Consumer Payment Rights and Transparency Act

Solari Model Legislation

Version 4.0 - DRAFT

Expands coverage to all programmable digital assets and to state agencies, moves the statute to the consumer protection title and makes additional changes to avoid preemption by federal law and by state securities law.

VERSION 4.0 SUMMARY This is the narrower version 4.0 update. (Additional changes are introduced in version 4.0-*Expanded*.) This version is built from prior Version 2 and ***keeps the original Version 2 scope***. (A prior Version 3.1 was distributed at a June 2026 meeting with legislators in Utah, but those changes were discarded.) **This base Version 4.0**:

1. expands coverage to all programmable digital assets;
2. expands coverage to state agencies;
3. moves the statute from the commercial code to the consumer protection title (to emphasize that it is not intended to regulate aspects of banking, stablecoins, or securities that are already covered by federal and state law – which would be a basis for nullifying this Act);
4. expressly emphasizes that it is not intended to compete with federal law (or state securities law) and does not apply where it conflicts with these laws;
5. removes passive language and clearly states the entities and individuals to which it applies;
6. removes criminal penalties (although these may be reinserted if desired), as such penalties suggest the intention to improperly regulate banking, stablecoin, and securities activities covered by federal law (or state securities law); and
7. removes all mention of the Uniform Commercial Code.

These changes are intended to strengthen the focus of this legislation while decreasing the potential for it to be preempted or challenged.

ARTICLE 1. The state's code is amended by adding the following Parts in the appropriate location of the state’s consumer-protection (Unfair and Deceptive Acts and Practices) title:

SECTION 1. SHORT TITLE

This Act may be cited as the “Consumer Payment Rights and Transparency Act.”

SECTION 2. FINDINGS AND PURPOSE

The [Legislature] finds that residents and others subject to [state] jurisdiction hold and use value across a widening range of programmable digital assets, including but not limited to stablecoins, tokenized deposits and securities, and other tokens, each of which can be frozen, restricted, surveilled, or conditioned. This Act protects rights and financial freedom of residents and others subject to [state] jurisdiction across all such covered digital assets.

SECTION 3. DEFINITIONS.

(a) As used in this Act,

(1) “Covered digital asset” means any digital asset or token recorded on a distributed ledger with respect to which any person holds technical control. A covered digital asset need not be a medium of exchange, and includes without limitation payment stablecoins, tokenized deposits, tokenized securities, central bank digital currency, tokenized money-market and Treasury shares, non-fungible tokens, governance tokens, and staked, restaked, or wrapped positions. “Programmable money” is a subset of covered digital assets.

(2) “Technical control” means the ability, whether through code, administrative or upgrade authority, oracle or compliance-data input, ledger permissioning, custodial control, or other means, to create, block, freeze, restrict, condition, expire, reverse, burn, alter, or otherwise affect a covered digital asset or its transfer.

(3) “Controlling person” means any person who holds technical control over a covered digital asset, including, without limitation, a permitted payment stablecoin issuer, depository institution, custodian, exchange, payment processor, smart-contract administrator, permissioned-ledger operator, securities intermediary, and oracle or compliance-data provider. Affiliate status alone does not make a person a controlling person; it is relevant only to the anti-evasion rule of this Act. If technical control is performed by artificial intelligence or artificial intelligence agent(s), the controlling person is determined by applicable state law.

(4) "Programmable money" means a covered digital asset used as a digital medium of exchange that can be encoded with specific rules or conditions that automatically control its use, including by operation of its governing code or issuer action and including the capability to deny or approve a transaction, impose user-, location-, time-, or party-specific restrictions, expire or diminish its value, or implement a social credit score system.

(5) “Social credit score system” means a system that monitors persons in order to manage, influence, restrict, or control access to financial services using a rating or score based on lawful

activities or factors, including the factors described in the nondiscrimination provisions of this Act, and lawful activities concerning firearms, energy, natural-resource or agricultural sectors, lawful advocacy, participation or non-participation in social, environmental, or governance programs, and lawful association with any of the foregoing.

