements, including renewals, relative to tangible net
20 worth shall be evidenced at the time of initial application for licensure and
21 renewal, maintained at all times during licensure and renewal, and reported
22 annually to the commissioner in compliance with Subsection A of this Section
23 and in accordance with R.S. 6:1388.

24 §1386.2. Protection of resident assets

25 A. To the extent a licensee stores, holds, or maintains custody or control
26 of virtual currency on behalf of a resident, the licensee shall hold virtual
27 currency of the same type and amount as that which is owed or obligated to the
28 resident.

29 B. A licensee is prohibited from selling, transferring, assigning, lending,
30 hypothecating, pledging, or otherwise using or encumbering assets, including

1 virtual currency, stored, held, or maintained by, or under the custody or control
 2 of such licensee on behalf of a resident, except for the sale, transfer, or
 3 assignment of such assets at the direction of the resident.

4 C. A licensee is prohibited from commingling assets belonging to a
 5 resident with assets belonging to a licensee, using the resident's assets to secure
 6 or guarantee a transaction other than a transaction involving, or on behalf of,
 7 the resident's contributing assets, maintaining the resident's assets in such a
 8 manner that the resident may be unable to fully withdraw his assets, and
 9 investing in such a manner that would not allow for sufficient assets, including
 10 virtual currency, to fulfill all outstanding obligations to the resident.

11 D. In order to ensure compliance with the requirements of Subsection C
 12 of this Section, a licensee may include the amount of his assets, in the same
 13 account with a resident's assets, solely for the purpose of facilitating, selling,
 14 transferring, assigning, lending, hypothecating, pledging, or using or
 15 encumbering assets, including virtual currency, stored, held, maintained by or
 16 under the custody or control of such licensee on behalf of a resident, and
 17 operational needs related to such virtual currency business activities, provided
 18 that the assets of the licensee shall be deemed resident assets and the licensee
 19 may only withdraw or assert a claim on that amount to the extent that amount
 20 exceeds that amount of resident assets held by or for a resident.

21 §1387. Issuance of license; appeal

22 A. ~~Absent good cause, the department shall issue a license to an applicant if~~
 23 ~~the applicant complies with the provisions of this Chapter and pays the costs of the~~
 24 ~~investigation pursuant to R.S. 6:1385(G) and the initial licensee fee pursuant to R.S.~~
 25 ~~6:1385(A)(2) in an amount specified by the department.~~

26 No license shall be issued unless the commissioner has made a
 27 determination that the applicant has met the licensing requirements pursuant
 28 to this Chapter, including all requirements of R.S. 6:1385 and 1386.

29 B. An applicant may appeal a denial of its application pursuant to R.S.
 30 6:1385, in accordance with the Administrative Procedure Act, not later than thirty

1 days after the department office notifies the applicant of the denial or the application
 2 is deemed denied.

3 C. In the case of a denial of an advanced change of control notice, or
 4 denial of an advanced change of responsible individual notice, pursuant to
 5 either R.S. 6:1385.1 or 1385.2, in accordance with the Administrative Procedure
 6 Act, the applicant or licensee, may appeal the denial not later than thirty days
 7 after the office notifies the applicant or licensee of the denial of the advanced
 8 change of control notice, or the denial of an advanced change of responsible
 9 individual notice, or in either case, the change is deemed denied.

10 §1388. Renewal of license; procedure; denial

11 A. Subject to Subsection G of this Section, ~~not later than fifteen days before~~
 12 ~~the anniversary date of issuance of a license pursuant to the provisions of this~~
 13 ~~Chapter, a licensee may apply for renewal of the license by paying a renewal fee~~
 14 ~~determined by the department, not to exceed the reasonable costs of regulation, and~~
 15 ~~submitting to the department a renewal report pursuant to Subsection B of this~~
 16 ~~Section.~~

17 (1) Each person licensed as a virtual currency business activity licensee
 18 shall submit an annual license renewal application on or before December
 19 thirty-first of each year in a manner and form prescribed by the commissioner
 20 and submit to the commissioner a renewal report pursuant to Subsection C of
 21 this Section if the person is not issued a new license from November first to
 22 December thirty-first of that year. A virtual currency business activity license
 23 issued during this time period will expire on December thirty-first of the
 24 following calendar year.

25 (2) An annual renewal application shall be accompanied by the required
 26 annual license renewal and investigation fees pursuant to the rules and
 27 regulations promulgated by the commissioner, as required pursuant to
 28 Subsection F of this Section. An annual license renewal application submitted
 29 after December thirty-first and before March first of the following year shall be
 30 charged an annual license renewal late fee pursuant to the rules and regulations

1 promulgated by the commissioner, in addition to the annual license renewal and
2 investigation fees.

