



General Assembly

February Session, 2022

Raised Bill No. 353

LCO No. 2197



Referred to Committee on COMMERCE

Introduced by:
(CE)

***AN ACT CONCERNING THE DEPARTMENT OF ECONOMIC AND
COMMUNITY DEVELOPMENT'S RECOMMENDATIONS REGARDING
DIGITAL ASSETS.***

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2022*) As used in this section and
2 sections 2 to 4, inclusive, of this act:

3 (1) "Digital asset" means a representation of economic, proprietary or
4 access rights that is stored in a computer readable format, including, but
5 not limited to, digital consumer assets, digital securities and virtual
6 currencies;

7 (2) "Digital consumer asset" means a digital asset that is used or
8 bought primarily for consumptive, personal or household purposes,
9 including, but not limited to, (A) an open blockchain token constituting
10 intangible property as otherwise provided by law, and (B) any other
11 digital asset that is not a digital security or virtual currency. "Digital
12 consumer asset" shall not be construed to include digital securities or
13 virtual currencies;

14 (3) "Digital security" means a digital asset that is a security, as defined
15 in subsection (a) of section 42a-8-102 of the general statutes. "Digital
16 security" shall not be construed to include digital consumer assets or
17 virtual currencies; and

18 (4) "Virtual currency" has the same meaning as provided in section
19 36a-596 of the general statutes. "Virtual currency" shall not be construed
20 to include digital consumer assets or digital securities.

21 Sec. 2. (NEW) (*Effective July 1, 2022*) (a) Digital assets shall be
22 classified in the following manner:

23 (1) A digital consumer asset is intangible personal property and shall
24 be considered a general intangible, as defined in section 42a-9-102 of the
25 general statutes only for the purposes of article 9 of title 42a of the
26 general statutes;

27 (2) A digital security is intangible personal property and shall be
28 considered a security, as defined in subsection (a) of section 42a-8-102
29 of the general statutes, and investment property, as defined in
30 subsection (a) of section 42a-9-102 of the general statutes, only for the
31 purposes of articles 8 and 9 of title 42a of the general statutes; and

32 (3) Notwithstanding the definition of money contained in subsection
33 (b) of section 42a-1-201 of the general statutes, virtual currency is
34 intangible personal property and shall be considered money only for the
35 purposes of article 9 of title 42a of the general statutes.

36 (b) A digital asset may be treated as a financial asset, as defined in
37 subsection (a) of section 42a-8-102 of the general statutes, pursuant to a
38 written agreement with the owner of the digital asset. If treated as a
39 financial asset pursuant to a written agreement with the owner of the
40 digital asset, the digital asset shall remain intangible personal property.

41 (c) Classification of digital assets under this section shall be construed
42 in a manner to give the greatest effect to section 1 of this act, this section,
43 and section 3 of this act, but shall not be construed to apply to any asset

44 other than a digital asset.

45 Sec. 3. (NEW) (*Effective July 1, 2022*) (a) As used in this section:

46 (1) "Control" means that a secured party or an agent, fiduciary or
47 trustee of such party has the exclusive legal authority to conduct a
48 transaction relating to a digital asset, including by means of a private
49 key or the use of a multi-signature arrangement authorized by the
50 secured party. "Control" shall be construed as equivalent to "possession"
51 when possession is used in article 9 of title 42a of the general statutes.
52 "Control" shall not be construed to require physical possession;

53 (2) "Multi-signature arrangement" means a system of access control
54 relating to a digital asset for the purposes of preventing unauthorized
55 transactions relating to such asset in which two or more private keys are
56 required to conduct a transaction, or any substantially similar analogue;
57 and

58 (3) "Private key" means a unique element of cryptographic data, or
59 any substantially similar analogue, that is (A) held by a person, (B)
60 paired with a unique, publicly available element of cryptographic data,
61 and (C) associated with an algorithm that is necessary to carry out an
62 encryption or decryption required to execute a transaction.

63 (b) Notwithstanding the provisions of subsection (a) of section 42a-9-
64 310 of the general statutes, as amended by this act, perfection of a
65 security interest in a digital asset may be achieved through control. A
66 security interest held by a secured party having control of a digital asset
67 shall have priority over a security interest held by a secured party that
68 does not have control of such asset.

69 (c) Before a secured party may take control of a digital asset pursuant
70 to this section, such party shall enter into a control agreement with the
71 debtor. Such control agreement may set forth the terms under which a
72 secured party may pledge its security interest in the digital asset as
73 collateral for another transaction.

74 (d) A secured party may file a financing statement with the Secretary
75 of the State to perfect a security interest in proceeds from a digital asset
76 pursuant to subsection (d) of section 42a-9-315 of the general statutes.

77 (e) Notwithstanding the provisions of article 9 of title 42a of the
78 general statutes, a transferee shall take a digital asset free of any security
79 interest not earlier than two years after such transferee takes such asset
80 for value and does not have actual notice of an adverse claim to such
81 asset. This subsection shall only apply to a security interest perfected by
82 a method other than control.

83 (f) Perfection of a digital asset by control shall create a possessory
84 security interest in the digital asset and shall not require physical
85 possession of the digital asset. For the purposes of article 9 of title 42a of
86 the general statutes, a digital asset is located in the state if the debtor or
87 secured party is (1) physically located in the state, or (2) incorporated or
88 organized in the state.

89 Sec. 4. (NEW) (*Effective July 1, 2022*) The Superior Court shall have
90 jurisdiction of any suit, action or proceeding relating to digital assets,
91 including any such suit, action or proceeding arising from sections 2 and
92 3 of this act or title 42a of the general statutes.

93 Sec. 5. Subsections (a) and (b) of section 42a-9-310 of the general
94 statutes are repealed and the following is substituted in lieu thereof
95 (*Effective July 1, 2022*):

96 (a) Except as otherwise provided in subsection (b) of this section and
97 subsection (b) of section 42a-9-312, a financing statement must be filed
98 to perfect all security interests and agricultural liens.

99 (b) The filing of a financing statement is not necessary to perfect a
100 security interest:

101 (1) That is perfected under subsection (d), (e), (f) or (g) of section 42a-
102 9-308;

103 (2) That is perfected under section 42a-9-309 when it attaches;

104 (3) In property subject to a statute, regulation or treaty described in
 105 subsection (a) of section 42a-9-311;

106 (4) In goods in possession of a bailee which is perfected under
 107 subdivision (1) or (2) of subsection (d) of section 42a-9-312;

108 (5) In certificated securities, documents, goods or instruments which
 109 is perfected without filing, control or possession under subsection (e),
 110 (f) or (g) of section 42a-9-312;

111 (6) In collateral in the secured [party's] party's possession under
 112 section 42a-9-313;

113 (7) In a certificated security which is perfected by delivery of the
 114 security certificate to the secured party under section 42a-9-313;

115 (8) In deposit accounts, electronic chattel paper, electronic
 116 documents, investment property or letter-of-credit rights which is
 117 perfected by control under section 42a-9-314;

118 (9) In proceeds which is perfected under section 42a-9-315; [or]

119 (10) That is perfected under section 42a-9-316; or

120 (11) That is perfected under section 3 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2022</i>	New section
Sec. 2	<i>July 1, 2022</i>	New section
Sec. 3	<i>July 1, 2022</i>	New section
Sec. 4	<i>July 1, 2022</i>	New section
Sec. 5	<i>July 1, 2022</i>	42a-9-310(a) and (b)

Statement of Purpose:

To establish the legal nature of digital assets by dividing such assets into three categories of intangible personal property and classifying such assets within the Uniform Commercial Code.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]