(6) “Resident” means a natural person domiciled in this state or a business or other entity organized under or principally operating under the laws of this state.

(7) “Distributed ledger” means any electronic ledger or database of transactions shared, replicated, or synchronized across one or more nodes, whether public, private, permissioned, or permissionless.

(8) “Governmental entity” means this state and any of its agencies, departments, political subdivisions, or officers, and any person acting on their behalf. It does not include an agency of the United States or of another state acting under its own authority.

(9) “Administrative or upgrade authority” means any key, permission, or mechanism by which a person may create, alter, freeze, reverse, mint, burn, pause, or upgrade a covered digital asset or the code governing it.

(10) “Oracle or compliance-data provider” means any person or service that supplies an external data feed, blocklist, allowlist, sanctions or eligibility determination, category or geographic screen, or other similar information, that a programmable system uses to determine whether a transaction is permitted, denied, delayed, restricted, reversed, or reported.

(11) “Central bank digital currency” means any digital money issued or directly backed by a central bank or monetary authority, including any digital form of a sovereign currency.

(12) “State agency” means any department, agency, board, commission, or political subdivision of this state, and any officer or contractor acting on its behalf.

(13) “Non-programmable payment option” means cash, a non-electronic payment instrument, or an electronic payment instrument that carries no programmable restriction.

(14) “Essential-service biller” means a provider of electricity, gas, water, telecommunications, or another service considered essential by [agency].

(15) “Fiat on- and off-ramp services” mean services provided for persons to purchase covered digital assets using fiat money and to receive fiat money upon the sale of covered digital assets.

SECTION 4. APPLICATION

The duties and restrictions of this Act apply to covered digital assets used or held by residents and other persons subject to [state] jurisdiction. The payment-specific duty to offer a non-programmable alternative applies to programmable money. For purposes of the conduct and transparency duties, “controlling person” includes any person holding technical control over the covered digital asset.

PART II – NON-DISCRIMINATION AND DUE PROCESS

SECTION 5. PROHIBITED DISCRIMINATION

(a) It is an unfair and deceptive act or practice, and unlawful, for a controlling person to deny a transaction, allow a transaction to fail, or restrict or terminate service with respect to a covered digital asset used or held by a resident or other person subject to [state] jurisdiction, whether by direct action, omission, automation, algorithm, artificial intelligence, code, or any other means, based in whole or in part on any of the following factors:

(1) Sex, race, skin-color, ethnicity, or sexual orientation;

(2) Political opinion, affiliation, or speech;

(3) Religious beliefs, religious exercise, or religious affiliation;

(4) Any other lawful opinions, affiliations, or speech;

(5) Medical history, including diagnosis, vaccination status, or participation/non-participation in any treatment or procedure;

(6) Purchase and/or browsing history;

(7) Geographical location, place of residence, or location history;

(8) Trade, profession, or business activity, including within a particular industry;

(9) Any lawful activity; or

(10) A rating, scoring, analysis, tabulation, or action related to a social credit score system or similar evaluation.

(b) Nothing in this section prohibits a controlling person from declining a transaction that is itself a criminal offense or payment for a criminal act, subject to the lawful-order due-process and federal-compliance provisions of this Act.

SECTION 6. RIGHT TO A STATEMENT OF REASONS

(a) A controlling person shall provide a phone number, physical address, and electronic mail address for communication to residents or other persons subject to [state] jurisdiction that are holders and users of the covered digital asset.

(b) A resident or other person subject to [state] jurisdiction affected by a denial, failure, restriction, or termination described above may, within ninety (90) days, request a statement of specific reason(s) by phone, mail, or electronic mail from the controlling person making the action.

(c) Within thirty (30) days of the request, the controlling person shall provide a written statement that (i) explains the specific basis for the action, including any speech, religious exercise, business activity, or other conduct that influenced it; (ii) attaches the terms of service relied upon, with citation to the specific term; and (iii) provides a phone number, email, and physical address for further inquiry.