3 B.(1) An annual licensee renewal application that is timely submitted on
4 or before the license expiration date shall remain in force and effect until such
5 application is approved or denied by the commissioner. Nothing in this Section
6 shall preclude the commissioner from implementing any administrative or
7 enforcement action authorized by this Title for violations of this Chapter or for
8 material misrepresentation that may have occurred prior to the renewal date
9 of a license.

10 (2) If the renewal application is submitted timely on or before December
11 thirty-first, the license shall remain in force and effect until the renewal
12 application is either approved or denied by the commissioner. Nothing in this
13 Paragraph shall preclude the commissioner from implementing any
14 administrative or enforcement action authorized by this Title for violations of
15 this Chapter or for any material representation that may have occurred prior
16 to the renewal date of a license.

17 (3) If the commissioner has not received the renewal fee and late fee
18 before March first, the license to engage in virtual currency business activities
19 shall expire without hearing or notification, and the license shall not be
20 reinstated. However, the person whose license has expired may apply for a new
21 license, subject to all new license application requirements of this Chapter.
22 Prior to such application being complete and eligible for approval
23 consideration, the applicant shall be subject to and pay unlicensed activity civil
24 money penalties in an amount determined by the commissioner.

25 C.(1) The renewal report required by Subsection A of this Section shall be
26 submitted in a form and medium prescribed by the department office.

27 (2) The report shall contain all of the following:

28 (a) ~~Either a~~ A copy of the licensee's ~~most recent reviewed annual financial~~
29 ~~statement, if the licensee's virtual currency business activity in this state was less~~
30 ~~than an amount, to be determined by the department, for the fiscal year ending before~~

1 ~~the anniversary date of issuance of its license under this Chapter, or audited annual~~
 2 ~~financial statement if the licensee's virtual currency business activity in this state~~
 3 ~~amounted to more than the amount determined by the department for the fiscal year~~
 4 ~~ending before the anniversary date.~~

5 (b) If a person other than an individual has control of the licensee, a copy of
 6 either of the following:

7 (i) The person's ~~most recent reviewed~~ **current** annual financial statement if
 8 ~~the person's gross revenue was less than an amount, to be determined by the~~
 9 ~~department, in the previous fiscal year, measured as of the anniversary date of~~
 10 ~~issuance of its license pursuant to the provisions of this Chapter.~~

11 (ii) The person's ~~most recent~~ **current** audited consolidated annual financial
 12 ~~statement if the person's gross revenue was more than an amount, to be determined~~
 13 ~~by the department in the previous fiscal year, measured as of the anniversary date of~~
 14 ~~issuance of its license pursuant to the provisions of this Chapter.~~

15 (c) A description of any of the following:

16 (i) Material change in the financial condition of the licensee.

17 (ii) Material litigation involving the licensee ~~or an executive officer~~ or **a**
 18 responsible individual of the licensee.

19 (iii) License suspension or revocation proceeding commenced, or other action
 20 taken, involving a license to conduct virtual currency business activity issued by
 21 another state ~~on which reciprocal licensing is based.~~

22 (iv) Federal or state investigation involving the licensee.

23 (v) Data security breach involving the licensee.

24 (d) The number of virtual currency business activity transactions with, or on
 25 behalf of, residents ~~for the period since, subject to Subsection G of this Section, the~~
 26 ~~later of the date the license was issued or the date the last renewal report was~~
 27 ~~submitted~~ **as of December thirty-first of the preceding calendar year and as of**
 28 **September thirtieth of the current year.**

29 (e)(i) The amount of United States dollar equivalent of virtual currency in the
 30 control of the licensee ~~at, subject to Subsection G of this Section, the end of the last~~

1 month that ends not later than thirty days before the date of the renewal report as of
 2 December thirty-first of the preceding calendar year and as of September
 3 thirtieth of the current year.

4 (ii) The total number of residents for whom the licensee had control of United
 5 States dollar equivalent of virtual currency ~~on that date~~ as of December thirty-first
 6 of the preceding calendar year and as of September thirtieth of the current
 7 year.

8 (f) Evidence that the licensee continues to satisfy the requirements provided
 9 for in R.S. 6:1386.

10 (g) A list of each location where the licensee operates its virtual currency
 11 business activity.

12 (h) The name, United States Postal Service address, and telephone number
 13 of each person that manages a server used by the licensee in conducting its virtual
 14 currency business activity with or on behalf of a resident.

