

HOUSE No.

The Commonwealth of Massachusetts

PRESENTED BY:

Kate Lipper-Garabedian and Thomas M. Stanley

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to preventing fraud and establishing regulations on certain virtual currencies.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Kate Lipper-Garabedian</i>	<i>32nd Middlesex</i>	<i>1/14/2025</i>
<i>Thomas M. Stanley</i>	<i>9th Middlesex</i>	<i>1/14/2025</i>

HOUSE No.

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The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Fourth General Court
(2025-2026)**

An Act relative to preventing fraud and establishing regulations on certain virtual currencies.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. The General Laws, as appearing in the 2022 Official Edition, are hereby
2 amended by inserting after Chapter 167J the following new chapter:-

3 Chapter 167K Regulation of Virtual Currency Kiosks

4 Section 1. As used in this chapter, the following words shall, unless the context clearly
5 requires otherwise, have the following meanings:

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

10 2. Virtual currency address. "Virtual currency address" means an alphanumeric
11 identifier associated with a virtual currency wallet identifying the location to which a virtual
12 currency transaction can be sent.

13 3. Transaction hash. "Transaction hash" means a unique identifier made up of a
14 string of characters that act as a record of and provide proof that the transaction was verified and
15 added to the blockchain.

16 4. Virtual currency wallet. "Virtual currency wallet" means a software application or
17 other mechanism providing a means to hold, store or transfer virtual currency.

18 5. Virtual currency kiosk. "Virtual currency kiosk" means an electronic terminal
19 acting as a mechanical agent of the virtual currency kiosk operator to enable the virtual currency
20 kiosk operator to facilitate the exchange of virtual currency for money, bank credit, or other
21 virtual currency, including but not limited to by (1) connecting directly to a separate "virtual
22 currency exchange" that performs the actual virtual currency transmission, or (2) drawing upon
23 the virtual currency in the possession of the electronic terminal's operator.

24 6. Virtual currency kiosk operator. "Virtual-currency kiosk operator" means a
25 person that engages in virtual-currency business activity via a money transmission kiosk located
26 in this State or a person that owns, operates, or manages a money transmission kiosk located in
27 this State through which virtual-currency business activity is offered.

28 7. Virtual currency kiosk transaction. "Virtual currency kiosk transaction" means a
29 transaction conducted or performed, in whole or in part, by electronic means via a virtual
30 currency kiosk. Virtual currency kiosk transaction also means a transaction made at a virtual
31 currency kiosk to purchase virtual currency with fiat currency or to sell virtual currency for fiat
32 currency.

33 8. Blockchain. "Blockchain" means a mathematically secured, chronological and
34 decentralized ledger or database.

35 9. Blockchain analytics. “Blockchain analytics” means the analysis of data from
36 blockchains or public distributed ledgers, including associated transaction information.

37 10. Blockchain analytics software. “Blockchain analytics software” means a software
38 service that uses blockchain analytics data to provide risk-specific information about virtual
39 currency wallet addresses, among other things.

40 11. Commissioner. “Commissioner” means the commissioner of banks.

41 Section 2. A kiosk operator shall not engage in virtual-currency business activity or hold
42 itself out as being able to engage in virtual-currency business activity with or on behalf of
43 another person unless the kiosk operator is licensed in the state as a money transmitter.

44 a. A virtual currency kiosk operator shall not locate, or allow a third party to locate,
45 a virtual currency kiosk in this State unless the virtual currency kiosk operator registers the
46 money transmission kiosk and obtains the prior approval of the commissioner for its activation.

47 b. Each virtual currency kiosk operator shall submit a quarterly report of the location
48 of each virtual currency kiosk located within the State within 45 days of the end of the calendar
49 quarter. The location report shall include, at a minimum, the following regarding the location
50 where a virtual currency kiosk is located:

51 i. Company legal name;

52 ii. Any fictitious or trade name;

53 iii. Physical address;

54 iv. Start date of operation of virtual currency kiosk at location;

- 55 v. End date of operation of virtual currency kiosk at location, if applicable; and
- 56 vi. Virtual currency address(es) associated with the virtual currency kiosk

57 Section 3. A virtual currency kiosk operator must disclose in a clear, conspicuous, and
58 easily readable manner in the chosen language of the customer, all relevant terms and conditions
59 generally associated with the products, services, and activities of the virtual currency kiosk
60 operator and virtual currency.

