



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

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House Bill 271 Ver H
Alaska Money Services Act
Brief Sectional Analysis

This analysis focuses on the major changes proposed in the bill.

Money Transmission Licenses

Sections 1-2. AS 06.55.101. License required. Clarifies a license or exemption is needed to engage in money transmission and a licensee must register with a designated national registry (streamlines the licensing process).

Section 3. AS 06.55.102. Application for license. Amends current provisions to move the detailed application information to regulations and adds requirements for control person criminal and civil background checks and authority to obtain a credit report.

Section 4-7. AS 06.55.104. Security. Amends the current provision to require a surety bond in the amount required by the department up to \$1,000,000 issued by a company authorized to do business in this state and allows the department to issue an order if the licensee fails to maintain a bond.

Section 8-11. AS 06.55.105. Issuance of license. Amends the current provisions to clarify the department may be reimbursed for any applicant investigation, may exclude any applicant, employee or independent contractor that is listed on certain designated lists, establishes December 31 as the license expiration/renewal date and provides a 120 day period for the department to approve or deny the application (30 day appeal period for a denial).

Section 12. AS 60.55.106. Renewal of license. Repeals and reenacts the current provision to move the detailed application information to regulations, requires applicant provide updated and additional information, provides a 60 day time period for the department to approve or deny the application and gives the applicant denied renewal 30 days to request a hearing.

Section 13. AS 06.55.108. Annual assessment fee and annual report. Replaces the nominal, static annual renewal fee with a volume-based annual assessment fee, requires an annual report be submitted to the department, and assesses a fee for late filings or payment.

Currency Exchange Licenses

Sections 14-15. AS 06.55.201. License required. Clarifies license is needed to engage in currency exchange or money transmission and deletes authorized delegate of a licensed money transmitter. Requires registration with a designated national registry (streamlines the licensing process).

Section 16. AS 06.55.202. Application for currency exchange license. Repeals and reenacts current provision to move the detailed application information to regulations and adds requirements for control person criminal and civil background checks and authority to obtain a credit report.

Sections 17-20. AS 06.55.203. Issuance of license. Amends the current provisions to clarify the department may be reimbursed for any applicant investigation, may exclude any applicant, employee or independent contractor that is listed on certain designated lists, establishes December 31 as the license expiration/renewal date and provides a 120 day period for the department to approve or deny the application (30 day appeal period for a denial).

Section 21. AS 06.55.204. Renewal of license. Repeals and reenacts the current provision to move the detailed application information to regulations, requires applicant provide updated and additional information, provides a 60 day time period for the department to approve or deny the application and gives the applicant denied renewal 30 days to request a hearing.

Section 22. AS 06.55.206. Security. Requires a surety bond in the amount required by the department up to \$1,000,000 issued by a company authorized to do business in this state and allows the department to issue an order if the licensee fails to maintain a bond. Allows either a claimant against the licensee or the department to file an action on the bond and requires that the bond remain in effect a minimum of five years after licensure.

Section 22. AS 06.55.207. Annual assessment fee and annual report. Replaces the nominal, static annual renewal fee with a volume-based annual assessment fee, requires an annual report be submitted to the department, and assesses a fee for late filings or payment.

Authorized Delegates

Sections 23-24. AS 06.55.301. Relationship between licensee and authorized delegate. Expands statutory references for scope of permissible activity of authorized delegate.

Section 25. AS 06.55.304. Limited authorization of subdelegate. Allows a licensee to contract with another licensee to use that other licensee's existing authorized delegate as a subdelegate to reload prepaid cards and requires the licensee to maintain books and records of contracts.

Examinations, Reports, Records

Section 26. AS 06.55.401. Authority to conduct examinations. Repeals and reenacts the current provisions for authority to examine, interview or investigate; removes the 45-day advance notice requirement and specifically authorizes joint examination and investigations with other regulators. Allows department to gather evidence relevant for a hearing or investigation and allows reimbursement of examination or investigation costs.

Section 27. AS 06.55.402. Cooperation. Amends current provisions to allow cooperation and consultation with other state and federal regulators.

Sections 28-30. AS 06.55.403. Reports. Expands the required quarterly report information. Requires licensee to notify the department within one day of most petition filings, lawsuits, bond cancellation, or criminal charges or convictions against the licensee or authorized delegate. Allows the Department to assess a late fee or other consequence for failure to report as required.

Sections 31-32. AS 06.55.404. Change of control. Requires a 30-day advance notice of a change of control be submitted to the department along with any required fee. The department has 120 days to approve or deny a change in control request.

Sections 33-34. AS 06.55.405. Records. Adds currency transaction reports and suspicious activity reports to the types of records to be retained. Extends the retention period from three to five years and requires the records to be provided in a format established by the department.

Section 35. AS 06.55.406. Money laundering reports. Amended to align reporting requirements with federal law.