15 ~~C.(1)~~D. If In addition to the provisions of Paragraph (B)(3) of this
 16 Section, if a licensee does not timely comply with Subsection A of this Section, the
 17 department office may use any enforcement ~~measure~~ action provided for in R.S.
 18 6:1392.

19 ~~(2) No notice or hearing shall be required for a suspension or revocation of~~
 20 ~~a license pursuant to the provisions of this Chapter for failure to pay a renewal fee~~
 21 ~~or file a renewal report.~~

22 ~~D. If the department suspends or revokes a license pursuant to the provisions~~
 23 ~~of this Chapter for noncompliance with Subsection A of this Section, the department~~
 24 ~~may end the suspension or rescind the revocation and notify the licensee of the action~~
 25 ~~if, subject to Subsection G of this Subsection, not later than twenty days after the~~
 26 ~~license was suspended or revoked, the licensee files a renewal report and pays a~~
 27 ~~renewal fee and pays any penalty assessed by the department.~~

28 ~~E. The department shall give prompt notice to a licensee of the lifting of a~~
 29 ~~suspension or rescission of a revocation after the licensee complies with Subsection~~
 30 ~~D of this Section.~~

1 ~~F. Suspension or revocation~~ **Expiration** of a license pursuant to the
 2 provisions of this Section shall not invalidate a transfer or exchange of virtual
 3 currency for, or on behalf of, a resident made during ~~the~~ **such expiration** ~~suspension~~
 4 ~~or revocation~~ and shall not insulate the licensee from liability pursuant to the
 5 provisions of this Chapter, **nor from other enforcement action as provided for in**
 6 **Subsection D of this Section.**

7 ~~G. For good cause, the department may extend a period of time provided for~~
 8 ~~in this Section.~~

9 ~~H. A licensee that does not comply with the provisions of this Section shall~~
 10 ~~cease operations with, or on behalf of, a resident on or before the anniversary date~~
 11 ~~of issuance of its license pursuant to the provisions of this Chapter.~~

12 ~~I.F.~~ A licensee shall pay the reasonable and necessary costs of the
 13 department's **office's** investigation ~~under~~ **in accordance with** this Section.

14 **§1388.1. Quarterly financial reports**

15 **A. A licensee shall submit, through the NMLS, quarterly financial**
 16 **reports, including transactional information, within forty-five days following**
 17 **the close of each calendar quarter, in the form and containing such information,**
 18 **as the commissioner shall prescribe, including both of the following:**

19 **(1) A statement of the financial condition of the licensee, including a**
 20 **balance sheet and income sheet, along with transactional information, all in**
 21 **United States currency, relating to virtual currency balances held on behalf of**
 22 **residents, virtual currency balances not held on behalf of residents, and other**
 23 **investments.**

24 **(2) A certification of the financial reports by an officer or member of the**
 25 **board of directors, or an equivalent governing body of the licensee, attesting to**
 26 **the truth and correctness of such reports.**

27 **B. In addition, each licensee shall submit special reports to the**
 28 **commissioner, at such times and in such form, as the commissioner may**
 29 **require.**

30

* * *

1 §1390. Transferability

2 A license ~~or registration~~ **issued** pursuant to the provisions of this Chapter
3 shall not be transferable or assignable.

4 §1391. Examinations

5 * * *

6 **D. The commissioner may do any of the following:**

7 **(1) Conduct on-site examination or investigation, participate in a joint**
8 **or concurrent examination or investigation with another state or federal agency**
9 **or agencies, or examine or investigate the books, records, and accounts used in**
10 **the business of every licensee.**

11 **(2) Accept and rely upon an examination report or investigative report**
12 **of any other state or federal agency.**

13 **E. Nothing in Subsection D of this Section shall preclude the**
14 **commissioner from conducting an examination or investigation in accordance**
15 **with applicable provisions of this Chapter, including but not limited to any of**
16 **the following:**

17 **(1) Participating in a joint examination or investigation.**

18 **(2) Participating in a concurrent examination or investigation.**

19 **(3) Accepting results of an examination or investigation report conducted**
20 **by any state or federal agency.**

21 **F. A joint report or concurrent report accepted by the commissioner**
22 **pursuant to this Section may be accepted as an official report of the office for**
23 **purposes of this Chapter.**

24 **G.(1) To efficiently and effectively enforce the provisions of this Chapter**
25 **and to minimize regulatory burdens, the commissioner may participate in a**
26 **multistate examination and investigation process for licensees that hold licenses**
27 **in this state and other states.**

28 **(2) As a participant in any multistate examination or investigation, the**
29 **commissioner may, to the extent provided by law, do all of the following:**

30 **(a) Cooperate, coordinate, and share information with other state**

1 regulators of virtual currency business activities.