61 a. Acknowledgment of disclosures. The virtual currency kiosk operator must receive
62 acknowledgement of receipt of all disclosures required under this section via confirmation of
63 consent.

64 b. Relevant disclosures. The disclosures under this subdivision must address at least
65 the following:

66 i. A warning, written prominently and in bold type, and provided separately from
67 the disclosures below, stating: "WARNING: LOSSES DUE TO FRAUDULENT OR
68 ACCIDENTAL TRANSACTIONS ARE NOT RECOVERABLE AND TRANSACTIONS IN
69 VIRTUAL CURRENCY ARE IRREVERSIBLE. VIRTUAL CURRENCY TRANSACTIONS
70 MAY BE USED TO STEAL YOUR MONEY BY CRIMINALS IMPERSONATING THE
71 GOVERNMENT, ORGANIZATIONS, OR YOUR LOVED ONES. THEY CAN THREATEN
72 JAIL TIME, SAY YOUR IDENTITY HAS BEEN STOLEN, ALLEGE YOUR COMPUTER
73 HAS BEEN HACKED, INSIST YOU WITHDRAW MONEY FROM YOUR BANK
74 ACCOUNT TO PURCHASE VIRTUAL CURRENCY, OR A NUMBER OF OTHER SCAMS.
75 IF YOU BELIEVE YOU ARE BEING SCAMMED, CALL YOUR LOCAL LAW
76 ENFORCEMENT."

- 77 ii. The material risks associated with virtual currency and virtual currency
78 transactions, including:
- 79 1. A warning that once completed, the transaction may not be reversed;
- 80 2. The virtual currency kiosk operator’s liability for unauthorized virtual currency
81 transactions;
- 82 3. The virtual currency kiosk customer’s liability for unauthorized currency
83 transactions;
- 84 4. Virtual currency is not legal tender, backed or insured by the government, and
85 accounts and value balances are not subject to Federal Deposit Insurance Corporation, National
86 Credit Union Administration, or Securities Investor Protection Corporation protections;
- 87 5. Some virtual currency transactions are deemed to be made when recorded on a
88 public ledger which may not be the date or time when the person initiates the transaction;
- 89 6. Virtual currency's value may be derived from market participants' continued
90 willingness to exchange fiat currency for virtual currency, which may result in the permanent
91 and total loss of a particular virtual currency's value if the market for virtual currency disappears;
- 92 7. A person who accepts a virtual currency as payment today is not required to
93 accept and might not accept virtual currency in the future
- 94 8. The volatility and unpredictability of the price of virtual currency relative to fiat
95 currency may result in a significant loss over a short period;

- 96 9. The nature of virtual currency means that any technological difficulties
97 experienced by virtual currency kiosk operators may prevent access to or use of a person's virtual
98 currency; and,
- 99 10. Any bond maintained by the virtual currency kiosk operator for the benefit of a
100 person may not cover all losses a person incurs.
- 101 iii. The amount of the transaction denominated in US Dollars as well as the
102 applicable virtual currency;
- 103 iv. Any fees or expenses charged by the virtual currency kiosk operator;
- 104 v. Any applicable exchange rates;
- 105 vi. A daily virtual currency transaction limit of no more than \$1,000;
- 106 vii. Notice of a change in the virtual currency kiosk operator's rules or policies;
- 107 viii. The name, address, and telephone number of the owner of the kiosk and the days,
108 time, and means by which a consumer can contact the owner for consumer assistance shall be
109 displayed on or at the location of the virtual currency kiosk, or on the first screen of such kiosk.
- 110 ix. Under what circumstances the virtual currency kiosk operator, without a court or
111 government order, discloses a person's account information to third parties;
- 112 x. Other disclosures that are customarily given in connection with a virtual currency
113 transaction.

