

SENATE BILL NO. 84

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/24/23

Referred: Labor and Commerce, Judiciary, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the business of money transmission; relating to money transmission**
2 **licenses, licensure requirements, and registration through the Nationwide Multistate**
3 **Licensing System and Registry; relating to the use of virtual currency for money**
4 **transmission; relating to authorized delegates of a licensee; relating to acquisition of**
5 **control of a license; relating to record retention and reporting requirements;**
6 **authorizing the Department of Commerce, Community, and Economic Development to**
7 **cooperate with other states in the regulation of money transmission; relating to**
8 **permissible investments; relating to violations and enforcement of money transmission**
9 **laws; relating to money transmission license exemptions; relating to payroll processing**
10 **services; repealing currency exchange licenses; and providing for an effective date."**

11 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

12 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 PURPOSE. The purpose of this Act is to replace existing state money transmission
3 laws to modernize licensure requirements, to add model language for the burgeoning virtual-
4 currency industry, to allow the Department of Commerce, Community, and Economic
5 Development to coordinate with other states in regulation, licensing, and supervision, to
6 standardize the types of activities that are subject to licensing, and to modernize safety and
7 soundness requirements for money transmission.

8 * **Sec. 2.** AS 06.55.101(a) is amended to read:

9 (a) A person may not engage in the business of money transmission or
10 advertise, solicit, or hold **itself** [THE PERSON] out as providing money transmission
11 unless the person

12 (1) holds a [MONEY TRANSMISSION] license; [OR]

13 (2) is an authorized delegate of a **licensee and is acting within the**
14 **scope of that authority under a written contract with the licensee; or**

15 **(3) is exempt under AS 06.55.802 and does not engage in money**
16 **transmission outside the scope of that exemption** [PERSON WHO HOLDS A
17 MONEY TRANSMISSION LICENSE].

18 * **Sec. 3.** AS 06.55.102 is repealed and reenacted to read:

19 **Sec. 06.55.102. Application for license.** (a) An applicant for a license shall
20 submit

21 (1) an application in a form and in a medium prescribed by the
22 department; the application must contain information on the applicant's organization,
23 operations, financial responsibility, background, experience, competence, and
24 activities;

25 (2) any other information reasonably required by the department or
26 registry with respect to the applicant;

27 (3) an application fee;

28 (4) an initial license fee; and

29 (5) a surety bond or other security as required by AS 06.55.505.

30 (b) The department may waive a requirement of (a)(1) - (4) of this section or
31 permit an applicant to submit other information in lieu of the required information.

1 * **Sec. 4.** AS 06.55.105 is repealed and reenacted to read:

2 **Sec. 06.55.105. Issuance of license.** (a) When an application for an initial
3 license under this chapter appears to include all required content and address all
4 matters required by the department, the application is considered complete, and the
5 department shall notify the applicant in a record of the date on which the application
6 was determined to be complete. The department shall approve or deny the application
7 within 120 days after the date the application was determined to be complete. If the
8 application is not approved or denied within 120 days after the completion date,

9 (1) the application is approved; and

10 (2) the license takes effect as of the first business day after expiration
11 of the 120-day period.

12 (b) The department may for good cause extend the period for approving or
13 denying an application under (a) of this section.

14 (c) A determination by the department that an application is complete and the
15 application being accepted for processing means only that the application, on its face,
16 appears to include all required items, including a criminal background check, and
17 address all required matters. The department's determination is not an assessment of
18 the substance of the application or of the sufficiency of the information provided.

19 (d) When an application is filed and considered to be complete under (a) of
20 this section, the department shall investigate the applicant's financial condition,
21 financial responsibility, financial experience, business experience, competence level,
22 character, and general fitness. The department may conduct an on-site investigation of
23 the applicant, the reasonable cost of which the applicant shall pay. The department
24 shall issue a license to an applicant if the department finds that

25 (1) the applicant has complied with AS 06.55.102, 06.55.109, and
26 applicable regulations; and

27 (2) the financial condition, financial responsibility, financial
28 experience, business experience, competence level, character, and general fitness of
29 the applicant, and the experience, competence level, character, and general fitness of
30 the key individuals and persons in control of the applicant indicate that it is in the
31 public interest to allow the applicant to engage in money transmission.

1 (e) If an applicant is subject to a multistate licensing process, the department
2 may

3 (1) accept the investigation results of a lead investigative state for the
4 purposes of (d) of this section; or

5 (2) investigate the applicant in accordance with (d) of this section and
6 the timeframes established by agreement through the multistate licensing process,
7 provided those timeframes comply with the application period set out in (a) of this
8 section.

9 (f) The department shall issue a formal written notice of a denial of a license
10 application within 30 days of the decision to deny the application. The department
11 shall set out in the notice of denial the specific reasons for the denial. An applicant
12 may appeal a denial to the department within 30 days of receipt of the written notice
13 of the denial and may request a hearing.

14 (g) The initial license term begins on the day the application is approved. The
15 license expires on December 31 of the year in which the license is issued, unless

16 (1) the initial license date is between November 1 and December 31, in
17 which instance the initial license term runs through December 31 of the following
18 year; or

19 (2) the license is revoked, suspended, surrendered, or its term
20 otherwise adjusted in accordance with regulations adopted by the department.

21 * **Sec. 5.** AS 06.55.106 is repealed and reenacted to read:

22 **Sec. 06.55.106. Renewal of license.** (a) A licensee shall renew its license
23 annually. A licensee shall pay an annual renewal fee by the renewal filing deadline
24 established by the department. The renewal term is for a period of one year and begins
25 on January 1 of each year after the initial license term and expires on December 31 of
26 the year the renewal term begins.

27 (b) A licensee shall submit a renewal report with the renewal fee in a form and
28 in a medium prescribed by the department. The renewal report must describe each
29 material change in information submitted by the licensee in the licensee's initial
30 license application that has not been reported to the department.

31 (c) The department may for good cause grant an extension of the renewal

1 filing deadline.

2 (d) The department may use the registry to process license renewals.

3 * **Sec. 6.** AS 06.55 is amended by adding new sections to article 1 to read:

4 **Sec. 06.55.108. Maintenance of license.** (a) A licensee shall at all times meet
5 the requirements of this chapter.

6 (b) If a licensee does not continue to meet the qualifications or satisfy the
7 requirements that apply to an applicant for a new license, the department may suspend
8 or revoke the licensee's license in accordance with this chapter or other applicable law.

9 **Sec. 06.55.109. Information requirements for certain individuals.** (a) An
10 individual in control of a licensee or applicant, an individual who seeks to acquire
11 control of a licensee, and each key individual shall furnish to the department through
12 the registry the following items:

13 (1) the individual's fingerprints for submission to the Federal Bureau
14 of Investigation to obtain a national criminal history record check, unless the
15 individual currently resides outside the United States and has resided outside the
16 United States for the last 10 years; and

17 (2) personal history and experience in a form and in a medium
18 prescribed by the department, including

19 (A) an independent credit report from a consumer reporting
20 agency, unless the individual does not have a social security number;

21 (B) information related to a criminal conviction or pending
22 charges; and

23 (C) information related to any regulatory or administrative
24 action and any civil litigation involving claims of fraud, misrepresentation,
25 conversion, mismanagement of funds, breach of fiduciary duty, or breach of
26 contract.

27 (b) If the individual has resided outside the United States for four or more
28 years in the 10 years before the date of furnishing the information under (a) of this
29 section, the individual shall also provide an investigative background report prepared
30 by an independent search firm. The independent search firm may not be affiliated with
31 or have an interest in the individual it is researching. At a minimum, the investigative

1 background report must

2 (1) demonstrate that the independent search firm has sufficient
3 knowledge, resources, and employs accepted and reasonable methodologies to conduct
4 the research of the background report;

5 (2) be written in English and contain the following:

6 (A) if available in the individual's current jurisdiction of
7 residency, a comprehensive credit report or equivalent information obtained or
8 generated by the independent search firm to accomplish a comprehensive
9 credit report, including a search of the court data in the countries, provinces,
10 states, cities, towns, and contiguous areas where the individual has resided and
11 worked;

12 (B) criminal records information for the previous 10 years,
13 including felonies, misdemeanors, or similar convictions for violations of law
14 in the countries, provinces, states, cities, towns, and contiguous areas where
15 the individual has resided and worked;

16 (C) employment history;

17 (D) media history, including an electronic search of national
18 and local publications, wire services, and business applications; and

19 (E) regulatory history related to financial services, including
20 money transmission, securities, banking, insurance, and mortgage-related
21 industries.

22 **Sec. 06.55.110. Consistent state licensing.** (a) To establish consistent
23 licensing between this state and other states, the department may

24 (1) implement all licensing provisions of this chapter in a manner that
25 is consistent with other states that have adopted multistate licensing processes; and

26 (2) participate in nationwide protocols for licensing cooperation and
27 coordination among state regulators if the nationwide protocols are consistent with this
28 chapter.