2 (b) Enter into written cooperation, coordination, or information sharing
 3 contracts or agreements with organizations made up of other state
 4 governmental regulators of virtual currency business activities.

5 (c) Cooperate, coordinate, and share information with organizations
 6 made up of other state governmental regulators of virtual currency business
 7 activities, if the organizations agree in writing to maintain confidentiality and
 8 security of shared information.

9 (3) Nothing in this Section shall constitute a waiver of the commissioner's
 10 authority to do any of the following:

11 (a) Conduct any examination or investigation authorized by law.

12 (b) Otherwise take any independent action authorized by law or any rule
 13 promulgated in accordance with the Administrative Procedure Act.

14 (c) Enforce compliance of any order issued pursuant to this Chapter.

15 (4) The following shall not constitute a waiver of any examination fee
 16 provided pursuant to this Chapter or any rule promulgated in accordance with
 17 the Administrative Procedure Act:

18 (a) The commissioner's participation in any joint examination or
 19 investigation.

20 (b) The commissioner's acceptance of an examination or investigative
 21 report conducted and prepared by other state or federal regulators of virtual
 22 currency business activity.

23 §1391.1. Books, records, and accounts

24 A. Any licensee engaging in virtual currency business activities in this
 25 state shall maintain and preserve the books, records, and accounts of its virtual
 26 currency business activities, pursuant to R.S. 6:1391, for a period of five years
 27 or longer, if required by the commissioner to resolve any examination,
 28 investigation, or complaint.

29 B. The books, records, and accounts to be maintained by each licensee
 30 shall include all of the following:

1 **(1) For each transaction:**

2 **(a) The amount, date, and precise time of the transaction.**

3 **(b) Any payment instructions for the transaction.**

4 **(c) The total amount of fees and charges received and paid to, by, or on**
5 **behalf of the licensee.**

6 **(d) The names, account numbers, and physical address of the parties to**
7 **the transactions, including any customers and account holders of the licensee,**
8 **who are residents.**

9 **(2) A general ledger containing all assets, liabilities, ownership equity,**
10 **income, and expense accounts.**

11 **(3) Bank statements and bank reconciliation records.**

12 **(4) Any statement and valuation provided to customers and account**
13 **holders.**

14 **(5) Records or minutes of meetings of the board of directors, or an**
15 **equivalent governing body.**

16 **(6) Records demonstrating compliance with applicable state and federal**
17 **anti-money laundering laws, rules, and regulations, including customer and**
18 **account holder identification and verification documents, records linking**
19 **customers and account holders to their respective accounts and balances, and**
20 **a record of any compliance breaches.**

21 **(7) Communications and documentation related to investigations of**
22 **customer and account holder complaints and transaction error resolutions.**

23 **(8) Any other books, records, and accounts as the commissioner may**
24 **require.**

25 **§1391.2. Compliance policies and procedures**

26 **A. Any licensee engaging in virtual currency business activity in this**
27 **state shall adopt and implement appropriate compliance policies and**
28 **procedures, as part of the required books, records, and accounts, as determined**
29 **by the commissioner by rule or pursuant to this Chapter.**

30 **B. The policies and procedures shall be in writing and reviewed and**

1 approved by the licensee's board of directors or an equivalent governing body,
 2 and include, at a minimum, policies and procedures covering anti-fraud,
 3 anti-money laundering, cybersecurity, privacy, and information security, and
 4 such other policies and procedures as may be required by the commissioner by
 5 rule or pursuant to this Chapter.

6 C. A licensee shall designate a qualified individual, or individuals, who
 7 is responsible for coordinating and monitoring compliance with this Section and
 8 all other applicable state and federal laws, rules, and regulations.

9 §1392. Enforcement power of the commissioner

10 A. For purposes of this Chapter, "enforcement ~~measure~~ action" means an
 11 action ~~to do~~ or actions by the commissioner to enforce the requirements of this
 12 Chapter, including any of the following:

13 (1) Suspend or revoke a license ~~or a registration~~ pursuant to the provisions
 14 of this Chapter.

15 (2) Order a person to cease and desist from doing virtual currency business
 16 activity with, or on behalf of, a resident.

17 (3) Request the court to appoint a receiver for the assets of a person doing
 18 virtual currency business activity with, or on behalf of, a resident.

19 (4) Request the court to issue temporary, preliminary, or permanent
 20 injunctive relief against a person doing virtual currency business activity with, or on
 21 behalf of, a resident.

22 (5) Assess civil money penalties.

