

HOUSE BILL REPORT

HB 2523

As Reported by House Committee On:
Business & Financial Services

Title: An act relating to money transmitters.

Brief Description: Revising provisions governing money transmitters.

Sponsors: Representatives Kirby, Vick and Santos.

Brief History:

Committee Activity:

Business & Financial Services: 1/21/14, 1/22/14 [DPS].

Brief Summary of Substitute Bill

- Allows a money transmitter to delay the transmission of money for more than 10 business days if the transmission is for the payment of goods or services.

HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Kirby, Chair; Ryu, Vice Chair; Vick, Assistant Ranking Minority Member; Blake, Fagan, Habib, Hawkins, Hudgins, G. Hunt, Hurst, Kochmar, MacEwen, Santos and Stanford.

Staff: Linda Merelle (786-7092).

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, or its equivalent value, to another location, whether inside or outside the United States. The transmission and delivery of the money can take place by any means, including

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wire, facsimile, or electronic transfer. A money transmitter is a person engaged in money transmission.

A money transmitter must transmit money or its equivalent value received from a customer within 10 business days after receiving the money unless otherwise ordered by the customer or unless the money transmitter has reason to believe that a crime has occurred, is occurring, or may occur as a result of transmitting the money.

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 application for a money transmitter license must contain specified information regarding employment history, criminal convictions, documentation of citizenship or legal work status, authorized delegates, the source of money or credit to be used in conducting business, and licensing problems or bankruptcies.

At the time of application for an initial license and upon license renewal, an applicant must provide identifying information, including fingerprints, to the DFI regarding each applicant's officers, directors, and owners.

Prior to issuing a license, the Director of the DFI must examine the applicant's background, financial profile, experience, competence, character, and general fitness, and must determine that the applicant and its proposed employees are not listed by the federal government as persons who pose a potential threat of committing terrorist acts or financing terrorist acts.

The officers, directors, and owners of an applicant are subject to a state and national criminal background check unless the applicant or its corporate parent is a publicly traded entity. The DFI can only disseminate this background information to criminal justice agencies. A licensee must provide contact information for all persons that are authorized to provide money services on behalf of the licensee.

Summary of Substitute Bill:

When a money transmission request is for the payment of goods or services, a money transmitter is not required to transmit money or its monetary equivalent within 10 business days of receipt of the money.

Notice Regarding Time of Transmission.

A money transmitter that accepts money from consumers purchasing goods or services from third-party merchants and transmits the money or its equivalent to those merchants selling the goods or services to the consumer must transmit the money within the time agreed upon in the merchant's agreement with the money transmitter. The agreement must conspicuously disclose to the merchant the money transmitter's authority to place a hold or delay in the transmittal for more than 10 business days and the circumstances under which the merchant may be subject to a hold or delay.

Substitute Bill Compared to Original Bill:

The language is clarified to provide that a money transmitter is not required to complete a money transmission within 10 business days, when the money is for a purchase of goods or services from a third-party merchant. A clarification is also made to provide that an agreement between a money transmitter and a third-party merchant must conspicuously disclose the general circumstances under which the merchant may be subject to a hold or delay and that there is no requirement of an enumeration of specific circumstances under which there may be a hold or delay.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill provides a clarification of existing law. It allows the money transmitter to make sure that the buyer receives the goods in the condition that the buyer expects before payment is made. In some circumstances, the transmitter will hold the payment, where the seller does not have a good track record or there may be some fraud involved.

(Neutral) When the money transmitter statute was originally adopted, the time limitation of 10 days made sense. The face of money transmission has changed over the last five years. There are new kinds of money transmitters that provide market places. A merchant can go to any one of these providers. The consumer is protected by having an ability to assure that the consumer gets the merchandise that is purchased. The merchants are placed on notice regarding the circumstances under which a hold or delay may be put in place.

(Opposed) None.

Persons Testifying: (In support) Scott Hazlegrove, eBay.

(Neutral) Deborah Bortner, Department of Financial Institutions.

Persons Signed In To Testify But Not Testifying: None.