



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

# ALASKA MONEY SERVICES ACT SB 152

## Senate Labor and Commerce Committee

Division of Banking and Securities  
Director Kevin Anselm

March 8, 2016



# What is a Money Services Business?

## Currency Exchange/Money Transmission functions:

- Currency exchange means the receipt of revenues from the exchange of money of one government for money of another government.
  - US dollars to Euros
- Money transmission means selling or issuing payment instruments or stored value, or receiving money or monetary value for transmission.
  - Sending money via Western Union from Alaska to California
  - Moving money from a deposit account to a loadable card to use or give to another person



# What will SB 152 Money Services Business do?

SB 152 will modernize the Act to:

- Update the definition of 'money transmission' – including virtual currency.
- Incorporate alternative payment systems and instruments.
- Allow licensees to contract with a delegate who may then use their network of delegates (subdelegates) to reload funds onto cards without having a separate contract between a licensee and subdelegate.
- Removes the out-of-state business advantage that allows applicants licensed in another state to submit minimal information and pay only half the fee an entity headquartered in Alaska pays.



# What does it do for current MSBs?

Simplifies the licensing process by:

- Requiring use of the Nationwide Multistate System and Registry (NMLS) for filing documents and paying fees; the NMLS is currently used by over 90% of MSBs in other states.
- Replaces the net worth requirement with a surety bond requirement that can be adjusted based on the risk presented by the licensee's business model and focus.
- Allows annual assessment fees to cover periodic examination fees and ongoing administrative costs associated with regulating the industry to be set by regulation.



# Enhances consumer protection

- Adds a background check component for all control persons
- Requires licensees to comply with federal law
- Increases the record retention schedule from three to five years
- Removes advance exam notification requirement and allows joint examinations and investigations with other regulators
- Updates enforcement provisions

And, for businesses that aren't really in the Money Services Business

- Exempts an insurance company, title company and escrow agent or attorney that engages in ancillary money services business as part of their lawfully conducted business.



# Electronic payments are included

The definition of “payment instrument” now includes an electronic check or electronic instrument to capture changing technology, including

- Transfer of money via PayPal or other third party agents
- Transfer of money via Mobile Wallets on a smart phone or other device



## “Stored Value” cards

This bill affects prepaid cards (stored value) that are **both** open loop and reloadable.

Updated definitions of “open loop” and “stored value”:

- Monetary value is prefunded and reduced at each use
- Includes an electronic device or vehicle (i.e. card code)
- Redeemable at multiple, unaffiliated merchants or ATMs
- Does not include an electronic record that is primarily intended to be redeemable only for goods or services from a specific merchant



# What is an open loop, stored value card?

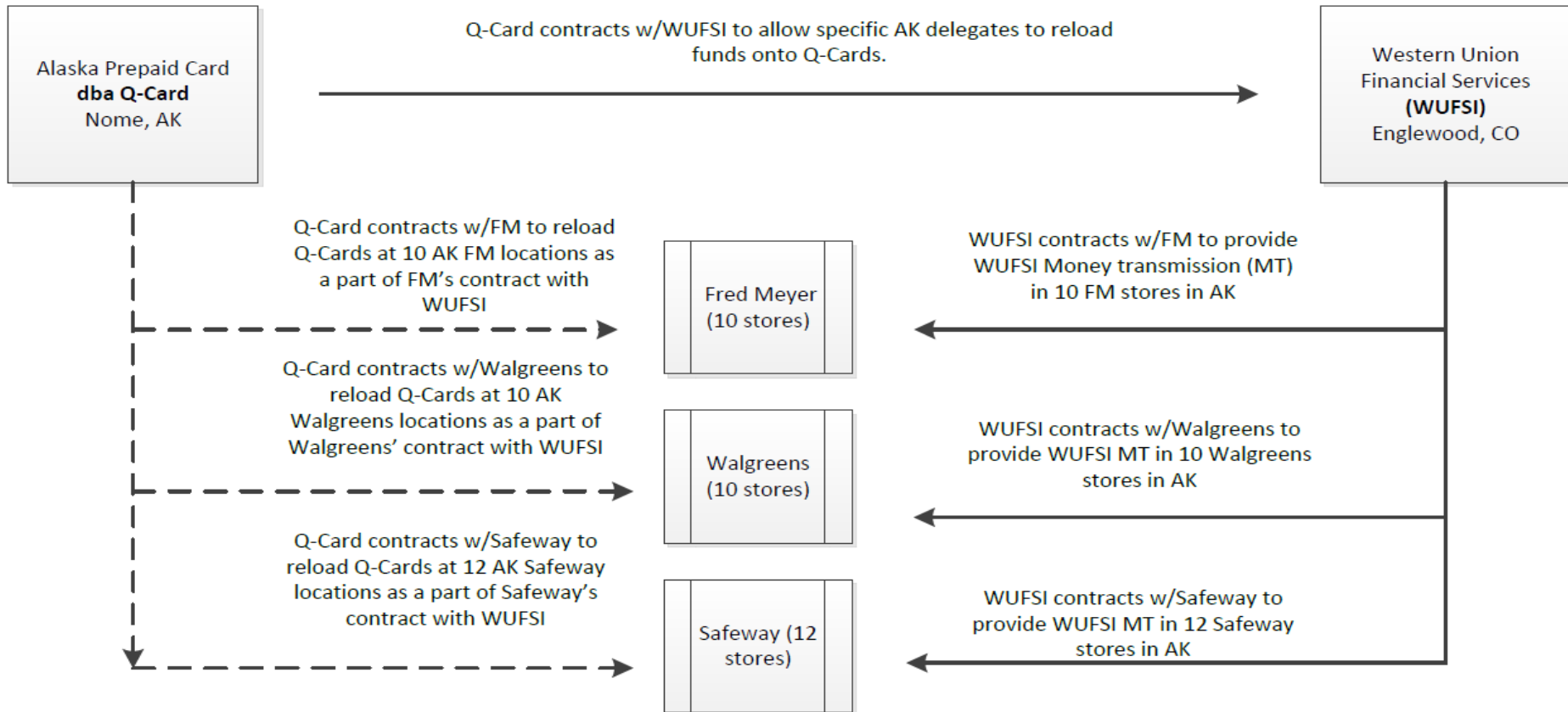
Example:	Reloadable Card?	Requires an MSB licensee or delegate to issue or sell?
Olive Garden \$50 Gift Card	No	No
VISA/Green Dot	Yes	Yes