23 (6) Recover on the ~~security~~ surety bond provided pursuant to R.S. 6:1386
 24 and initiate a plan to distribute the proceeds for the benefit of a resident injured by
 25 a violation of any provision of this Chapter, ~~or law of this state other than this~~
 26 ~~Chapter, which applies to virtual currency business activity with, or on behalf of, a~~
 27 ~~resident.~~

28 (7) Impose necessary or appropriate conditions on the conduct of virtual
 29 currency business activity with, or on behalf of, a resident.

30 B. Any enforcement action pursuant to this Section may be

1 supplemented by the exercise of any other enforcement power by the
 2 commissioner, as may be authorized by this Title or any other Title of the
 3 Louisiana Revised Statutes of 1950.

4 §1393. Violations

5 A. The department office may take an enforcement measure action against
 6 a licensee, ~~registrant~~, or person that who is ~~neither a licensee nor registrant~~ not a
 7 licensee but is engaging in virtual currency business activity with, or on behalf of,
 8 a resident in any of the following instances:

9 (1) The licensee, ~~registrant~~, or person ~~materially violates any provision of this~~
 10 ~~Chapter, a rule adopted or order issued pursuant to any provision of this Chapter, or~~
 11 ~~law of this state other than this Chapter which applies to virtual currency business~~
 12 ~~activity of the violator with, or on behalf of, a resident.~~ violates any of the
 13 provisions of this Chapter or any rule or regulation promulgated or any order,
 14 including but not limited to a cease and desist order or subpoena, issued
 15 pursuant to this Chapter.

16 (2) The licensee, ~~registrant~~, or person ~~does not cooperate substantially with~~
 17 ~~an investigation by the department, fails to pay a fee, or fails to submit a report or~~
 18 ~~documentation.~~ violates any provision of a voluntary consent or compliance
 19 agreement that has been entered into with the commissioner.

20 (3) The licensee, ~~registrant~~, or person, in the conduct of its virtual currency
 21 business activity with, or on behalf, of a resident, engages in any of the following:

22 (a) An unsafe or unsound act or practice.

23 (b) An unfair or deceptive act or practice.

24 (c) Fraud or intentional misrepresentation.

25 (d) Another dishonest act.

26 (e) Misappropriation of legal tender, virtual currency, or other value held by
 27 a fiduciary.

28 (4) ~~An agency of the United States or another state takes an action against the~~
 29 ~~licensee, registrant, or person, which would constitute an enforcement measure if the~~
 30 ~~department had taken the action.~~ The licensee or person does not cooperate

1 substantially with an investigation by the office, fails to pay a fee, or fails to
 2 submit a report or documentation.

3 ~~(5) The licensee, registrant, or person is convicted of a crime related to its~~
 4 ~~virtual currency business activity with, or on behalf of, a resident or involving fraud~~
 5 ~~or felonious activity that, as determined by the department, makes the licensee,~~
 6 ~~registrant, or person unsuitable to engage in virtual currency business activity.~~

7 ~~(6) Any~~ **If any** of the following occurs:

8 ~~(a) The licensee, registrant, or person becomes insolvent.~~

9 ~~(b) The licensee, registrant, or person makes a general assignment for the~~
 10 ~~benefit of its creditors.~~

11 ~~(c) The licensee, registrant, or person becomes the debtor, alleged debtor,~~
 12 ~~respondent, or person in a similar capacity in a case or other proceeding under any~~
 13 ~~bankruptcy, reorganization, arrangement, readjustment, insolvency, receivership,~~
 14 ~~dissolution, liquidation, or similar law, and does not obtain from the court, within a~~
 15 ~~reasonable time, confirmation of a plan or dismissal of the case or proceeding.~~

16 ~~(d) The licensee, registrant, or person applies for, or permits the appointment~~
 17 ~~of, a receiver, trustee, or other agent of a court for itself or for a substantial part of~~
 18 ~~its assets.~~

19 ~~(7)(6)~~ **The licensee, registrant, or person makes** **has knowingly provided or**
 20 **caused to be provided** a material misrepresentation to the ~~department~~
 21 **commissioner, any false or fraudulent material fact or any false or fraudulent**
 22 **financial statement, or has suppressed or withheld from the commissioner any**
 23 **information which if submitted by the licensee would have resulted in a denial**
 24 **of the license application.**

25 **(7) The licensee or person refuses to permit an examination by the**
 26 **commissioner of the books and affairs, or has refused or failed within a**
 27 **reasonable time to furnish any information, or make any report that may be**
 28 **required by the commissioner pursuant to the provisions of this Chapter.**

29 **(8) The licensee or person fails to maintain records as required by the**
 30 **commissioner after being given written notice to the last address of record and**

1 thirty days within which to correct the failure. The commissioner may grant up
2 to two thirty-day extensions within which to correct the recordkeeping violation.