29 (b) To fulfill the purposes of this chapter, the department may establish
30 relationships or contracts with the registry or other entities designated by the registry
31 to enable the department to

- 1 (1) collect and maintain records;
- 2 (2) coordinate multistate licensing processes and supervision
- 3 processes;
- 4 (3) process fees; and
- 5 (4) facilitate communication between the department and licensees or
- 6 other persons subject to this chapter.

7 (c) The department may use the registry for all aspects of licensing in

8 accordance with this chapter, including license applications, applications for

9 acquisitions of control, surety bonds, reporting, criminal background checks, credit

10 checks, fee processing, and examinations.

11 * **Sec. 7.** AS 06.55 is amended by adding new sections to read:

12 **Article 1A. Virtual Currency Business Activity.**

13 **Sec. 06.55.150. Requirements for engaging in virtual currency business**

14 **activity.** (a) A person may not engage in virtual currency business activity or hold

15 itself out as being able to engage in virtual currency business activity unless the person

16 is

- 17 (1) licensed under this chapter; or
- 18 (2) exempt from licensing under AS 06.55.802.

19 (b) A person that is licensed to engage in virtual currency business activity is

20 engaged in the business of money transmission and is subject to the requirements of

21 this chapter.

22 **Sec. 06.55.155. Required disclosures.** (a) A licensee that engages in virtual

23 currency business activity shall provide to a person that uses the licensee's products or

24 service the disclosures required by (b) of this section and any additional disclosures

25 the department determines to be reasonably necessary for the protection of persons.

26 The department shall determine by regulation or order the time and form required for

27 disclosure. A disclosure required by this section must be made separately from any

28 other information provided by the licensee and in a clear and conspicuous manner in a

29 record the person may keep. A licensee may propose for the department's approval

30 alternative disclosures as more appropriate for its virtual currency business activity.

31 (b) Before establishing a relationship with a person, a licensee shall disclose,

1 to the extent applicable to the virtual currency business activity the licensee will
2 undertake with the person,

3 (1) a schedule of fees and charges the licensee may assess, the manner
4 by which the fees and charges will be calculated if not set in advance and disclosed,
5 and the timing of the fees and charges;

6 (2) whether the product or service provided by the licensee is covered
7 by

8 (A) a form of insurance or is otherwise guaranteed against loss
9 by an agency of the United States

10 (i) up to the dollar equivalent of virtual currency
11 purchased from the licensee or for control of virtual currency by the
12 licensee as of the date of the placement or purchase, including the
13 maximum amount provided by insurance under the Federal Deposit
14 Insurance Corporation or otherwise available from the Securities
15 Investor Protection Corporation; or

16 (ii) if not provided at the dollar equivalent of virtual
17 currency purchased from the licensee or for control of virtual currency
18 by the licensee, the maximum amount of coverage for each person
19 expressed in the dollar equivalent of the virtual currency; or

20 (B) private insurance against theft or loss, including cyber
21 theft;

22 (3) the irrevocability of a virtual currency transfer or virtual currency
23 exchange and any exception to irrevocability;

24 (4) a description of

25 (A) liability for an unauthorized, mistaken, or accidental virtual
26 currency transfer or virtual currency exchange;

27 (B) the person's responsibility to provide notice to the licensee
28 of a virtual currency transfer or virtual currency exchange;

29 (C) the basis for any recovery by the person from the licensee
30 or registrant;

31 (D) general error resolution rights applicable to a virtual

1 currency transfer or virtual currency exchange; and

2 (E) the method for the person to update the person's contact
3 information with the licensee;

4 (5) that the date or time when a virtual currency transfer or virtual
5 currency exchange is made and the person's account is debited may differ from the
6 date or time when the person initiates an instruction to make the transfer or exchange;

7 (6) whether the person has a right to stop a pre-authorized payment or
8 revoke authorization for a virtual currency transfer and the procedure to initiate a stop-
9 payment order or revoke authorization for a subsequent virtual currency transfer;

10 (7) the person's right to receive a receipt, trade ticket, or other evidence
11 of a virtual currency transfer or virtual currency exchange;

12 (8) the person's right to at least 30 days' prior notice of a change in the
13 licensee's fee schedule, other terms and conditions of operating the licensee's virtual-
14 currency business activity with the person, and the policies applicable to the person's
15 account; and

16 (9) that virtual currency is not money, that other persons are not
17 required to take payment in virtual currency, that the value of virtual currency can
18 change, and that virtual currency may not be backed by a governmental agency.

19 (c) Except as provided in (d) of this section, at the conclusion of a virtual
20 currency transaction with or on behalf of a person, a licensee shall provide the person
21 a confirmation in a record that contains

22 (1) the name and contact information of the licensee, including
23 information the person may need to ask a question or file a complaint;

24 (2) the type, value, date, precise time, and amount of the transaction;
25 and

26 (3) the fee charged for the transaction, including any charge for
27 conversion of virtual currency to money, bank credit, or other virtual currency.

28 (d) If a licensee discloses that it will provide a daily confirmation in the initial
29 disclosure under (c) of this section, the licensee may elect to provide a single, daily
30 confirmation for all transactions with or on behalf of a person on that day instead of a
31 confirmation for each transaction.

1 **Sec. 06.55.160. Property interests and entitlements to virtual currency. (a)**

2 A licensee that has control of virtual currency for a person shall maintain in the
3 licensee's control an amount of each type of virtual currency sufficient to satisfy the
4 aggregate entitlements of the person to the type of virtual currency.

5 (b) If a licensee violates (a) of this section, the property interests of the person
6 in the virtual currency are pro rata property interests in the type of virtual currency to
7 which the person is entitled, without regard to the time the person became entitled to
8 the virtual currency or the licensee obtained control of the virtual currency.

9 (c) The virtual currency referred to in this section is

- 10 (1) held for the person entitled to the virtual currency;
11 (2) not property of the licensee;
12 (3) not subject to the claims of creditors of the licensee; and
13 (4) considered a permissible investment under this chapter.

14 **Sec. 06.55.165. Additional requirements and clarifications for virtual**
15 **currency business activities. (a)** A licensee engaged in a virtual currency business
16 activity shall comply with all provisions of this chapter to the extent applicable to the
17 licensee's activities.

18 (b) A licensee engaged in a virtual currency business activity may include
19 virtual currency in the licensee's calculation of tangible net worth, except virtual
20 currency controlled by a person entitled to the protections of AS 06.55.160. The
21 virtual currency is measured by the average value of the virtual currency expressed in
22 the dollar equivalent over the previous six calendar months.

23 (c) For five years after the date of virtual currency business activity with or on
24 behalf of a person, a licensee shall maintain a record of

- 25 (1) each transaction of the licensee with or on behalf of the person or
26 for the licensee's account in this state, including
27 (A) the identity of the person;
28 (B) the form of the transaction;
29 (C) the amount, date, and payment instructions given by the
30 person; and
31 (D) the account number, name, and mailing address of the

1 resident, and to the extent feasible, other parties to the transaction;

2 (2) the aggregate number of transactions and aggregate value of
3 transactions by the licensee with or on behalf of the person and for the licensee's
4 account in this state, expressed in the dollar equivalent of virtual currency for the
5 previous 12 calendar months;

6 (3) each transaction in which the licensee engaged in a virtual currency
7 exchange of one form of virtual currency for money or another form of virtual
8 currency with or on behalf of the person;

9 (4) a general ledger posted at least monthly that lists all assets,
10 liabilities, capital, income, and expenses of the licensee;

11 (5) each report required to be submitted under AS 06.55.403;

12 (6) bank statements and bank reconciliation records for the licensee
13 and the name, account number, and mailing address of each bank the licensee uses in
14 the conduct of its virtual currency business activity with or on behalf of the person;

15 (7) a report of any dispute with the person; and

16 (8) a report of any virtual currency business activity transaction with or
17 on behalf of the person that the licensee was unable to complete.

18 (d) A licensee shall maintain the records required by (c) of this section in a
19 form that enables the department to determine whether the licensee is in compliance
20 with a court order, this chapter, or other law of this state.

21 **Sec. 06.55.170. Scope.** (a) The provisions of AS 06.55.150 - 06.55.165 do not
22 apply to a virtual currency exchange, a virtual currency transfer, virtual currency
23 storage, or virtual currency administration to the extent the activity is governed by 15
24 U.S.C. 1693 - 1693r (Electronic Fund Transfer Act of 1978), 15 U.S.C. 78a - 78qq
25 (Securities Exchange Act of 1934), 7 U.S.C. 1 - 27f (Commodity Exchange Act), or
26 AS 45.56.100 - 45.56.995 (Alaska Securities Act).