114 c. Transaction receipt. Upon each transaction's completion, the virtual currency
115 kiosk operator must provide a person with a physical receipt in the language chosen by the
116 customer containing the following information:

117 i. The virtual currency kiosk operator's name and contact information, including a
118 telephone number to answer questions and register complaints;

119 ii. The type, value, date, and precise time of the transaction, transaction hash, and
120 each applicable virtual currency address;

121 iii. The name and contact information of the sender;

122 iv. The name and contact information of the designated recipient;

123 v. All fees charged;

124 vi. The exchange rate of the virtual currency to US Dollars;

125 vii. A statement of the virtual currency kiosk operator's liability for non-delivery or
126 delayed delivery;

127 viii. A statement of the virtual currency kiosk operator's refund policy; and,

128 ix. Any additional information the [relevant state authority] may require.

129 Section 4. All virtual currency kiosk operators must use blockchain analytics software to
130 assist in the prevention of sending purchased virtual currency from a virtual currency kiosk
131 operator to a virtual currency wallet known to be affiliated with fraudulent activity at the time of
132 a transaction. The commissioner may request evidence from any virtual currency kiosk operator
133 of current use of blockchain analytics.

134 a. Fraud policy. All virtual currency kiosk operators shall take reasonable steps to
135 detect and prevent fraud, including establishing and maintaining a written anti-fraud policy. The
136 anti-fraud policy shall, at a minimum, include:

137 i. the identification and assessment of fraud related risk areas;

138 ii. procedures and controls to protect against identified risks;

139 iii. allocation of responsibility for monitoring risks; and

140 iv. procedures for the periodic evaluation and revision of the anti-fraud procedures,
141 controls, and monitoring mechanisms.

142 b. Compliance officer. Each virtual currency kiosk operator must designate and
143 employ a compliance officer with the following requirements:

144 i. the individual must be qualified to coordinate and monitor compliance with this
145 Act and all other applicable Federal and State laws, rules, and regulations;

146 ii. the individual must be employed full-time by the virtual currency kiosk operator;
147 and

148 iii. the designated compliance officer cannot be any individual who owns more than
149 20% of the virtual currency kiosk operator by whom the individual is employed.

150 iv. Compliance responsibilities required under Federal and State laws, rules, and
151 regulations shall be completed by full-time employees of the virtual currency kiosk operator.

152 c. Refunds for new customers. A virtual currency kiosk operator must issue a refund
153 to a new customer for the full amount of all transactions made within the thirty (30) day new

154 customer time period upon the request of the customer. In order to receive a refund under this
155 section, a new customer must have been fraudulently induced to engage in the virtual currency
156 transactions and contacts the virtual currency kiosk operator and a government or law
157 enforcement to inform them of the fraudulent nature of the transaction agency within ninety (90)
158 days of the last transaction to occur during the thirty (30) day new customer time period.

159 d. Refunds for existing customers. A virtual currency kiosk operator must issue a
160 refund to an existing customer for the full amount of all transaction fees upon the request of an
161 existing customer. In order to receive a refund under this section, a customer must have been
162 fraudulently induced to engage in the virtual currency transactions and contacts the virtual
163 currency kiosk operator and a government or law enforcement agency to inform them of the
164 fraudulent nature of the transaction within ninety (90) days of the transaction.

165 Section 5. A virtual-currency kiosk operator shall not accept transactions of more than
166 \$1,000 US Dollars of cash or the equivalent in virtual currency in a day in connection with
167 virtual currency kiosk transactions with a single customer in this State via one or more virtual
168 currency kiosks.

169 Section 6. The aggregate fees and charges, directly or indirectly, charged to a customer
170 related to a single transaction or series of related transactions involving virtual currency effected
171 through a money transmission kiosk in this State, including any difference between the price
172 charged to a customer to buy, sell, exchange, swap, or convert virtual currency and the prevailing
173 market value of such virtual currency at the time of such transaction, shall not exceed the greater
174 of the following:

175 a. \$5.00; or

176 b. three (3) percent of the U.S. dollar equivalent of virtual currency involved in the
177 transaction or transactions.

178 Section 7. All virtual currency kiosk operators performing business in the State must
179 provide live customer service at a minimum on Monday through Friday between 8AM EST and
180 10PM EST. The customer service toll free number must be displayed on the virtual currency
181 kiosk or the virtual currency kiosk screens.