3 (9) The licensee or person continues in office any individual with power
4 to direct the management or policies of a person regulated by this Chapter,
5 including but not limited to any officer, director, or manager, if such individual
6 is convicted of, pleads guilty to, or is found guilty after a plea of nolo contendere
7 of any felony and has been adjudicated guilty in any state, federal, foreign, or
8 military court.

9 (10) The licensee or person violates any provision of a regulatory or
10 prohibitory statute by the government agency responsible for determining such
11 violations.

12 (11) The licensee or person misrepresents material facts or makes a false
13 promise likely to influence, persuade, or induce a resident to engage in virtual
14 currency business activity.

15 (12) The licensee or person misrepresents or conceals a material fact,
16 term, or condition of a transaction to which he is a party, pertinent to a resident
17 to engage in virtual currency business activity.

18 (13) The licensee or person knowingly engages in any transaction,
19 practice, or course of business, which perpetrates a fraud upon any person in
20 connection with engaging in virtual currency business activity.

21 (14) The licensee or person fails to exchange, transfer, or store, without
22 just cause, any funds in accordance with any agreement connected with a
23 virtual currency business activity transaction.

24 (15) The licensee or person fails to account for or deliver to any person
25 any assets obtained in connection with a virtual currency business activity
26 transaction, including but not limited to legal tender, virtual currency, precious
27 metals, and electronic certificates.

28 (16) The licensee or person fails to pay any fee, civil money penalty, cost
29 or assessment imposed pursuant to this Chapter or by any rule or regulation
30 promulgated in accordance with this Chapter.

1 (17)The licensee or person violates the written restrictions or conditions
2 under which the license was issued.

3 (18) The licensee or person fails, after notice and without lawful excuse,
4 to obey any order or subpoena issued by the commissioner.

5 (19) The commissioner discovers any fact or condition currently exists
6 that, if it had existed at the time of the original application for licensure, would
7 have warranted the denial of the application.

8 B.(1) Notwithstanding any other law to the contrary, and in addition to
9 any other authority conferred upon the commissioner by any other provision
10 of law, the commissioner may, upon discovery, order an immediate suspension
11 of the license of any person licensed pursuant to this Chapter who does any of
12 the following:

13 (a) Fails to maintain a surety bond or fails to meet the tangible net worth
14 requirements in any manner as provided for pursuant to R.S. 6:1386.

15 (b) Commits material violations pursuant to this Chapter such that, in
16 the opinion of the commissioner, the public safety and welfare demand that
17 emergency action be taken.

18 (c) Submits a payment of any fee for any application, notification,
19 examination, investigation, late fee, or penalty that is returned, declined, denied,
20 or otherwise not paid in full for any reason.

21 (d) Is convicted of a felony that would have prohibited the issuance or
22 renewal of the license.

23 (e) Has his license to engage in virtual currency business activities
24 suspended or revoked in another jurisdiction.

25 (2) A person whose license is suspended pursuant to this Subsection shall
26 have thirty days from the date of the order to request a hearing in accordance
27 with the Administrative Procedure Act. Failure to timely request a hearing shall
28 constitute a waiver of all hearing rights regarding the suspension.

29 C. In addition to any other authority conferred upon the commissioner
30 by this Chapter or this Title, the commissioner may issue a cease and desist

1 order, order refunds of any unauthorized portion of any fee, or charge any
2 person who collects in violation of this Chapter, and may impose a civil money
3 penalty as determined by the commissioner by rule upon any person who is
4 found to have violated any of the provisions of this Chapter or any rule or
5 regulation promulgated in accordance with this Chapter. Each separate
6 violation shall subject the person to a civil money penalty and each day the
7 person acts without complying with the provisions of this Chapter, or rules or
8 regulations promulgated in accordance with this Chapter, shall constitute a
9 separate violation.

10 D. The violations listed in this Subsection are nonexclusive, and are in
11 addition to and exist independent of, any violations set forth in other provisions
12 of this Chapter. Failure to comply with any provisions set forth in this Chapter
13 may serve as a basis for any enforcement or other action authorized to the
14 commissioner under this Title. It shall be a violation of this Chapter for a
15 person engaged in virtual currency business activity pursuant to this Chapter
16 to do any of the following:

17 (1) Directly or indirectly employ any scheme, device, or artifice to
18 defraud or mislead any resident, when such person knew or should have known
19 that such scheme, device, or artifice was defrauding or misleading.