27 (b) The provisions of AS 06.55.150 - 06.55.165 do not apply to activity by

28 (1) a person that contributes only connectivity software or computing
29 power to a decentralized virtual currency or to a protocol governing virtual currency
30 transfer of the digital representation of value;

31 (2) a person that provides only data storage or security services for a

1 business engaged in virtual currency business activity and does not otherwise engage
2 in virtual currency business activity on behalf of another person;

3 (3) a person that provides only to another person otherwise exempt
4 from this chapter virtual currency as one or more enterprise solutions used solely
5 between each other and has no agreement or relationship with a person that is an end
6 user of virtual currency;

7 (4) a person using virtual currency, including creating, investing,
8 buying or selling, or obtaining virtual currency as payment for the purchase or sale of
9 goods or services, solely

10 (A) on the person's own behalf;

11 (B) for personal, family, or household purposes; or

12 (C) for academic purposes;

13 (5) a person that engages in virtual currency business activity that is
14 reasonably expected to be valued, in the aggregate, on an annual basis at \$5,000 or
15 less, measured by the dollar equivalent of virtual currency;

16 (6) an attorney providing escrow services to a person;

17 (7) a title insurance company providing escrow services to a person;

18 (8) a securities intermediary, as defined in AS 45.08.102, or a
19 commodity intermediary, as defined in 45.29.102, that

20 (A) does not engage in the ordinary course of business in
21 virtual currency business activity with or on behalf of a person in addition to
22 maintaining securities accounts or commodities accounts and is regulated as a
23 securities intermediary or commodity intermediary under federal law, the law
24 of this state other than this chapter, or the law of another state; and

25 (B) affords a person protections comparable to those set out in
26 AS 06.55.160;

27 (9) a secured creditor under AS 45.29 or creditor with a judicial lien or
28 lien arising by operation of law on collateral that is virtual currency, if the virtual
29 currency business activity of the creditor is limited to enforcement of the security
30 interest in compliance with AS 45.29 or the law applicable to the lien;

31 (10) a virtual currency control services vendor; or

1 (11) a person that does not receive compensation from a person for

2 (A) providing virtual currency products or services;

3 (B) conducting virtual currency business activity; or

4 (C) engaging in testing products or services with the person's

5 own funds.

6 (c) The department may determine, based on facts particular to the person or
7 class of persons, that a person or class of persons is exempt from this chapter.

8 * **Sec. 8.** AS 06.55.301 is repealed and reenacted to read:

9 **Sec. 06.55.301. Relationship between licensee and authorized delegate.** (a)

10 Before a licensee is authorized to conduct business through an authorized delegate or
11 to allow a person to act as the licensee's authorized delegate, the licensee shall

12 (1) adopt, and update as necessary, written policies and procedures
13 reasonably designed to ensure that the authorized delegate complies with applicable
14 state and federal law;

15 (2) enter into a written contract that complies with (c) of this section;
16 and

17 (3) conduct a reasonable, risk-based background investigation
18 sufficient for the licensee to determine whether the authorized delegate has complied
19 and will likely comply with applicable state and federal law.

20 (b) An authorized delegate shall operate in compliance with this chapter.

21 (c) The written contract required by (a)(2) of this section must be signed by
22 the licensee and the authorized delegate and, at a minimum, must

23 (1) appoint the person signing the contract as the licensee's authorized
24 delegate with the authority to conduct money transmission on behalf of the licensee;

25 (2) set out the nature and scope of the relationship between the licensee
26 and the authorized delegate and the respective rights and responsibilities of the parties;

27 (3) require the authorized delegate to agree to comply with all
28 applicable state and federal laws, rules, and regulations pertaining to money
29 transmission, including this chapter and regulations implementing this chapter,
30 relevant provisions of the Bank Secrecy Act, and P.L. 107-56 (USA PATRIOT ACT);

31 (4) require the authorized delegate to remit and handle money and

1 monetary value in accordance with the terms of the contract;

2 (5) establish a trust for the benefit of the licensee on money and
3 monetary value after deducting fees received for money transmission;

4 (6) require the authorized delegate to prepare and maintain records as
5 required by this chapter or regulations implementing this chapter, or as reasonably
6 requested by the department;

7 (7) acknowledge that the authorized delegate consents to examination
8 or investigation by the department;

9 (8) state that the licensee is subject to regulation by the department and
10 that, as part of that regulation, the department may suspend or revoke an authorized
11 delegate designation or require the licensee to terminate an authorized delegate
12 designation; and

13 (9) acknowledge receipt of the written policies and procedures
14 required under (a)(1) of this section.

15 (d) If the licensee's license is suspended, revoked, surrendered, or expired, the
16 licensee shall, within five business days, provide documentation to the department that
17 the licensee has notified all applicable authorized delegates of the licensee whose
18 names are in a record filed with the department of the suspension, revocation,
19 surrender, or expiration. Upon suspension, revocation, surrender, or expiration of a
20 license, applicable authorized delegates shall immediately stop providing money
21 transmission as an authorized delegate of the licensee.

22 (e) An authorized delegate of a licensee holds in trust for the benefit of the
23 licensee all money net of fees received from money transmission. If an authorized
24 delegate commingles any funds received from money transmission with any other
25 funds or property owned or controlled by the authorized delegate, all commingled
26 funds and other property shall be considered held in trust in favor of the licensee in an
27 amount equal to the amount of money net of fees received from money transmission.

28 (f) An authorized delegate may not use a subdelegate to conduct money
29 transmission on behalf of a licensee.

30 (g) In this section, "remit" means to make direct payments of money to a
31 licensee or its representative authorized to receive money or to deposit money in a

1 bank account specified by the licensee.

2 * **Sec. 9.** AS 06.55.302 is amended to read:

3 **Sec. 06.55.302. Unauthorized activities.** A person may not **engage in the**
 4 **business of money transmission on behalf of a person that is not licensed or**
 5 **exempt** [ACT AS AN AUTHORIZED DELEGATE FOR, OR OTHERWISE
 6 PROVIDE MONEY SERVICES ON BEHALF OF, A PERSON WHO DOES NOT
 7 HOLD A MONEY SERVICES LICENSE] under this chapter. **A person that engages**
 8 **in the business of money transmission on behalf of a person not licensed or**
 9 **exempt under this chapter provides money transmission to the same extent as if**
 10 **the person were a licensee and is jointly and severally liable with the unlicensed**
 11 **or nonexempt person.**

12 * **Sec. 10.** AS 06.55.401 is repealed and reenacted to read:

13 **Sec. 06.55.401. Supervision; examination.** (a) The department may conduct
 14 an examination of a licensee or authorized delegate or otherwise take independent
 15 action authorized by this chapter, regulations implementing this chapter, and other
 16 applicable law, including the Bank Secrecy Act, 15 U.S.C. 1693 - 1693r (Electronic
 17 Fund Transfer Act of 1978), P.L. 106-102 (Gramm-Leach-Bliley Act), and P.L. 107-
 18 56 (USA PATRIOT ACT). The department may

19 (1) conduct an on-site or off-site examination as the department
 20 reasonably requires;

21 (2) conduct an examination in conjunction with an examination
 22 conducted by representatives of other agencies of this state, another state, or the
 23 federal government;

24 (3) accept the examination report of another agency of this state,
 25 another state, or the federal government, or a report prepared by an independent
 26 accounting firm; a report accepted under this paragraph will be considered for all
 27 purposes to be an official report of the department; and

28 (4) summon and examine under oath a key individual or employee of a
 29 licensee or authorized delegate and require the key individual or employee to produce
 30 records regarding any matter related to the condition and business of the licensee or
 31 authorized delegate.

1 (b) A licensee or authorized delegate shall provide, and the department shall
 2 have complete access to, all records the department reasonably requires to conduct a
 3 complete examination. The licensee or authorized delegate shall provide the records at
 4 the location and in the format specified by the department. The department may use
 5 multistate record production standards and examination procedures when the standards
 6 and procedures will reasonably achieve the requirements of this section.

7 (c) Unless otherwise directed by the department, a licensee shall pay all costs
 8 reasonably incurred in connection with an examination of the licensee or the licensee's
 9 authorized delegate.

10 (d) Information obtained during an examination under this chapter may be
 11 disclosed only as provided in AS 06.55.407.

12 * **Sec. 11.** AS 06.55.403(a) is repealed and reenacted to read:

13 (a) A licensee shall submit a report of the licensee's financial condition within
 14 45 days after the end of each quarter of the calendar year or within an extended period
 15 that the department prescribes. The report of condition must include

16 (1) financial information at the licensee's level;

17 (2) nationwide and state-specific money transmission transaction
 18 information in every jurisdiction in the United States where the licensee is licensed to
 19 engage in money transmission;

20 (3) a permissible investments report;

21 (4) transaction destination country reporting for money received for
 22 transmission, if applicable; and

23 (5) any other information the department reasonably requires with
 24 respect to the licensee.

25 * **Sec. 12.** AS 06.55.403(b) is repealed and reenacted to read:

26 (b) A licensee shall submit a report of the licensee's authorized delegates
 27 within 45 days after the end of each quarter of the calendar year. The report of
 28 authorized delegates must include the following information about each authorized
 29 delegate:

30 (1) legal name;

31 (2) taxpayer employer identification number or social security number;

- 1 (3) principal provider identifier;
- 2 (4) physical address;
- 3 (5) mailing address;
- 4 (6) business conducted in other states, if any;
- 5 (7) fictitious name, alias, or other trade name, if any;
- 6 (8) contact person name, telephone number, and electronic mail
- 7 address;
- 8 (9) the date the authorized delegate began acting as the licensee's
- 9 authorized delegate;
- 10 (10) the date the authorized delegate stopped acting as the licensee's
- 11 authorized delegate, if applicable; and
- 12 (11) any other information the department reasonably requires with
- 13 respect to the authorized delegate.