# The Current Treatment of Subdelegates

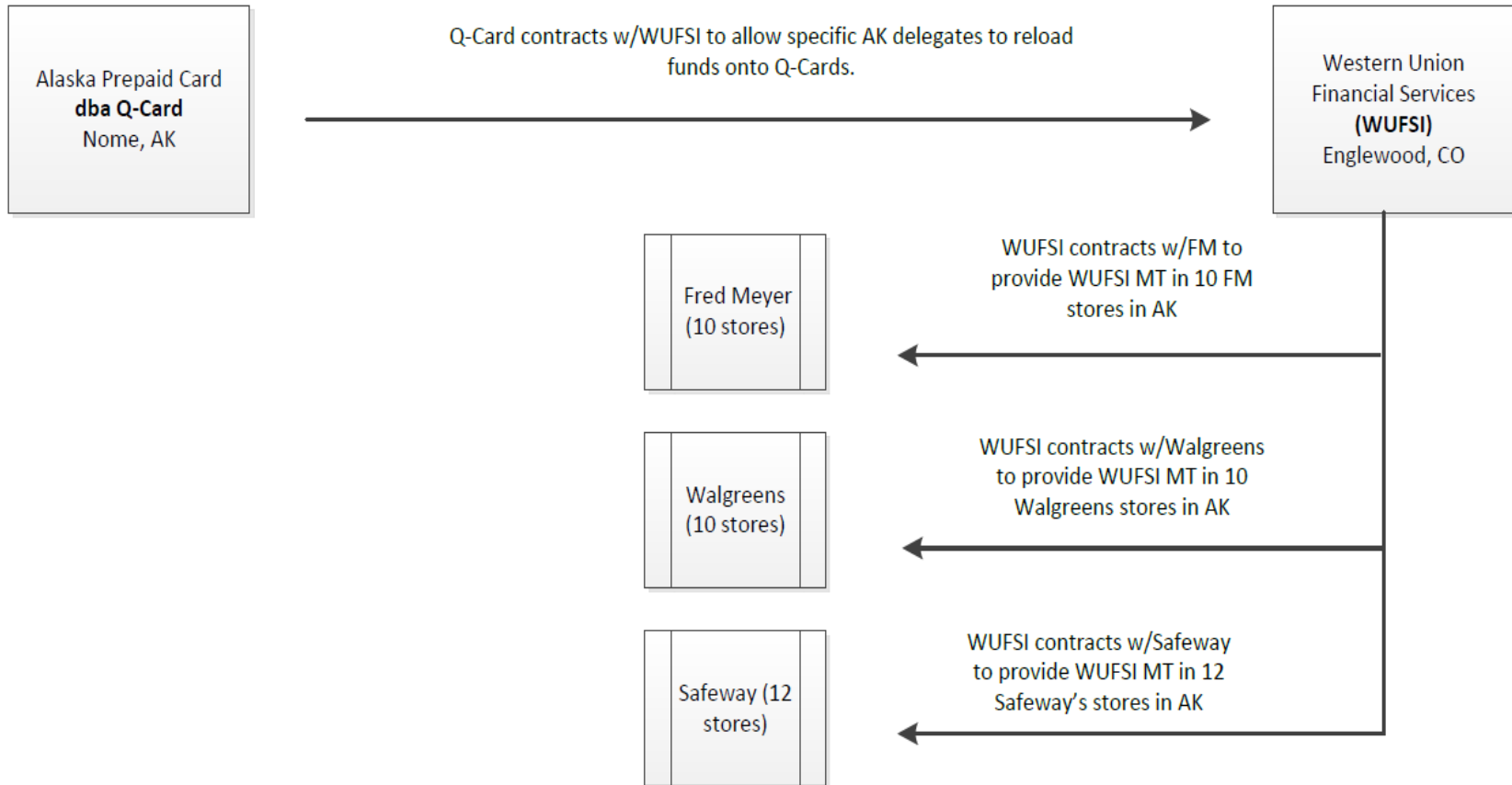
## Current Process





# The Proposed Treatment of Subdelegates

## Proposed Process





# What is an open loop, stored value card?

Example:	Reloadable Card?	Requires an MSB licensee or delegate to issue or sell?	Requires an MSB license, delegate or subdelegate* to reload?
Olive Garden \$50 Gift Card	No	No	No
VISA/Green Dot	Yes	Yes	Yes
			*new definition in SB 152



## Many new or expanded definitions, including

- Currency
- Fiat currency
- Informal value transfer system
- Medium of exchange
- Money laundering
- Money transmission
- Open-loop stored value
- Payment system
- Subdelegate
- Virtual currency



# SB 152 Alaska Money Service Act

Sec. 1 - 7	<b>Money Transmission Licenses</b>
Sec. 8 - 17	<b>Currency Exchange Licenses</b>
Sec. 9 - 21	<b>Authorized Delegates</b>
Sec. 22 - 33	<b>Examinations, Reports, Records</b>
Sec. 34 - 35	<b>Permissible Investments</b>
Sec. 36 - 44	<b>Enforcement</b>
Sec. 45 - 48	<b>Miscellaneous Provisions</b>
Sec. 49 - 51	<b>General Provisions (includes definitions)</b>
Sec. 54	<b>Lists repealed provisions</b>



# Money Services Business Enforcement

Since 2009, the division has issued 18 Money Services Business final orders

The screenshot shows the website for the Division of Banking and Securities. The header includes the State of Alaska logo and navigation links for myAlaska, My Government, Resident, Business in Alaska, Visiting Alaska, and State Employees. The main navigation bar includes HOME, BANKING, SECURITIES, and CONSUMER FINANCE. A search box is located in the top right corner. Below the navigation bar is a banner image showing a stock market floor with a digital display of market data. The main content area is titled "DIVISION OF BANKING AND SECURITIES ENFORCEMENT ORDERS" and contains a welcome message and instructions on how to search for enforcement orders. A sidebar on the left provides quick links to various sections of the website.