SECTION 7. LAWFUL ORDER DUE PROCESS

(a) Particularized order required. A controlling person shall not block, freeze, restrict, or terminate service with respect to a covered digital asset used or held by a resident or other person subject to [state] jurisdiction pursuant to any lawful order, governmental directive, or regulatory command unless the order specifically identifies, by name, account number, or other particularized designation, the person or account to be affected.

(b) Notice. The affected resident shall receive notice of the restriction and its basis as promptly as the terms of the applicable order lawfully permit.

(c) No standing non-individualized rules. A controlling person shall not implement any standing, automated, algorithmic, or code-based rule that blocks, freezes, expires, restricts, or terminates a resident's covered digital asset based on general categories of conduct, geography, industry, or transaction type absent a particularized order, except as permitted by the federal-compliance exception of this Act. Compliance with a particularized order satisfying this section is not a violation of this Act.

SECTION 8. FEDERAL-COMPLIANCE EXCEPTION

A controlling person does not violate this Act by taking an action that is (a) specifically required by an identified and valid federal statute, regulation, or order; (b) implemented in the least restrictive manner consistent with that requirement; and (c) accompanied by the maximum notice, explanation, and error-correction the applicable federal law permits, including prompt release upon a false-positive determination, a defined release timeline, and correction of erroneous records. The controlling person bears the burden of establishing each element.

SECTION 9. SECURITIES-LAW TRANSFER RESTRICTIONS AND GOVERNANCE EXCLUDED

The nondiscrimination prohibitions of this Act do not apply to any transfer restriction required or contemplated by a valid federal or state securities law or court or regulatory order, or the terms of the instrument as disclosed to holders at issuance, including restrictions under relevant federal regulations, contractual lockups, and transfer-agent controls. The governance and voting mechanics of any entity, protocol, or tokenized instrument are not subject to this Act. This section does not exempt discriminatory or non-individualized blocking that is not required by securities law.

PART III – FINANCIAL FREEDOM AND STATE OPERATIONS

SECTION 10. NON-PROGRAMMABLE PAYMENT GUARANTEE

(a) A person that requires the use of programmable money for a transaction shall offer a non-programmable payment option free of charge. This duty applies to (i) merchants with annual revenue above [$5,000,000], (ii) any state agency receiving payment from or directing payment to a resident or other person subject to [state] jurisdiction, and (iii) essential-service billers.

(b) An adequate non-programmable payment option includes cash, a non-electronic payment instrument, or a non-programmable electronic option. [Agency] may exempt classes of transactions where a non-programmable option is impracticable, such as remote or unattended transactions, provided an alternative accessible channel is offered.

SECTION 11. STATE OPERATIONS AND SELF-RESTRAINT.

(a) No state agency shall:

(1) impose a programmable restriction on any payment made to or from a resident or other person subject to [state] jurisdiction, or condition a payment on such person's consent to financial surveillance;

(2) condition any benefit, license, permit, or service on consent to financial or personal surveillance or on the use of a particular payment instrument; or

(3) adopt, require, accept, or participate in a central bank digital currency arrangement absent express authorization by the [Legislature].

(b) State payments to residents and other persons subject to [state] jurisdiction shall be available in a non-programmable form at the request of the intended recipient.

SECTION 12. ANTI-DEBANKING COORDINATION (FIAT ON- AND OFF-RAMPS)

(a) A depository institution, money transmitter, or custodian serving residents and other persons subject to [state] jurisdiction shall not deny, terminate, or restrict the account or payment services of such person based on a factor listed in the nondiscrimination provisions of this Act, subject to the federal-compliance exception of this Act.

(b) The due-process and statement-of-reasons protections of this Act apply to account termination and to the denial of fiat on- and off-ramp services, so that the right to enter and exit programmable money is protected alongside its use.