14 * **Sec. 13.** AS 06.55.403(c) is amended to read:

15 (c) A [MONEY SERVICES] licensee shall file a report with the department
 16 within one business day after the [MONEY SERVICES] licensee has reason to know
 17 of the occurrence of any of the following events:

18 (1) the filing of a petition by or against the [MONEY SERVICES]
 19 licensee under **11 U.S.C. 101 - 112** [11 U.S.C. 101 - 110] (Bankruptcy Code) for
 20 bankruptcy or reorganization;

21 (2) the filing of a petition by or against the [MONEY SERVICES]
 22 licensee for receivership, the commencement of any other judicial or administrative
 23 proceeding for its dissolution or reorganization, or the making of a general assignment
 24 for the benefit of its creditors;

25 (3) the commencement of a proceeding to revoke or suspend its
 26 [MONEY SERVICES] license in a state or country in which the [MONEY
 27 SERVICES] licensee engages in business or is licensed;

28 (4) the cancellation or other impairment of the [MONEY SERVICES]
 29 licensee's bond or other security;

30 (5) a charge against or conviction of the [MONEY SERVICES]
 31 licensee or of **a key individual** [AN EXECUTIVE OFFICER, MANAGER,

1 DIRECTOR,] or person in control of the [MONEY SERVICES] licensee for a felony;
2 or

3 (6) a charge against or conviction of an authorized delegate for a
4 felony.

5 * **Sec. 14.** AS 06.55.403 is amended by adding a new subsection to read:

6 (d) The department may use the registry for the submission of reports required
7 by this section.

8 * **Sec. 15.** AS 06.55.404 is repealed and reenacted to read:

9 **Sec. 06.55.404. Control; acquisition; passive investor.** (a) A person or group
10 of persons acting in concert seeking to acquire control of a licensee shall obtain the
11 written approval of the department before acquiring control. An individual is not
12 deemed to acquire control of a licensee when that individual becomes a key individual
13 in the ordinary course of business.

14 (b) A person or group of persons acting in concert seeking to acquire control
15 of a licensee shall, in cooperation with the licensee,

16 (1) submit an application in a form and in a medium prescribed by the
17 department that includes the information required by AS 06.55.412, as applicable; and

18 (2) submit a nonrefundable fee with the request for approval.

19 (c) The department may permit a licensee or the person, or group of persons
20 acting in concert, to submit some or all information required by the department under
21 (b)(1) of this section without using the registry.

22 (d) When an application for acquisition of control appears to include all
23 required content and address all matters required by the department, the application is
24 considered complete, and the department shall notify the applicant in a record of the
25 date on which the department determines the application is complete. The department
26 shall approve or deny the application within 120 days after the date the application
27 was determined to be complete. If the application is not approved or denied within 120
28 days after the completion date,

29 (1) the application is approved; and

30 (2) the person or group of persons acting in concert is not prohibited
31 from acquiring control.

1 (e) The department may for good cause extend the period for approving or
2 denying an application under (d) of this section.

3 (f) A determination by the department that an application is complete and the
4 application being accepted for processing means only that the application, on its face,
5 appears to include all required items, including a criminal background check, and
6 address all required matters. The department's determination is not an assessment of
7 the substance of the application or of the sufficiency of the information provided.

8 (g) When an application is filed and considered to be complete under (d) of
9 this section, the department shall investigate the financial condition, financial
10 responsibility, financial experience, business experience, competence level, character,
11 and general fitness of the person or group of persons acting in concert seeking to
12 acquire control. The department shall approve a request for acquisition of control if
13 the department finds that

14 (1) the requirements of (b) of this section have been met, as applicable;
15 and

16 (2) the financial condition, financial responsibility, financial
17 experience, business experience, competence level, character, and general fitness of
18 the person or group of persons acting in concert seeking to acquire control, and the
19 experience, competence level, character, and general fitness of the key individuals and
20 persons that would be in control of the licensee after the acquisition of control indicate
21 that it is in the public interest to permit the person or group of persons acting in
22 concert to control the licensee.

23 (h) If an applicant for approval to acquire control is subject to a multistate
24 licensing process, the department may

25 (1) accept the investigation results of a lead investigative state for the
26 purposes of (g) of this section; or

27 (2) investigate the applicant in accordance with (g) of this section and
28 the timeframes established by agreement through the multistate licensing process,
29 provided those timeframes comply with the application period set out in (d) of this
30 section.

31 (i) The department shall issue a formal written notice of a denial of an

1 application for approval to acquire control within 30 days after the decision to deny
2 the application. The department shall set out in the notice of denial the specific reasons
3 for the denial. An applicant may appeal a denial within 30 days after receiving the
4 written notice of the denial.

5 (j) The requirements of (a) and (b) of this section do not apply to

6 (1) a person that acts as a proxy for the sole purpose of voting at a
7 designated meeting of the shareholders or holders of voting shares or voting interests
8 of a licensee or a person in control of a licensee;

9 (2) a person that acquires control of a licensee by devise or descent;

10 (3) a person that acquires control of a licensee as a personal
11 representative, custodian, guardian, conservator, or trustee, or as an officer appointed
12 by a court of competent jurisdiction or by operation of law;

13 (4) a person that is exempt under AS 06.55.802(4);

14 (5) a person that the department, by regulation or order, determines to
15 be exempt from the requirements of (a) and (b) of this section because that exemption
16 is in the public interest;

17 (6) a public offering of securities of a licensee or a person in control of
18 a licensee; or

19 (7) an internal reorganization of a person in control of a licensee where
20 the ultimate person in control of the licensee remains the same.

21 (k) A person exempt from the requirements of (a) and (b) of this section, in
22 cooperation with the licensee, shall notify the department within 15 days after the
23 acquisition of control.

24 (l) Before filing an application for approval to acquire control of a licensee, a
25 person may request in writing a determination from the department as to whether the
26 person would be considered a person in control of a licensee upon consummation of a
27 proposed transaction. If the department determines that the person would not be a
28 person in control of a licensee, the proposed person and transaction are not subject to
29 the requirements of (a) and (b) of this section.

30 (m) If a multistate licensing process includes a determination made under (l)
31 of this section and an applicant is subject to the multistate licensing process, the

1 department may

2 (1) accept the control determination of a lead investigative state; or

3 (2) investigate the applicant in accordance with this section and the
4 timeframes established by agreement through the multistate licensing process.

5 (n) The requirements of (a) and (b) of this section do not apply to a person that
6 has complied with and received approval to engage in money transmission under this
7 chapter or was identified as a person in control in a previous application filed with and
8 approved by the department, or by an accredited state in accordance with a multistate
9 licensing process, if

10 (1) in the previous five years, the person has not had a license revoked
11 or suspended or controlled a licensee that has had a license revoked or suspended
12 while the person was in control of the licensee;

13 (2) the person is a licensee, is well managed, and has received at least a
14 satisfactory rating for compliance at the person's most recent examination by an
15 accredited state if a rating was given;

16 (3) the licensee to be acquired is projected to meet the requirements of
17 this chapter, including AS 06.55.501, 06.55.505, and 06.55.510, after the acquisition
18 of control is completed, and, if the person acquiring control is a licensee, the licensee
19 is also projected to meet the requirements of this chapter, including AS 06.55.501,
20 06.55.505, and 06.55.510, after the acquisition of control is completed;

21 (4) the licensee to be acquired will not implement any material
22 changes to the licensee's business plan as a result of the acquisition of control, and, if
23 the person acquiring control is a licensee, the licensee also will not implement any
24 material changes to the licensee's business plan as a result of the acquisition of control;
25 and

26 (5) the person provides notice of the acquisition in cooperation with
27 the licensee and attests to (1) - (4) of this subsection in a form and in a medium
28 prescribed by the department.

29 (o) If the notice required under (n)(5) of this section is not disapproved within
30 30 days after the date on which the notice was determined to be complete, the notice is
31 considered to be approved.

1 (p) A person is presumed to exercise a controlling influence when the person
 2 holds the power to vote, directly or indirectly, at least 25 percent of the outstanding
 3 voting shares or voting interests of a licensee or person in control of a licensee. To
 4 determine the percentage of a person controlled by any other person, the interest of the
 5 person presumed to have a controlling interest shall be aggregated with the interest of
 6 any other immediate family member, including the person's spouse, parents, children,
 7 siblings, relative by marriage, and any other person who shares the home of the person
 8 presumed to have a controlling interest.