State of Alaska > Commerce > Banking & Securities > Enforcement Orders

**Division Quick Links**

- ▶ Banking and Securities Home Page
- ▶ Alaska Banking Statutes
- ▶ Alaska Banking Admin Code
- ▶ Alaska Securities Statutes
- ▶ Alaska Securities Admin Code
- ▶ Enforcement Orders

**Banking**

- ▶ Banking Home Page
- ▶ Comparative Statements of Banks and Credit Unions
- ▶ Complaints

**Securities**

## DIVISION OF BANKING AND SECURITIES

### ENFORCEMENT ORDERS

Welcome to the Enforcement Orders webpage

Enforcement actions are organized by year. Clicking on the year will show you all orders issued that year. To search for a specific Order you may enter the business name, order number, or other relevant word or phrase into the Search Box in the upper right hand corner of this webpage and click the "search" button. When using the Search Box, make sure the radio button next to DCCED-DBS is selected.

Generally, orders ending with -B are Banking orders, orders ending with -S are Securities orders, and orders ending with -C are Consumer Finance orders.

If you are looking for older orders, or know of a specific order issued by the Division but you

[commerce.alaska.gov/web/dbs/enforcementorders](http://commerce.alaska.gov/web/dbs/enforcementorders)



# Mission

## **Division of Banking and Securities' mission:**

Protect consumers of financial service and promote safe and sound financial systems

## **Supporting the department's mission:**

Promote a healthy economy, support strong communities, and protect consumers in Alaska



# Questions?

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