Sections 36-37. AS 06.55.407. Confidentiality. Allows the department to share information with state or federal agencies without giving prior notice to a licensee and expands the list of licensee information that may be publicly disclosed to include the address and name of a contact individual for a licensee and their authorized delegate.

Permissible Investments

Sections 38-39. AS 06.55.501. Maintenance of permissible investments. Clarifies that permissible investment calculations must consider any limitations imposed by the department.

Enforcement

Sections 40. AS 06.55.601. Suspension and revocation of licensees; receivership. Clarifies that the department may issue an order against a licensee if either the licensee or an authorized delegate is convicted of or violates certain provisions; a fact or condition that may have been grounds for denial was not disclosed with license application; the licensee engaged in false, misleading or deceptive advertising, fails to timely pay a judgment or knowingly made a material misstatement or withheld material information. The department may consider currency exchange operations, potential loss and any order issued by the department or other regulators in determining whether a licensee is engaging in an unsafe or unsound practice.

Sections 41. AS 06.55.602. Suspension and revocation of authorized delegates and subdelegates. Expands the department's ability to issue, suspend or revoke the designation of an authorized delegate or subdelegate.

Section 42-45. AS 06.55.603. Administrative orders. Amended to change "cease and desist" to "administrative" order. Expands the requirements of administrative orders that can be issued. Allows person to petition superior court for judicial order to modify the order pending completion of an administrative proceeding.

Sections 46-49. AS 06.55.607. Unlicensed persons. Amended to add subdelegate to unlicensed activity provisions and establishes an additional monetary penalty for unlicensed activity.

Administrative Procedures

Section 50. AS 06.55.702. Hearings. Amends by deleting reference to (b) since the hearing provision does not apply if the licensee fails to complete the renewal application requirements.

Miscellaneous Provisions

Section 51. AS 06.55.802. Exemptions. Insurance companies, title insurance companies, escrow agents, and attorneys are exempt from the provisions of this chapter provided the money transmission or currency exchange is ancillary to typical services.

Section 52. AS 06.55.810. Notices required. Amended to require a money services licensee provide notice at locations where no authorized delegate or subdelegate is designated to provide services; require authorized delegates and subdelegates to provide customer complaint resolution information at locations where they provide money services; and allows department to establish content of notices.

Section 53. AS 06.55.820. Transmission, receipt, and refund. Repealed and reenacted to require compliance with the Federal Transmittance Rule for transmission, receipt, refunds and department requirements.

Section 54. Adds new provisions:

AS 06.55.855. Virtual Currency. Describes how references to virtual currency are construed under this chapter.

AS 06.55.860. Compliance with federal requirements. Required compliance with the listed federal laws related to money services businesses.

AS 06.55.870. Escheatment of property. Requires compliance with unclaimed property laws in Alaska.

AS 06.55.880. Application to Internet activities. Clarifies internet money services activity is regulated by this chapter.

General Provisions.

Section 55. AS 06.55.900. Administration. Authorizes use of a registry for obtaining information required for licensing purposes.

AS 06.55.910. Regulations. Authorizes the department to adopt regulations.

Section 56. AS 06.55.990(3). Amends the definition of “control” including ownership or the power to vote securities or voting interests of others from 25% to 10% and further clarifies the meaning of control.

Section 57. AS 06.55.990(5). Amends “currency exchange license” to reflect updated citation.

Section 58. AS 06.55.990(15). Repeals and reenacts “money transmission” to include an informal value transfer system and virtual currency definitions.

Section 59. AS 06.55.990(16). Amends “money transmission license” to reflect updated citation.

Section 60. AS 06.55.990(18). Repeals and reenacts “outstanding” to expand on stored value.

Section 61. AS 06.55.990(19). Amends “payment instrument” to include an electronic or written instrument.

Section 62. AS 06.55.990(20). Amends “person” to include a governmental agency.

Section 63. AS 06.55.990(23). Amends “stored value” to include cards or electronic access which have been pre-funded and the funds can be retrieved or transferred in the future.

Section 64. AS 06.55.990(24). Amends “unsafe or unsound practice” to include subdelegate.

Section 65. AS 06.55.990. Adds the following definitions. (25) applicant, (26) currency, (27) fiat currency, (28) funds, (29) medium of exchange, (30) money laundering, (31) officer, (32) open-loop stove value, (33) payment system, (34) registry, (35) subdelegate and (36) virtual currency.

Section 66. AS 06.55.995. Short title. Removes “Uniform” from the title of the Act.

Sections 67-68. Adds provisions relating to background checks in AS 12.62.400.

Section 69. Enumerates provisions repealed.

Section 70. Provides for transition regulations.

Section 71. Revisor’s Instructions.

Section 72. Section 70 takes effect immediately.

Section 73. Effective date is July 1, 2016, except as provided in Section 72.