
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2081 Session of
2024

INTRODUCED BY WAXMAN, KHAN, HILL-EVANS AND DALEY, MARCH 5, 2024

REFERRED TO COMMITTEE ON COMMERCE, MARCH 5, 2024

AN ACT

1 Providing for collateral requirements for virtual currency
2 lenders and for segregation of funds; and imposing penalties.

3 The General Assembly of the Commonwealth of Pennsylvania
4 hereby enacts as follows:

5 Section 1. Short title.

6 This act shall be known and may be cited as the Digital Asset
7 Regulation Act.

8 Section 2. Definitions.

9 The following words and phrases when used in this act shall
10 have the meanings given to them in this section unless the
11 context clearly indicates otherwise:

12 "Cash equivalent." Securities, including treasury bills,
13 commercial paper, marketable securities, money market funds,
14 short-term government bonds, a certificate of deposit or a
15 banker's acceptance.

16 "Client." A third party, other than the virtual currency
17 lender or a virtual currency, that uses a virtual currency
18 lender for the lending of virtual currency.

1 "Collateral." Money or an item of value pledged as security
2 for repayment in the event of a default.

3 "Department." The Department of Banking and Securities of
4 the Commonwealth.

5 "Digital asset." A representation of economic, proprietary
6 or access rights that is stored in a machine-readable format and
7 has a transaction history that is recorded in a distributed,
8 digital ledger or digital data structure in which consensus is
9 achieved through a mathematically verifiable process. The term
10 includes digital consumer assets and virtual currency.

11 "Digital consumer asset." A digital asset that is used or
12 bought primarily for consumptive, personal or household
13 purposes. The term includes any other digital asset that is not
14 virtual currency.

15 "Lending." Engaging in the business of receiving monetary
16 value for transmission to a location inside or outside of the
17 United States by any means, including wire, facsimile or
18 electronic transfer.

19 "Money." As defined in section 1 of the act of September 2,
20 1965 (P.L.490, No.249), referred to as the Money Transmission
21 Business Licensing Law.

22 "Virtual currency." A digital asset that is used as a medium
23 of exchange, unit of account or store of value and is not
24 recognized as legal tender by the Federal Government.

25 "Virtual currency lender." A person that is regularly
26 engaged in the lending of virtual currency, digital consumer
27 assets or digital assets.

28 Section 3. Applicability.

29 This act shall apply to any virtual currency lender,
30 institution or any other person that lends virtual currency to a

1 third party in this Commonwealth.

2 Section 4. Notice of intent to conduct business.

3 No later than 90 days before conducting business in this
4 Commonwealth, a virtual currency lender shall send a letter to
5 the department notifying the department that the virtual
6 currency lender intends to conduct virtual currency lending in
7 this Commonwealth. The virtual currency lender shall include all
8 of the following information in the letter:

9 (1) The virtual currency lender's name.

10 (2) Parent companies and subsidiaries of the virtual
11 currency lender.

12 (3) A statement explaining the virtual currency lender's
13 intention on lending virtual currency in this Commonwealth
14 and include any Internet websites or branding that the
15 virtual currency lender wishes to offer.

16 (4) A statement that the virtual currency lender is in
17 compliance with applicable Federal and State laws.

18 (5) Any other information deemed relevant and as
19 specified by the department.

20 Section 5. Collateral requirements for virtual currency
21 lenders.

22 (a) Collateral required.--A virtual currency lender shall
23 require collateral, in connection with the services provided as
24 a virtual currency lender, to be held in a trust for all digital
25 consumer assets.

26 (b) Collateral amount.--A virtual currency lender shall
27 secure a minimum of 100% of the value of the virtual currency
28 exchanged in money or cash equivalents to serve as collateral
29 under subsection (a). The money or cash equivalent may be
30 increased or decreased depending on the market price of the

1 virtual currency.

2 (c) Use of collateral.--In the event of a default or other
3 circumstance that results in a client losing access to any
4 account with the virtual currency lender, the client's virtual
5 currency or the client's money, through fraud or other
6 malfeasance or through a technical failure, a virtual currency
7 lender shall use collateral to reimburse a client.

8 (d) Agreement required.--A virtual currency lender shall
9 require an agreement to be signed by both a client and the
10 virtual currency lender regarding the collateral required under
11 this section.

12 (e) Penalties.--

13 (1) Failure by a virtual currency lender to establish
14 policies in accordance with the requirements under this
15 section shall constitute a violation of this section, and the
16 virtual currency lender shall be subject to the following
17 fines imposed by the department:

18 (i) \$5,000 for the first violation.

19 (ii) \$10,000 for a second violation.

20 (iii) \$20,000 for a third and each subsequent
21 violation.

22 (2) After a third violation of this section, the
23 department may conduct a review of the virtual currency
24 lender and may prohibit the virtual currency lender from
25 operating within this Commonwealth.

26 Section 6. Segregation of funds.

27 (a) Segregation required.--A virtual currency lender shall,
28 in connection with the services provided as a virtual currency
29 lender, manage a consumer's money and digital consumer assets
30 separately from the virtual currency lender's own money and

1 digital assets in accordance with the regulations promulgated
2 under section 7.

3 (b) Penalties.--

4 (1) Failure by a virtual currency lender to establish
5 policies in accordance with the requirements under this
6 section shall constitute a violation of this section, and the
7 virtual currency lender shall be subject to the following
8 fines imposed by the department:

9 (i) \$5,000 for the first violation.

10 (ii) \$10,000 for a second violation.

11 (iii) \$20,000 for a third and each subsequent
12 violation.

13 (2) After a third violation of this section, the
14 department may conduct a review of the virtual currency
15 lender and may prohibit the virtual currency lender from
16 operating within this Commonwealth.

17 Section 7. Regulations

18 The department shall promulgate regulations necessary to
19 implement and enforce this act.

20 Section 8. Effective date.

21 This act shall take effect in 60 days.