

HB271 OVERVIEW

Alaska Prepaid Card, conducting business as Q-Card, contracts with Western Union Financial Services (WUFSI) to allow WUFSI's delegates in Alaska (Fred Meyer (FM), Walgreens, and Safeway) to offer reload services to Q-Card customers. The contract allows 10 FM stores, 10 Walgreens stores and 12 Safeway stores to provide reload services (deposit of funds onto an existing card) to Q-Card customers.

Due to existing money transmission laws, Q-Card must also hold a contract with each WUFSI delegate who provides reload services to Q-Card customers (FM, Walgreens, Safeway), increase their bond an additional \$5,000 per each delegate *location* (32 total store locations), and report WUFSI, and each delegate location (32), as a delegate on Q-Card's quarterly and annual reports to the State.

WUFSI continues to have responsibility for oversight of its delegates that are providing reload services to Q-Card customers, responsibility to track and report the reload dollar amounts and fees charged to Q-Card customers to the State, as well as responsibility for any federal recordkeeping and reporting requirements. WUFSI also transmits reload funds to the bank who sponsors the issuance of Q-Cards (Sunrise Bank).

CURRENT LAW

AS 06.55.301(e), AS 06.55.104(a), AS 06.55.403(b), AS 06.55.106(6), 3 AAC 13.110(b)(2), and 3 AAC 13.110(d)

AK Prepaid Card is located in Nome, AK and conducts business as Q-Card. Q-Card asks Western Union Financial Services (WUFSI) to offer reload services to Q-Card customers using WUFSI's existing delegates located in Anchorage, Fairbanks, Juneau, Palmer, Eagle River, and Soldotna (10 Fred Meyer (FM), 10 Walgreens, and 12 Safeway locations). Both Q-card and WUFSI must be licensed in AK and Q-Card must have a contract with WUFSI. Due to current law, which does not allow the use of subdelegates for any purpose, Q-Card must, in addition to the contract with WUFSI, have contracts in place with each of WUFSI's delegates (FM, Safeway, Walgreens) that will offer reloads to Q-Card customers.

WUFSI's responsibility:

1. interact directly with Sunrise Bank (issuing card bank) to transmit reload funds to the bank;
2. oversight of its delegates (FM, Safeway, Walgreens) and their actions related to money transmission;
3. compensate its delegates for reloading funds onto Q-cards;
4. filing of Currency Transaction Reports and Suspicious Activity Reports;
5. verify existing bond amount covers each delegate location providing reload of Q-cards (32 locations). (These are existing delegates and should already be calculated into WUFSI's bond requirement);
6. track the \$\$ amount of deposits loaded onto Q-cards and report volume to AK, other states and federal entities; and
7. report each FM, Safeway and Walgreens location (32) as delegates on AK quarterly and annual reports.

Q-card's responsibility:

1. contract with WUFSI to offer reload services through WUFSI delegate locations;
2. contract with each agreed upon WUFSI delegate (FM, Walgreens, Safeway);
3. increased bond amount for each delegate location (32 locations) up to the current maximum bond amount of \$150,000 which increases the premium of Q-Card's bond;
4. report WUFSI as a delegate on AK quarterly and annual reports; and
5. report each WUFSI delegate (32 locations) as its own delegate on AK quarterly and annual reports.

PROPOSED 'LIMITED USE OF A SUBDELEGATE' LAW

AS 06.55.304

WUFSI's responsibility:

1. See #'s 1 – 7 above for WUFSI responsibility

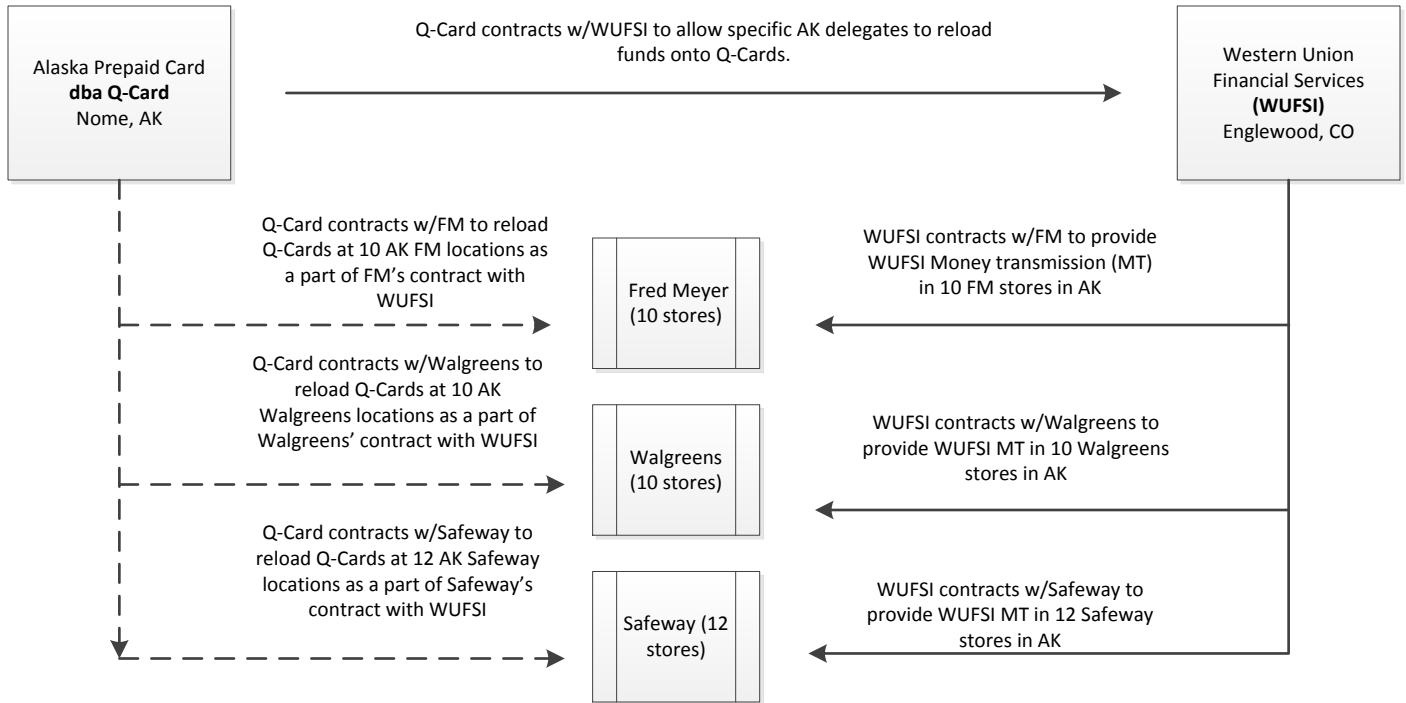
Q-card's responsibility:

1. contract with WUFSI to offer reload services through WUFSI's existing delegate locations (32 locations);
2. report WUFSI as a delegate on AK quarterly and annual reports; and
3. decrease bond amount from the current \$150,000 requirement to \$30,000 (base \$25,000 + \$5,000 per delegate (WUFSI) = \$30,000). The 32 delegate locations continue to be covered on WUFSI's bond.

Current Division of Banking and Securities Examination Procedures:

1. examiners review reload activity during a WUFSI examination;
2. the contract between Q-Card and WUFSI may be reviewed during an examination of either Q-Card or WUFSI;
3. contracts relating to WUFSI's reload services for Q-Card, such as the contract between the issuing bank (Sunrise Bank) and WUFSI may be reviewed during a WUFSI examination; and
4. any other contracts relating to Q-card's program and another involved party, such as the issuing bank (Sunrise Bank) may be reviewed during an examination of Q-Card.

Current Process



Proposed Process

