

FINAL BILL REPORT

SSB 6371

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Synopsis as Enacted

Brief Description: Concerning money transmitters.

Sponsors: Senate Committee on Financial Institutions, Housing & Insurance (originally sponsored by Senators McDermott and Berkey; by request of Department of Financial Institutions).

Senate Committee on Financial Institutions, Housing & Insurance
House Committee on Financial Institutions & Insurance

Background: The Department of Financial Institutions (DFI) regulates the money transmission and currency exchange businesses under the Uniform Money Services Act (Act). The Act was created in 2003 to protect consumers and to ensure that these businesses are not used for criminal purposes.

Money transmission is the receipt of money for the purpose of transmitting or delivering the money to another location, whether inside or outside the United States. The transmission and delivery of the money can take place by any means, including wire, facsimile, or electronic transfer.

The issuer of stored value is the provider of goods or services. Stored value is the recognition of value or credit to the account of a person who may redeem that value or credit with the provider who issued the stored value.

Money transmitters are required to maintain a surety bond in an amount between \$10,000 and \$50,000 plus \$10,000 per location not exceeding a total addition of \$500,000. The director must require by rule that the money transmitter maintain net worth between \$10,000 and \$50,000. Money transmitters pay an annual license assessment as established by rule by the director.

The money transmitter must submit an annual report along with its annual assessment. This annual report includes a list of the licensee's permissible investments. Permissible investments must at all times have a market value not less than the aggregate of all the money transmitter's outstanding money transmission.

Permissible investments are defined. Receivables are allowed to be counted toward no more than 20 percent of the required amount of permissible investments.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Money transmitters are required to file specified reports with DFI and with federal agencies.

Every money transmitter must give the customer a receipt that clearly states the amount of money presented for transmission and the total of any fees charged.

An initial application fee, in an amount determined by the director, must accompany the application for an initial license. Thereafter, a licensee must pay an annual license assessment in an amount determined by the director and file its annual report. Fees that the director may set include the annual license assessment fee, a late fee, an hourly examination or investigation fee, the nonrefundable application fee, the pro-rated initial license fee, and a transaction fee.

Certain records must be maintained for at least five years. These include records such as bank statements, general monthly ledgers, names and addresses of the authorized delegates, and copies of all currency transaction reports and suspicious activity reports.

Summary: A distinction is made between open-loop and closed-loop stored value devices. The current definition of stored value is clarified to apply to the new term, closed-loop stored value devices. Open-loop stored value devices are defined as a different type of stored value. Open-loop means cards or other devices that are redeemable at a wide variety of merchants that are unaffiliated with the issuer, or at automated teller machines.

Closed-loop stored value devices issued by licensed check cashers and sellers are exempt from the Act. Both open- and closed-loop stored value devices are exempt from regulation under the money transmitters' law if the funds on the device, immediately upon sale or issuance of the device, are covered by federal deposit insurance.

Based on the standard of, 'necessary to facilitate commerce and protect consumers,' the director may waive the licensing provisions.

A money transmitter's surety bond amount is based on the dollar volume of the previous year's money transmission and on the dollar volume of the previous year's payment instruments. The minimum surety bond amount is unchanged at \$10,000. The maximum surety bond is raised by \$500,000 to \$550,000 however, the reference to the \$10,000 surety bond for each location up to a maximum of \$500,000 is deleted.

The net worth requirement must be tangible net worth. The upper limit of what the director may require is raised from \$50,000 to \$3 million in tangible net worth.

The term annual assessment replaces the term annual license assessment. The amount of the annual assessment is determined by the director and is based on the previous year's business volume. The minimum assessment must be \$1,000 and the maximum may be up to \$100,000.

Monthly reports about permissible investments are added to the records that must be maintained for at least five years.

The required federal filings must be made only with the applicable federal agency.

The minimum amount of permissible investments that licensees are required to maintain is based on the daily average of their monthly outstanding money transmission liability. Permissible investments may include receivables up to 30 percent of the required amount. It is clarified that restricted assets such as surety bonds pledged to other persons may not be counted toward the minimum required amount of permissible investments.

The director's authority to set the hourly examination fee is deleted.

The receipt given by the licensee to the customer must include the licensee's name, address, and phone number.

Votes on Final Passage:

Senate	42	5
House	96	0

Effective: June 10, 2010