9 (q) A passive investor is not considered to have control under this chapter. To
 10 be a passive investor, a person

11 (1) may not have the power to elect a majority of key individuals or
 12 executive officers, managers, directors, trustees, or other persons exercising
 13 managerial authority of a person in control of a licensee;

14 (2) may not be employed by or have managerial duties of the licensee
 15 or person in control of a licensee;

16 (3) may not have the power to exercise, directly or indirectly, a
 17 controlling influence over the management or policies of a licensee or person in
 18 control of a licensee; and

19 (4) shall attest to (1) - (3) of this subsection in a form and in a medium
 20 prescribed by the department or in a written affidavit.

21 * **Sec. 16.** AS 06.55.405(a) is amended to read:

22 (a) A [MONEY SERVICES] licensee shall maintain the following records for
 23 determining its compliance with this chapter for at least **five** [THREE] years:

24 (1) a record of each **outstanding money transmission** [PAYMENT
 25 INSTRUMENT OR STORED-VALUE] obligation sold;

26 (2) a general ledger posted at least monthly containing all asset,
 27 liability, capital, income, and expense accounts;

28 (3) bank statements and bank reconciliation records;

29 (4) records of outstanding **money transmission** [PAYMENT
 30 INSTRUMENTS AND STORED-VALUE] obligations;

31 (5) records of each **outstanding money transmission** [PAYMENT

1 INSTRUMENT AND STORED-VALUE] obligation paid within the **five-year**
 2 [THREE-YEAR] period;

3 (6) a list of the last known names and addresses of all of the [MONEY
 4 SERVICES] licensee's authorized delegates; and

5 (7) any other records the department reasonably requires by regulation.

6 * **Sec. 17.** AS 06.55.405(d) is amended to read:

7 (d) All records maintained by the [MONEY SERVICES] licensee as required
 8 in (a) - (c) of this section are open to inspection by the department under
 9 AS 06.55.401.

10 * **Sec. 18.** AS 06.55.406(a) is amended to read:

11 (a) A [MONEY SERVICES] licensee and an authorized delegate shall file
 12 with the appropriate federal agency [ATTORNEY GENERAL] all reports required by
 13 federal currency reporting, record keeping, and suspicious transaction reporting
 14 requirements as set out in **the Bank Secrecy Act** [31 U.S.C. 5311] and other federal
 15 and state laws pertaining to money laundering.

16 * **Sec. 19.** AS 06.55.407(a) is amended to read:

17 (a) Except as [OTHERWISE] provided in (b) **and (f)** of this section, all
 18 information or reports obtained by the department from an applicant, [A] licensee, or
 19 [AN] authorized delegate, **all information contained in or related to an**
 20 **examination, investigation, operating report, or condition report prepared by, on**
 21 **behalf of, or for the use of the department, and financial statements, balance**
 22 **sheets, or authorized delegate information,** are confidential and not subject to
 23 disclosure under AS 40.25.100 - 40.25.295 [, INCLUDING

24 (1) ALL INFORMATION CONTAINED IN OR RELATED TO
 25 EXAMINATION, INVESTIGATION, OPERATING, OR CONDITION REPORTS
 26 PREPARED BY, ON BEHALF OF, OR FOR THE USE OF THE DEPARTMENT;
 27 AND

28 (2) FINANCIAL STATEMENTS, BALANCE SHEETS, AND
 29 AUTHORIZED DELEGATE INFORMATION].

30 * **Sec. 20.** AS 06.55.407(b) is amended to read:

31 (b) The department may disclose information that is not otherwise subject to

1 disclosure under (a) of this section to representatives of state or federal agencies who
 2 promise in a record that they will maintain the confidentiality of the information or if
 3 the department finds that the release is reasonably necessary for the protection of the
 4 public and in the interests of justice [, AND THE MONEY SERVICES LICENSEE
 5 HAS BEEN GIVEN PREVIOUS NOTICE BY THE DEPARTMENT OF ITS
 6 INTENT TO RELEASE THE INFORMATION].

7 * **Sec. 21.** AS 06.55.407(c) is amended to read:

8 (c) This section does not prohibit the department from disclosing to the public
 9 a list of [MONEY SERVICES] licensees or the aggregated financial **or transactional**
 10 data concerning those [MONEY SERVICES] licensees.

11 * **Sec. 22.** AS 06.55.407(d) is amended to read:

12 (d) A [MONEY SERVICES] licensee or an authorized delegate may not
 13 disclose to another person financial information provided to the [MONEY
 14 SERVICES] licensee or the authorized delegate by a customer except when, and only
 15 to the extent that, the disclosure is

16 (1) authorized in writing by the customer;

17 (2) required by federal, state, or local law;

18 (3) required by an order issued by a court or an administrative agency;

19 or

20 (4) part of the money **transmission** [SERVICES] transaction ordered
 21 by the customer.

22 * **Sec. 23.** AS 06.55.407 is amended by adding a new subsection to read:

23 (f) Information contained in the records of the department that is not
 24 confidential and may, upon request, be made available to the public on the
 25 department's Internet website includes

26 (1) the name, business address, telephone number, and unique registry
 27 identifier of a licensee;

28 (2) the business address of a licensee's registered agent for service;

29 (3) the name, business address, and telephone number of all authorized
 30 delegates;

31 (4) the terms of or a copy of any bond filed by a licensee, if that

1 confidential information, including the prices and fees for the bond, is redacted;

2 (5) copies of any nonconfidential final orders of the department
3 relating to any violation of this chapter or regulations implementing this chapter; and

4 (6) imposition of an administrative fine or penalty under this chapter.

5 * **Sec. 24.** AS 06.55 is amended by adding new sections to article 4 to read:

6 **Sec. 06.55.408. Audited financials.** (a) A licensee shall, within 90 days after
7 the end of the licensee's fiscal year or within any extended period that the department
8 establishes, file with the department

9 (1) an audited financial statement of the licensee for the licensee's
10 fiscal year prepared in accordance with generally accepted accounting principles; and

11 (2) any other information the department reasonably requires.

12 (b) The audited financial statement must be prepared by an independent
13 certified public accountant or independent public accountant who is satisfactory to the
14 department.

15 (c) The audited financial statement must include a certificate of opinion of the
16 independent certified public accountant or independent public accountant that is
17 satisfactory in form and content to the department. If the certificate of opinion is
18 qualified, the department may order the licensee to take any action that the department
19 finds necessary to enable the independent certified public accountant or independent
20 public accountant to remove the qualification.

21 **Sec. 06.55.409. Implementation.** (a) To carry out the purposes of this chapter,
22 subject to AS 06.55.407, the department may

23 (1) enter into an agreement or relationship with a government official
24 or federal or state regulatory agency or regulatory association to improve efficiency
25 and reduce regulatory burden by standardizing methods or procedures, and sharing
26 resources, records, or related information obtained under this chapter;

27 (2) use, hire, contract, or employ analytical systems, methods, or
28 software to examine or investigate a person subject to this chapter;

29 (3) accept from a state or federal government agency or official
30 licensing, examination, or investigation reports made by the agency or official; and

31 (4) accept an audit report made by an independent certified public

1 accountant or independent public accountant that is satisfactory to the department for
2 an applicant or licensee and incorporate the audit reports into a report of examination
3 or investigation.

4 (b) The department has broad administrative authority to administer, interpret
5 and enforce this chapter, to adopt regulations implementing this chapter, and to
6 recover the cost of administering and enforcing this chapter by imposing and
7 collecting proportionate and equitable fees and costs associated with applications,
8 examinations, investigations, and other actions required to achieve the purpose of this
9 chapter.

10 **Sec. 06.55.410. Networked supervision.** (a) The department may participate
11 in multistate supervisory processes established between and among states and
12 coordinated through a nationally recognized organization acceptable to the department
13 for regulation of licensees that hold licenses in this state and other states. As a
14 participant in multistate supervision, subject to AS 06.55.407, the department may

15 (1) cooperate, coordinate, and share information with other state and
16 federal regulators; and

17 (2) enter into written contracts or agreements with other state and
18 federal regulators for the purposes of cooperating, coordinating, and sharing
19 information with those state and federal regulators.

20 (b) Nothing in this section constitutes a waiver of the department's authority to
21 conduct an examination or investigation or otherwise take independent action to
22 enforce compliance with applicable state or federal law.

23 (c) A joint examination or investigation, or acceptance of an examination or
24 investigation report, does not waive an examination assessment provided for in this
25 chapter.

26 **Sec. 06.55.411. Relationship to federal law.** (a) If state money transmission
27 jurisdiction is conditioned on a federal law, any inconsistency between a provision of
28 this chapter and the federal law governing money transmission is governed by the
29 applicable federal law to the extent of the inconsistency.

30 (b) When a federal law governs to the extent of an inconsistency in
31 accordance with (a) of this section, the department may provide interpretive guidance

1 that

2 (1) identifies the inconsistency; and

3 (2) identifies the appropriate means of compliance with federal law.

4 **Sec. 06.55.412. Notice and information requirements for a change of key**
5 **individual.** (a) A licensee adding or replacing a key individual shall

6 (1) provide notice in a manner prescribed by the department within 15
7 days after the effective date of the key individual's appointment; and

8 (2) provide the information required under AS 06.55.109 within 45
9 days after the effective date of the key individual's appointment.