182 SECTION 2. Chapter 10, of the General Laws, as appearing in the 2022 Official Edition,
183 is hereby amended by inserting after section 78 the following section: -

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185 Section 79. The office of the state treasurer shall develop and periodically review and
186 update a digital module and resources on virtual currencies and digital assets to support
187 Massachusetts residents with overseeing their finances, understanding money management
188 strategies, and protecting their security; provided that, said module shall include curricula
189 specifically tailored for older adults, including with respect to fraud prevention.

190 SECTION 3. (1) There shall be a special commission established for the purposes of
191 making an investigation relative to blockchain technology to develop a master plan of
192 recommendations for fostering the appropriate expansion of blockchain technology in the
193 Commonwealth.

194 (2) The commission shall consist of 25 members: the speaker of the house of
195 representatives or a designee who shall serve as co-chair; the minority leader of the house of
196 representatives or a designee; the president of the senate or a designee who shall serve as co-

197 chair; the minority leader of the senate or a designee; four members of the house of
198 representatives appointed by the speaker; four members of the senate appointed by the president;
199 the attorney general or a designee; the chair of the cannabis control commission or a designee;
200 the commissioner of the department of revenue or a designee; the secretary of the executive
201 office of technology services and security or a designee; the secretary of public safety and
202 security or a designee; three persons to be appointed by the state secretary, provided that one
203 shall represent an organization focused on consumer protection; and five persons to be appointed
204 by the governor including one appointee from a financial technology company, one appointee of
205 a company with a business model that uses blockchain technology for purposes other than digital
206 assets and two appointees representing institutions of higher education in the commonwealth.

207 All appointments shall be made not later than 45 days after the effective date of this act.

208 The chairpersons shall meet with the commission not later than 90 days after the effective date of
209 this act.

210 (3) The commission shall be charged with examining the following:

211 (a) The feasibility, validity and admissibility as well as risks, including privacy risks, and
212 benefits of using blockchain technology in state and local government and commonwealth-based
213 businesses; provided that, for the purposes of government use, the commission's examination
214 shall include but not be limited to consideration of government records and delivery of services;
215 court proceedings; statewide registries including for firearms, marijuana and opiates and election
216 nomination papers, voter records and election results; and provided further that, for the purposes
217 of business use, the commission's examination shall include but not be limited to consideration

218 of the advisability of allowing corporate records to be maintained using blockchain technology,
219 including any security requirements necessary to ensure their accuracy;

220 (b) The need for modifications to the definition of blockchain in this act and to general
221 law to effect the appropriate deployment of blockchain technology;

222 (c) The impact of the proliferation of the virtual currency industry on state revenues and
223 the need to restructure the commonwealth's tax framework, including the advisability of taxing
224 virtual currency transactions as part of the sales tax;

225 (d) The advisability of government agencies and relevant business enterprises, including
226 but not limited to cannabis retail stores, accepting payment in virtual currency;

227 (e) The feasibility of regulating the energy consumption associated with virtual currency;

228 (f) The consumer protection activities necessary to provide safeguards and offer
229 technological literacy to Massachusetts residents, including but not limited to the advisability of
230 licensure requirements;

231 (g) The best practices for enabling blockchain technology to benefit the commonwealth,
232 Massachusetts-based businesses, and Massachusetts residents, including an examination of
233 historical barriers to entry and participation in emerging technologies and markets for individuals
234 underrepresented in these industries and markets;

235 (h) The state agencies best equipped to provide oversight of blockchain technology and
236 the virtual currency industry, including with respect to consumer protection; and

237 (i) Any other related topic which the commission may choose to examine in relation to
238 blockchain technology.

239 The commission shall take input from a broad range of stakeholders with a diverse range
240 of interests affected by state policies governing emerging technologies, privacy, business,
241 finance, the courts, the legal community, and state and local government.

242 (4) Not later than one year after all appointments to the commission have been made
243 pursuant to section 3 of this act, the commission shall report to the general court the result of its
244 investigation and its master plan of recommendations to foster a positive blockchain technology
245 environment, together with drafts of legislation necessary to effect its recommendations, by
246 filing the same with the clerk of the house of representatives and the clerk of the senate.

247 SECTION 4. This act shall take effect upon its passage