20 (2) Engage in any unfair or deceptive practice toward any resident.

21 (3) Fail to comply with this Chapter, any rules or regulations
22 promulgated pursuant to this Chapter, the laws of this state, or federal law,
23 including the rules and regulations issued thereunder, applicable to any virtual
24 currency business activity.

25 (4) Negligently make any false statement, or knowingly and willfully
26 make any omission of material fact, in connection with any information or
27 reports filed with a state or federal government agency or the NMLS, or in
28 connection with any investigation conducted by the commissioner or any other
29 state or federal government agency.

30 (5) Fail to truthfully account for any assets in connection with any virtual

1 currency business activity with, or on behalf of, a resident.

2 E. The commissioner may report apparent violations to other
3 appropriate state and federal regulators, the NMLS, federal law enforcement
4 agencies, the attorney general, or to the district attorney of the appropriate
5 parish, who may institute any proceeding as he considers appropriate.

6 F. Advisory opinions and interpretations of the office shall not be
7 considered rules requiring compliance with the rulemaking process of the
8 Administrative Procedure Act. The commissioner and the employees of the
9 office shall have no liability to any person with respect to an advisory opinion
10 or interpretation issued in connection with this Chapter.

11 G. All of the grounds for enforcement action listed in Subsection A of
12 this Section are violations of this Chapter and may serve as the basis for any
13 other enforcement action provided to the commissioner by this Title.

14 H. The commissioner may share information about any person who is
15 licensed or required to be licensed pursuant to this Chapter with any state or
16 federal agency also having jurisdiction over the virtual currency business
17 activities of that person.

18 I. Any licensee whose license issued pursuant to this Chapter has been
19 revoked for any reason may not reapply for a license until at least five years
20 have elapsed from the date of the order of revocation, unless the commissioner,
21 in his sole discretion, prescribes an earlier or later date. For purposes of this
22 Subsection, the order is considered to be the commissioner's notification of
23 revocation of the license. For the purpose of this Subsection, the term "licensee"
24 shall include the licensee, owners of ten percent or more, and its members if the
25 licensee is a limited liability company, its partners if the licensee is a
26 partnership, its officers and directors if the licensee is a corporation, and any
27 other person determined by the commissioner, in his sole discretion, to be
28 closely related to the licensee.

29 §1393.1. Required disclosures

30 A. Any licensee engaging in virtual currency business activity as defined

1 in R.S. 6:1382 in this state shall provide accurate and appropriate disclosures
2 to residents as it relates to the exchanging, transferring, or storing of virtual
3 currency through the licensee. Failure to provide the disclosures required by
4 this Section shall be a violation of this Chapter.

5 B. Disclosures shall be made separately from any other information
6 provided by the licensee to a resident and shall be clear, conspicuous, and in
7 legible writing in the English language.

8 C. Without limitation, the commissioner may require additional
9 disclosures by rule or regulation as considered necessary and appropriate.

10 D. The disclosures shall describe all material risks associated with the
11 licensee's virtual currency products, services, and activities, and virtual
12 currency generally, including but not limited to the following:

13 (1) Virtual currency is not legal tender in the United States, is not backed
14 by the United States government, and accounts and value balances are not
15 subject to Federal Deposit Insurance Corporation or Securities Investor
16 Protection Corporation protections.

17 (2) Legislative and regulatory changes or actions at the state, federal, or
18 international level may adversely affect the value of virtual currency.

19 (3) Transaction in virtual currency may be irreversible, and accordingly,
20 losses due to fraudulent or accidental transactions may not be recoverable.

21 (4) Some virtual currency transactions may be immediately effective
22 when recorded on a public ledger, which is not necessarily the date or time that
23 the resident initiates the transaction.

24 (5) The value of virtual currency may be derived from the continued
25 willingness of market participants to exchange legal tender for virtual currency,
26 which may result in the potential for permanent and total loss of value of a
27 particular virtual currency if the market for the virtual currency declines or
28 collapses for an extended period of time.

29 (6) Any surety bond required by this Chapter for the benefit of residents
30 may not be sufficient to cover all losses incurred by the residents.

1 (7) The residents should perform research before purchasing or investing
2 in virtual currency.

3 (8) The circumstances under which the licensee will, in the ordinary
4 course of business, disclose the resident's financial and account information to
5 third parties.

6 E. When opening a new account, and prior to entering into an initial
7 transaction with, for, or on behalf of, a resident, each licensee shall disclose in
8 clear, conspicuous, and legible writing in the English language, all relevant
9 terms and conditions associated with its virtual currency products, services, and
10 activities and virtual currency generally, including but not limited to the
11 following:

12 (1) The resident's liability for unauthorized virtual currency
13 transactions.