10 (b) The department may issue a notice of disapproval of a key individual if the
11 department finds that the individual's experience, competence level, character, or
12 integrity indicate that it would not be in the best interest of the public or the customers
13 of the licensee to permit the individual to be a key individual. The department shall
14 issue a notice of disapproval within 90 days after determining the notice provided
15 under (a) of this section is complete.

16 (c) A notice of disapproval shall contain a statement of the basis for the
17 disapproval and be sent to the licensee and the disapproved individual. A licensee may
18 appeal a notice of disapproval within 30 days after receipt of the notice.

19 (d) If the notice provided under (a) of this section is not disapproved within 90
20 days after the date the notice was determined to be complete, the key individual is
21 considered to be approved.

22 (e) If a multistate licensing process includes a key individual notice review
23 and disapproval process, and the licensee is subject to the multistate licensing process,
24 the department may

25 (1) accept the key individual notice review determination of another
26 state; or

27 (2) investigate the applicant in accordance with (b) of this section and
28 the timeframes established by agreement through the multistate licensing process.

29 * **Sec. 25.** AS 06.55.501 is amended to read:

30 **Sec. 06.55.501. Maintenance of permissible investments.** (a) A [MONEY
31 SERVICES] licensee shall maintain at all times permissible investments that have a

1 market value computed under generally accepted accounting principles of not less than
 2 the aggregate amount of all of its outstanding **money transmission** [PAYMENT
 3 INSTRUMENTS AND STORED VALUE] obligations [ISSUED OR SOLD IN ALL
 4 STATES AND MONEY TRANSMITTED FROM ALL STATES BY THE MONEY
 5 SERVICES LICENSEE].

6 (b) **Except for permissible investments listed in AS 06.55.502, the** [THE]
 7 department, with respect to any **licensee** [MONEY SERVICES LICENSEES], may **by**
 8 **regulation or order** limit the extent to which a **specific** [TYPE OF] investment
 9 **maintained by a licensee** within a class of permissible investments may be
 10 considered a permissible investment [, EXCEPT FOR MONEY AND
 11 CERTIFICATES OF DEPOSIT ISSUED BY A BANK. THE DEPARTMENT BY
 12 REGULATION MAY PRESCRIBE OR BY ORDER ALLOW OTHER TYPES OF
 13 INVESTMENTS THAT THE DEPARTMENT DETERMINES TO HAVE A
 14 SAFETY SUBSTANTIALLY EQUIVALENT TO OTHER PERMISSIBLE
 15 INVESTMENTS].

16 (c) Permissible investments, even if commingled with other assets of the
 17 [MONEY SERVICES] licensee, are held in trust for the benefit of the purchasers and
 18 holders of the [MONEY SERVICES] licensee's outstanding **money transmission**
 19 [PAYMENT INSTRUMENTS AND STORED VALUE] obligations in the event of
 20 **the licensee's insolvency, bankruptcy, [OR] receivership, commencement of other**
 21 **judicial or administrative proceedings for the licensee's dissolution or**
 22 **reorganization, or in the event of an action by a creditor against the licensee who**
 23 **is not a beneficiary of the statutory trust. A permissible investment impressed**
 24 **with a trust in accordance with this subsection is not subject to attachment, levy**
 25 **of execution, or sequestration by a court, unless the attachment, levy of execution,**
 26 **or sequestration is for a beneficiary of the statutory trust** [OF THE MONEY
 27 SERVICES LICENSEE].

28 * **Sec. 26.** AS 06.55.501 is amended by adding new subsections to read:

29 (d) Upon the establishment of a statutory trust under (c) of this section, or
 30 when funds are drawn on a letter of credit under AS 06.55.502(a)(4) or 06.55.503, the
 31 department shall notify the applicable regulator of each state in which the licensee is

1 licensed to engage in money transmission, if any, of the establishment of the trust or
 2 the funds drawn on the letter of credit, as applicable. Notice may be provided in
 3 accordance with a multistate agreement or through the registry. Funds drawn on a
 4 letter of credit and any other permissible investments held in trust for the benefit of the
 5 purchasers and holders of the licensee's outstanding money transmission obligations
 6 are considered to be held in trust for the benefit of the purchasers and holders on a pro
 7 rata and equitable basis in accordance with state law and the law of other states, as
 8 applicable. A statutory trust established under this section shall be terminated upon
 9 extinguishment of all the licensee's outstanding money transmission obligations.

10 (e) The department may by regulation or order allow other types of
 11 investments that the department determines are of sufficient liquidity and quality to be
 12 a permissible investment. The department may participate in efforts with other state
 13 regulators to identify permissible investments.

14 * **Sec. 27.** AS 06.55.502(a) is amended to read:

15 (a) Except to the extent otherwise limited by the department under
 16 AS 06.55.501, **or as modified by a regulation of the department,** the following
 17 investments are permissible under AS 06.55.501:

18 (1) cash, **demand deposits, savings deposits, funds in accounts held**
 19 **for the benefit of a licensee's customers in a federally insured depository financial**
 20 **institution, money market mutual funds, certificates** [A CERTIFICATE] of
 21 deposit, [OR A] senior debt **obligations** [OBLIGATION] of **a federally** [AN] insured
 22 depository **financial** institution, **and cash equivalents, including automated**
 23 **clearing house items in transit to the licensee and automated clearing house items**
 24 **or international wires in transit to a payee, cash in transit by armored car, cash**
 25 **in smart safes, cash in licensee-owned locations, and transmission receivables**
 26 **owed by a bank and funded by a credit card or debit card** [; IN THIS
 27 PARAGRAPH, "INSURED DEPOSITORY INSTITUTION" HAS THE MEANING
 28 GIVEN IN 12 U.S.C. 1813 (FEDERAL DEPOSIT INSURANCE ACT)];

29 (2) [BANKER'S ACCEPTANCE OR BILL OF EXCHANGE THAT
 30 IS ELIGIBLE FOR PURCHASE ON ENDORSEMENT BY A MEMBER BANK OF
 31 THE FEDERAL RESERVE SYSTEM AND IS ELIGIBLE FOR PURCHASE BY A

1 FEDERAL RESERVE BANK;

2 (3)] an investment bearing a rating of one of the three highest grades as
3 defined by a nationally recognized organization that rates securities;

4 **(3)** [(4) AN INVESTMENT SECURITY THAT IS] an obligation of
5 the United States or a **commission** [DEPARTMENT], agency, or instrumentality of
6 the United States, [AN INVESTMENT IN] an obligation that is guaranteed fully as to
7 principal and interest by the United States, or [AN INVESTMENT IN] an obligation
8 of a state or a governmental subdivision, agency, or instrumentality of a state;

9 **(4) the full drawable amount of an irrevocable standby letter of**
10 **credit that complies with AS 06.55.503;**

11 **(5) 100 percent of the surety bond provided for under**
12 **AS 06.55.505 that exceeds the average daily money transmission liability in this**
13 **state**

14 [(5) RECEIVABLES THAT ARE PAYABLE TO A MONEY
15 SERVICES LICENSEE FROM ITS AUTHORIZED DELEGATES, IN THE
16 ORDINARY COURSE OF BUSINESS, UNDER CONTRACTS THAT ARE NOT
17 PAST DUE OR DOUBTFUL OF COLLECTION IF THE AGGREGATE AMOUNT
18 OF RECEIVABLES UNDER THIS PARAGRAPH DOES NOT EXCEED 20
19 PERCENT OF THE TOTAL PERMISSIBLE INVESTMENTS OF A MONEY
20 SERVICES LICENSEE AND THE MONEY SERVICES LICENSEE DOES NOT
21 HOLD AT ONE TIME RECEIVABLES UNDER THIS PARAGRAPH IN ANY
22 ONE PERSON AGGREGATING MORE THAN 10 PERCENT OF THE MONEY
23 SERVICES LICENSEE'S TOTAL PERMISSIBLE INVESTMENTS; AND

24 (6) A SHARE OR A CERTIFICATE ISSUED BY AN OPEN-END
25 MANAGEMENT INVESTMENT COMPANY THAT IS REGISTERED WITH THE
26 UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER 15
27 U.S.C. 80A-1 - 80A-64 (INVESTMENT COMPANY ACT OF 1940), AND WHOSE
28 PORTFOLIO IS RESTRICTED BY THE MANAGEMENT COMPANY'S
29 INVESTMENT POLICY TO INVESTMENTS SPECIFIED IN (1) - (4) OF THIS
30 SUBSECTION].

