LEGISLATIVE FISCAL ESTIMATE

[Third Reprint]

SENATE, No. 3132

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JANUARY 7, 2022

SUMMARY

Synopsis: "Digital Asset and Blockchain Technology Act."

Type of Impact: Annual State expenditure and revenue increases.

Agencies Affected: Department of Banking and Insurance

Office of Legislative Services Estimate

Fiscal Impact	Annual
State Expenditure Increase	Indeterminate
State Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that the bill will increase annual State revenue and expenditures by indeterminate amounts, which may or may not offset one another. The OLS cannot quantify the annual increases because it is unclear how many applications for licenses the Department of Banking and Insurance (DOBI) will receive or the required fee the department will charge for each application, the number and amount of penalties that will be imposed by the DOBI on individuals violating the provisions of the bill, and whether any administrative costs incurred by the DOBI can be absorbed within the department's current operating budget.

BILL DESCRIPTION

This bill regulates digital asset business activity. The bill defines "digital asset" to mean a representation of economic, proprietary, or access rights that is stored in a machine-readable format, has a transaction history that is recorded in a distributed, digital ledger or digital data structure in which consensus is achieved through a mathematically verifiable process. Examples of digital assets include digital consumer assets and virtual currency. "Digital asset" does not include securities, whether in digital form or otherwise as defined in State and federal statute.

The bill provides the department may license a person to carry on one or more digital asset business activities described in the bill.

The bill provides that a person who violates the provisions requiring licensure is liable for a penalty of $500 per day, from the first day the department issues a notice of failure to apply a license until a license application is filed with the department.

The bill provides that an application for a license is to be submitted through the Nationwide Multistate Licensing System, and made in the form and medium to be prescribed by the department. Each application is to be accompanied by a nonrefundable fee, the value of which is to be determined by the department.

The bill requires the department to grant or deny any digital asset business license application within 120 days of its receipt. The department may refuse an application for a digital asset business license application if a licensee or applicant fails to meet certain standards specified in the bill.

The bill stipulates that each licensee is to maintain and enforce confidential, written compliance policies which are to be reviewed and approved by the licensee's board of directors or an equivalent governing body. The department may suspend or revoke a digital asset business license upon certain findings that are provided in the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill will increase annual State revenue and expenditures by indeterminate amounts, which may or may not offset one another. The OLS cannot quantify the annual increases because it is unclear how many applications for licenses the department will receive or the required fee the department will charge for each application, the number and amount of financial penalties that will be imposed on individuals violating the provisions of the bill, and whether any administrative costs incurred can be absorbed within the department's current operating budget. For example, the bill allows, but does not require, the DOBI to audit and conduct other investigations of any digital asset business licensee, and it is unclear at this time how prevalent the department's auditing and investigating activities will be.

Section: *Commerce, Labor and Industry*

Analyst: *Juan C. Rodriguez*
Senior Fiscal Analyst

Approved: *Thomas Koenig*
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).