14 (2) The resident's right to stop payment of a preauthorized virtual
15 currency transfer and the procedure to initiate the stop payment order.

16 (3) Under what circumstances the licensee will, absent a court or
17 government order, disclose information concerning the resident's account to
18 third parties.

19 (4) The resident's right to receive periodic account statements and
20 valuations from the licensee.

21 (5) The resident's right to receive a receipt, trade ticket, or other
22 evidence of a transaction.

23 (6) Any other disclosures as are customarily given in connection with the
24 opening of resident accounts.

25 F. Prior to each transaction in virtual currency with, for, or on behalf of,
26 a resident, each licensee shall furnish to each such customer or account holder
27 a written disclosure in clear, conspicuous, and legible writing in the English
28 language, containing the terms and conditions of the transaction, including but
29 not limited to the following:

30 (1) The amount of the transaction.

1 (2) Any fees, expenses, and charges borne by the resident, including
 2 applicable exchange rates.

3 (3) The type of the virtual currency transaction.

4 (4) A notice that once executed the transaction is not reversible.

5 G. Each licensee shall ensure that all disclosures required in this Section
 6 are acknowledged as received by the resident.

7 H. Upon completion of any transaction, each licensee shall provide to the
 8 resident a receipt containing all of the following information:

9 (1) The name and contact information of the licensee, to answer
 10 questions and register complaints.

11 (2) The type, value, date, and precise time of the transaction.

12 (3) The fee charged.

13 (4) The exchange rate, if applicable.

14 (5) A statement of the liability of the licensee for nondelivery or delayed
 15 delivery.

16 (6) A statement of the refund policy of the licensee.

17 (7) Any additional information the commissioner may require by rule.

18 I. Each licensee shall make available to the office, upon request, the form
 19 of the receipts it is required to provide to a resident in accordance with
 20 Subsection H of this Section.

21 §1394. Implementation; **reporting requirements**

22 A. The ~~department~~ **commissioner** shall adopt rules, in accordance with the
 23 Administrative Procedure Act, to implement and enforce the provisions of this
 24 Chapter and may issue guidance as appropriate.

25 B. In addition to any other powers the commissioner may be authorized
 26 to exercise pursuant to this Title, the commissioner may adopt and implement
 27 emergency rules as he considers necessary and appropriate to prevent or
 28 terminate any condition he reasonably considers to create an emergency relative
 29 to a particular licensee or to licenses in general, including but not limited to
 30 suspending the issuance or renewal of licenses, or suspending some or all virtual

1 currency business activities in this state.

2 C. In order to carry out the purposes of this Chapter, the commissioner
 3 may do all of the following:

4 (1) Enter into agreements or relationships with other government
 5 officials, federal and state regulatory agencies, and regulatory associations in
 6 order to improve efficiencies and reduce regulatory burden by standardizing
 7 methods or procedures, and sharing records or related information obtained in
 8 accordance with this Chapter.

9 (2) Use, hire, contract, or employ analytical systems, methods, or
 10 software in examinations or investigations pursuant to this Chapter.

11 (3) Consider, accept, and rely upon licensing, examination, or
 12 investigative reports prepared by other government agencies or officials, within
 13 or outside the state.

14 (4) Consider, accept, and rely upon audit reports prepared by an
 15 independent certified public accountant or other qualified third-party auditor
 16 for any person subject to the provisions of this Chapter and incorporate all, or
 17 part of such audit reports, in the office's report of examination or investigation.

18 D.(1) The commissioner shall report all of the following biannually to the
 19 House Committee on Commerce and the Senate Committee on Commerce,
 20 Consumer Protection and International Affairs:

21 (a) The number of applications for each type of license.

22 (b) The number of applicants who currently have a money transmission
 23 license.

24 (c) The number of licenses granted.

25 (d) The number of applicants who have been denied.

26 (e) A list of fees that were assessed during application.

27 (2) The biannual report shall be submitted on the first day of September
 28 and March of each calendar year.

29 Section 2. R.S. 6:1383(C)(5)(c) and (7) and (D) and 1389 are hereby repealed.

30 Section 3. The provisions of this Act shall terminate on July 1, 2025.

1 Section 4. This Act shall become effective upon signature by the governor or, if not
2 signed by the governor, upon expiration of the time for bills to become law without signature
3 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
4 vetoed by the governor and subsequently approved by the legislature, this Act shall become
5 effective on the day following such approval.

PRESIDENT OF THE SENATE

SPEAKER OF THE HOUSE OF REPRESENTATIVES

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____