31 * **Sec. 28.** AS 06.55.502(b) is repealed and reenacted to read:

1 (b) Unless modified by the department by regulation, the following
2 investments are permissible under (a) of this section to the extent specified:

3 (1) receivables that are payable to a licensee from its authorized
4 delegates in the ordinary course of business that are less than seven days old and do
5 not exceed 50 percent of the aggregate value of the licensee's total permissible
6 investments; receivables under this paragraph that are payable to a licensee from a
7 single authorized delegate in the ordinary course of business may not exceed 10
8 percent of the aggregate value of the licensee's total permissible investments;

9 (2) the following investments, not to exceed 20 percent for each
10 category and a combined total of 50 percent of the aggregate value of the licensee's
11 total permissible investments:

12 (A) a short-term investment of not more than six months'
13 duration bearing an eligible rating;

14 (B) commercial paper bearing an eligible rating;

15 (C) a bill, note, bond, or debenture bearing an eligible rating;

16 (D) United States tri-party repurchase agreements collateralized
17 at 100 percent or more by federal government or agency securities, municipal
18 bonds, or other securities bearing an eligible rating;

19 (E) money market mutual funds rated by an eligible rating
20 service selected by the department as appropriate for this purpose at a rate
21 determined by the department; and

22 (F) a mutual fund or other investment fund composed solely
23 and exclusively of one or more permissible investments listed in (a)(1) - (3) of
24 this section; and

25 (3) cash held in accounts for the benefit of the licensee's customers at
26 foreign depository financial institutions, not to exceed 10 percent of the aggregate
27 value of the licensee's total permissible investments, if the licensee has received a
28 satisfactory rating in the licensee's most recent examination and the foreign depository
29 financial institution

30 (A) has an eligible rating;

31 (B) is registered under 26 U.S.C. 1471 - 1474 (Foreign

1 Account Tax Compliance Act);

2 (C) is not located in any country subject to sanctions from the
3 United States Department of the Treasury, Office of Foreign Asset Control;
4 and

5 (D) is not located in a high-risk or non-cooperative jurisdiction
6 as designated by the Financial Action Task Force.

7 * **Sec. 29.** AS 06.55 is amended by adding new sections to article 5 to read:

8 **Sec. 06.55.503. Letter of credit.** (a) A letter of credit permitted under
9 AS 06.55.502(a)(4)

10 (1) must list the department as the beneficiary;

11 (2) must stipulate that the beneficiary is only required to draw a sight
12 draft under the letter of credit and present it to obtain funds up to the letter of credit
13 amount within seven days after presenting the items required by (7) of this subsection;

14 (3) must be issued by

15 (A) a federally insured depository financial institution;

16 (B) a foreign bank that is authorized under federal law to
17 maintain a federal agency or federal branch office in a state; or

18 (C) a foreign bank that

19 (i) is authorized under state law to maintain a branch in
20 a state;

21 (ii) bears an eligible rating or whose parent company
22 bears an eligible rating; and

23 (iii) is regulated, supervised, and examined by federal
24 or state authorities having regulatory authority over banks, credit
25 unions, and trust companies;

26 (4) must be irrevocable, unconditional, and indicate that the letter of
27 credit is not subject to any condition or qualifications outside of the letter of credit;

28 (5) may not contain reference to any other agreements, documents, or
29 entities, or otherwise provide for any security interest in the licensee;

30 (6) must contain an issue date and expiration date, and expressly
31 provide for automatic extension, without a written amendment, for an additional

1 period of one year from the present or each future expiration date, unless the issuer of
 2 the letter of credit notifies the department in writing by certified or registered mail,
 3 courier mail, or by other means of notice that provides a receipt, at least 60 days
 4 before an expiration date, that the irrevocable letter of credit will not be extended; and

5 (7) must provide that the issuer of the letter of credit will honor, at
 6 sight, a presentation made by the beneficiary to the issuer of the following documents
 7 on or before the expiration date of the letter of credit:

8 (A) the original letter of credit, including any amendments; and

9 (B) a written statement from the beneficiary stating whether
 10 one or more of the following events have occurred:

11 (i) the filing of a petition by or against the licensee
 12 under 11 U.S.C. Section 101 - 112 (Bankruptcy Code), for bankruptcy
 13 or reorganization;

14 (ii) the filing of a petition by or against the licensee for
 15 receivership, or the commencement of any other judicial or
 16 administrative proceeding for the licensee's dissolution or
 17 reorganization;

18 (iii) the seizure of assets of a licensee under an
 19 emergency order issued by the department, or by the applicable
 20 regulator of each state in which the licensee is licensed to engage in
 21 money transmission, in accordance with applicable law, on the basis of
 22 an action, violation, or condition that has caused or is likely to cause
 23 the insolvency of the licensee; or

24 (iv) the beneficiary received notice of expiration or non-
 25 extension of a letter of credit and the licensee failed to demonstrate to
 26 the satisfaction of the beneficiary that the licensee will maintain
 27 permissible investments in accordance with AS 06.55.501 upon the
 28 expiration or non-extension of the letter of credit.

29 (b) In the event of any notice of expiration or non-extension of a letter of
 30 credit issued under (a) of this section, the licensee shall be required to demonstrate to
 31 the satisfaction of the department, 15 days prior to expiration, that the licensee

1 maintains and will maintain permissible investments in accordance with AS 06.55.501
2 upon expiration of the letter of credit. If the licensee is not able to do so, the
3 department may draw on the letter of credit in an amount up to the amount necessary
4 to meet the licensee's requirements to maintain permissible investments in accordance
5 with AS 06.55.501. Any such draw shall be offset against the licensee's outstanding
6 money transmission obligations. The drawn funds shall be held in trust by the
7 department or the department's designated agent, to the extent authorized by law, as
8 agent for the benefit of the purchasers and holders of the licensee's outstanding money
9 transmission obligations.

10 (c) The department may designate an agent to serve on the department's behalf
11 as beneficiary to a letter of credit so long as the agent and letter of credit meet
12 requirements established by the department. The department's agent may serve as
13 agent for multiple licensing authorities for a single irrevocable letter of credit if the
14 proceeds of the drawable amount for the purposes of AS 06.55.502(a)(4) are assigned
15 to the department.

16 (d) The department may participate in multistate processes designed to
17 facilitate the issuance and administration of letters of credit, including services
18 provided by the registry.

19 **Sec. 06.55.505. Security.** (a) An applicant for a license shall provide, and a
20 licensee at all times shall maintain, security consisting of a surety bond in a form
21 satisfactory to the department or, with the department's approval, a deposit in
22 accordance with this section.

23 (b) The amount of the required security shall be determined by the department
24 by regulation or order. The amount of the required security shall be proportional to the
25 licensee's average daily money transmission liability in this state up to a maximum of
26 \$1,000,000.

27 (c) A licensee that maintains a bond in the maximum amount provided for
28 under (b) of this section is not required to calculate its average daily money
29 transmission liability in this state for purposes of this section.

30 (d) A licensee may exceed the maximum required bond amount.

31 (e) The aggregate liability on a surety bond may not exceed the principal sum

1 of the bond. A claimant against a licensee may maintain an action on the bond, or the
2 department may maintain an action on behalf of the claimant.

3 (f) A surety bond must cover claims for as long as the department specifies,
4 but at least for the five years after the date the licensee stops providing money
5 transmission in this state. The department may permit the amount of security to be
6 reduced or eliminated before the expiration of that time to the extent the amount of the
7 licensee's outstanding money transmission obligations in this state is reduced. The
8 department may permit a licensee to substitute another form of security acceptable to
9 the department for the security effective at the time the licensee stops providing
10 money transmission in this state.

11 (g) An applicant for a license or a licensee shall obtain a surety bond required
12 under this section from a surety company authorized to do business in this state.

13 **Sec. AS 06.55.510. Net worth.** (a) A licensee shall maintain at all times a
14 tangible net worth of

15 (1) the greater of \$35,000 or three percent of total assets for the first
16 \$100,000,000;

17 (2) two percent of additional assets for \$100,000,001 to
18 \$1,000,000,000; and

19 (3) 0.5 percent of additional assets for over \$1,000,000,001.

20 (b) Tangible net worth must be demonstrated at initial application by the
21 applicant's most recent audited or unaudited financial statements.

22 (c) The department may exempt any applicant or licensee, in whole or in part,
23 from the requirements of this section.

24 * **Sec. 30.** AS 06.55.601 is amended to read:

25 **Sec. 06.55.601. Suspension and revocation; receivership.** (a) The
26 department may suspend or revoke a [MONEY SERVICES] license, place a
27 [MONEY SERVICES] licensee in receivership, or order a [MONEY SERVICES]
28 licensee to revoke the designation of an authorized delegate if

29 (1) the [MONEY SERVICES] licensee violates this chapter or a
30 regulation adopted or an order issued under this chapter;

31 (2) the [MONEY SERVICES] licensee does not cooperate with an

1 examination or investigation by the department;

2 (3) the [MONEY SERVICES] licensee engages in fraud, intentional
3 misrepresentation, or gross negligence;

4 (4) an authorized delegate is convicted of a violation of a state or
5 federal anti-money laundering statute, or violates a regulation adopted or an order
6 issued under this chapter, as a result of the [MONEY SERVICES] licensee's wilful
7 misconduct or wilful blindness;

8 (5) the competence level, experience, character, or general fitness of
9 the [MONEY SERVICES] licensee, authorized delegate, person in control of a
10 [MONEY SERVICES] licensee, key individual, or responsible person of the
11 [MONEY SERVICES] licensee or authorized delegate indicates that it is not in the
12 public interest to permit the person to provide money transmission [SERVICES];

13 (6) the [MONEY SERVICES] licensee engages in an unsafe or
14 unsound practice;

15 (7) the [MONEY SERVICES] licensee is insolvent, suspends payment
16 of its obligations, or makes a general assignment for the benefit of its creditors; or

17 (8) the [MONEY SERVICES] licensee does not remove an authorized
18 delegate after the department issues and serves on [UPON] the [MONEY SERVICES]
19 licensee a final order that includes [INCLUDING] a finding that the authorized
20 delegate has violated this chapter.