PART IV – COORDINATION, ENFORCEMENT, AND GENERAL PROVISIONS

SECTION 13. COORDINATION WITH FEDERAL LAW; ANTI-PREEMPTION

(a) This Act is a consumer-protection law preserved by relevant federal savings clauses. It regulates the abusive exercise of control against residents and others subject to [state] jurisdiction, not the issuance, registration, or qualification of any instrument.

(b) The nondiscrimination and due-process duties are duties of general application enforceable against national banks and their networks; this Act does not authorize any examination-like access to a bank's systems.

(c) As applied to tokenized securities, this Act reaches only the conduct made unlawful by its nondiscrimination provisions and does not impose any requirement preempted by federal or state law as to a covered security.

(d) Anti-evasion. Affiliate status is relevant only to prevent evasion of this Act through the interposition of a controlled entity; it is not itself a basis of primary liability.

(e) No provision of this Act shall be construed to require conduct that is impossible to perform in simultaneous compliance with a specific mandatory federal obligation; each provision is to be given the broadest effect consistent with federal law, and invalid applications severed.

SECTION 14. ENFORCEMENT

(a) Public enforcement. A violation of this Act is an unfair or deceptive act or practice. The Attorney General may investigate and enforce this Act under [the state UDAP statute] or other relevant legal provision, including by injunction, civil penalty, restitution, and disgorgement. The Attorney General's authority is independent of, and not defeated by, any arbitration agreement or class-action waiver between a controlling person and a resident or other person subject to [state] jurisdiction.

(b) Private right of action. A resident or other person subject to [state] jurisdiction aggrieved by a violation may bring a civil action for declaratory or injunctive relief and actual damages and may recover reasonable attorney's fees. Upon a finding that the defendant acted willfully or repeatedly, the court may in its discretion award punitive damages up to three times actual damages.

(c) State self-restraint. The state-operations and self-restraint duties of this Act are enforceable by any aggrieved resident or other person subject to [state] jurisdiction by an action for declaratory, injunctive, or mandamus relief against the responsible state agency.

(d) Notice and cure. Punitive damages shall not be awarded for a first violation of the statement-of-reasons or disclosure duties that the controlling person cures within thirty (30) days after written notice.

(e) Good-faith safe harbor. A defendant is not liable for damages to an aggrieved resident or other person for action taken in documented good-faith reliance on the federal-compliance exception or a particularized lawful order under this Act.

(f) No criminal liability. This Act creates no criminal offense. [Drafting option: if a criminal provision is retained, consider confining it to a knowing and willful violation by a natural person with intent to deprive another of lawful access, with aggregation limits.]

(g) Revocation of right to transact business. For repeated and willful violations of this act, the [state] Secretary of State may revoke the right of an entity to conduct business in the state.

SECTION 15. ASSET SALE OR PURCHASE NOT PROHIBITED.

Nothing in this Act shall be construed to prohibit the lawful purchase or sale of any digital asset by any public or private party.

SECTION 16. NEXUS

This Act applies only to transactions, accounts, and covered digital assets used or held by residents or other persons subject to the jurisdiction of this state, and to the conduct of this state's own agencies.

SECTION 17. SEVERABILITY; INDEPENDENT OPERATION OF EACH PART.

(a) The provisions of this Act are severable. Each Part, and each section within a Part, is independently enforceable, and the [Legislature] would have enacted each standing alone.

(b) No mutual dependency. No Part or section depends on the validity of any other; the invalidity of any provision or of its application to any person or circumstance does not affect the validity of the remainder, which shall be given full effect.

(c) Distinct exercises of power. The [Legislature] finds that each Part is a distinct exercise of state authority, i.e., the nondiscrimination and due-process Part as consumer-protection and unfair-practices law and the financial-freedom and state-operations Part as the state's regulation of itself and as default rules of state law, and intends that a court's characterization of one Part not govern another.

SECTION 18. INTERSTATE CONSISTENCY; EFFECTIVE DATE

(a) This Act shall be construed, to the extent its text permits, consistently with substantially similar Acts adopted by other states, to minimize compliance burdens across jurisdictions.

(b) Effective date. The provisions of this act take effect [___].