21 (b) In determining whether a [MONEY SERVICES] licensee is engaging in
22 an unsafe or unsound practice, the department may consider the size and condition of
23 the [MONEY SERVICES] licensee's money transmission, the magnitude of the loss,
24 the gravity of the violation of this chapter, and the previous conduct of the person
25 involved.

26 * **Sec. 31.** AS 06.55.601 is amended by adding a new subsection to read:

27 (c) A licensee may apply for relief from a suspension or revocation of its
28 license according to procedures prescribed by the department.

29 * **Sec. 32.** AS 06.55.602 is amended to read:

30 **Sec. 06.55.602. Suspension and revocation of authorized delegates.** (a) The
31 department may issue an order suspending or revoking the designation of an

1 authorized delegate if the department finds that

2 (1) the authorized delegate violated this chapter or a regulation adopted
3 or an order issued under this chapter;

4 (2) the authorized delegate did not cooperate with an examination or
5 investigation by the department;

6 (3) the authorized delegate engaged in fraud, intentional
7 misrepresentation, or gross negligence;

8 (4) the authorized delegate is convicted of a violation of a state or
9 federal anti-money laundering statute;

10 (5) the competence level, experience, character, or general fitness of
11 the authorized delegate or a person in control of the authorized delegate indicates that
12 it is not in the public interest to permit the authorized delegate to provide money
13 transmission [SERVICES]; or

14 (6) the authorized delegate is engaging in an unsafe or unsound
15 practice.

16 (b) In determining whether an authorized delegate is engaging in an unsafe or
17 unsound practice, the department may consider the size and condition of the
18 authorized delegate's provision of money transmission [SERVICES], the magnitude
19 of the loss, the gravity of the violation of this chapter or a regulation adopted or order
20 issued under this chapter, and the previous conduct of the authorized delegate.

21 * **Sec. 33.** AS 06.55.602 is amended by adding a new subsection to read:

22 (c) An authorized delegate may apply for relief from a suspension or
23 revocation of designation as an authorized delegate according to procedures prescribed
24 by the department.

25 * **Sec. 34.** AS 06.55.603(a) is amended to read:

26 (a) If the department determines that a violation of this chapter or of a
27 regulation adopted or an order issued under this chapter by a [MONEY SERVICES]
28 licensee or authorized delegate is likely to cause immediate and irreparable harm to
29 the [MONEY SERVICES] licensee, its customers, or the public as a result of the
30 violation, or cause insolvency or significant dissipation of assets of the [MONEY
31 SERVICES] licensee, the department may issue an order requiring the [MONEY

1 SERVICES] licensee or authorized delegate to cease and desist from the violation.
 2 The order becomes effective on service of it on the [MONEY SERVICES] licensee or
 3 authorized delegate.

4 * **Sec. 35.** AS 06.55.603(b) is amended to read:

5 (b) The department may issue an order against a [MONEY SERVICES]
 6 licensee to cease and desist from providing money **transmission** [SERVICES]
 7 through an authorized delegate who is the subject of a separate order by the
 8 department.

9 * **Sec. 36.** AS 06.55.603(d) is amended to read:

10 (d) A [MONEY SERVICES] licensee or an authorized delegate who is served
 11 with an order to cease and desist may petition the superior court for a judicial order
 12 setting aside, limiting, or suspending the enforcement, operation, or effectiveness of
 13 the order pending the completion of an administrative proceeding under AS 06.55.601
 14 or 06.55.602.

15 * **Sec. 37.** AS 06.55.605 is amended to read:

16 **Sec. 06.55.605. Civil penalties.** The department may assess a civil penalty
 17 against a person **that** [WHO] violates this chapter or a regulation adopted or an order
 18 issued under this chapter in an amount not to exceed \$1,000 **a** [EACH] day for each
 19 day the violation is outstanding, **plus the department's costs and expenses for the**
 20 **investigation.**

21 * **Sec. 38.** AS 06.55.606(b) is amended to read:

22 (b) A person who knowingly engages in an activity for which a [MONEY
 23 SERVICES] license is required under this chapter without being [LICENSED AS] a
 24 [MONEY SERVICES] licensee and who receives more than \$500 in compensation
 25 within a 30-day period from this activity is guilty of a class C felony.

26 * **Sec. 39.** AS 06.55.606(c) is amended to read:

27 (c) A person who knowingly engages in an activity for which a [MONEY
 28 SERVICES] license is required under this chapter without being licensed [AS A
 29 MONEY SERVICES LICENSEE] and who receives **not** [NO] more than \$500 in
 30 compensation within a 30-day period from this activity is guilty of a class A
 31 misdemeanor.

1 * **Sec. 40.** AS 06.55.607(a) is amended to read:

2 (a) If the department has reason to believe that a person has violated or is
3 violating AS 06.55.101 [OR 06.55.201], the department may issue an order to show
4 cause why an order to cease and desist should not issue requiring that the person cease
5 and desist from the violation of AS 06.55.101 [OR 06.55.201].

6 * **Sec. 41.** AS 06.55.607(e) is amended to read:

7 (e) A person **that** [WHO] is served with an order to cease and desist for
8 violating AS 06.55.101 [OR 06.55.201] may petition the superior court for a judicial
9 order setting aside, limiting, or suspending the enforcement, operation, or
10 effectiveness of the order pending the completion of an administrative proceeding
11 under AS 06.55.701 and 06.55.702.

12 * **Sec. 42.** AS 06.55.702(a) is amended to read:

13 (a) Except as otherwise provided in AS 06.55.603 and 06.55.607 [AND IN (b)
14 OF THIS SECTION], the department may not suspend or revoke a [MONEY
15 SERVICES] license, place a [MONEY SERVICES] licensee in receivership, issue an
16 order to cease and desist, suspend or revoke the designation of an authorized delegate,
17 or assess a civil penalty without notice and an opportunity to be heard. The department
18 shall also hold a hearing when requested to hold a hearing by an applicant whose
19 application for a [MONEY SERVICES] license is denied.

20 * **Sec. 43.** AS 06.55.802 is amended to read:

21 **Sec. 06.55.802. Exemptions [EXCLUSIONS].** This chapter does not apply to

22 (1) the United States or a department, [AN] agency, [OR AN]
23 instrumentality, **or agent** of the United States;

24 (2) money transmission by the United States Postal Service or by **an**
25 **agent** [A CONTRACTOR ON BEHALF] of the United States Postal Service;

26 (3) a state, a municipality, a county, or another governmental agency
27 or governmental subdivision of a state, **or its agent**;

28 (4) a **federally insured depository financial institution**, bank, a bank
29 holding company, an office of an international banking corporation, a branch of a
30 foreign bank, a corporation organized under 12 U.S.C. 1861 - 1867 (Bank Service
31 Company Act), or a corporation organized under 12 U.S.C. 611 - 633 (Edge Act)

1 under the laws of a state or the United States, if it does not issue, sell, or provide
 2 payment instruments or stored value through an authorized delegate who is not a bank,
 3 a bank holding company, an office of an international banking corporation, a branch of
 4 a foreign bank, a corporation organized under 12 U.S.C. 1861 - 1867 (Bank Service
 5 Company Act), or a corporation organized under 12 U.S.C. 611 - 633 (Edge Act)
 6 under the laws of a state or the United States; **an institution regulated by the Farm
 7 Credit Association; or a subsidiary or affiliate of a financial institution, if the
 8 subsidiary or affiliate is owned and controlled by a depository institution and
 9 regulated by a federal banking agency; in this paragraph, "federal banking
 10 agency" means the Board of Governors of the Federal Reserve System, the
 11 Comptroller of the Currency, the director of the Office of Thrift Supervision, the
 12 National Credit Union Administration, and the Federal Deposit Insurance
 13 Corporation;**

14 (5) electronic funds transfer of governmental benefits for a federal,
 15 state, or municipal agency or a state political subdivision by a contractor on behalf of

16 (A) the United States or a department, an agency, or an
 17 instrumentality of the United States; or

18 (B) a state, or a department, an agency, or an instrumentality of
 19 a state;

20 (6) a board of trade or a person **that** [WHO], in the ordinary course of
 21 business, provides clearance and settlement services for a board of trade, to the extent
 22 of the operation of the person for a board of trade; in this paragraph, "board of trade"
 23 means a board of trade designated as a contract market under 7 U.S.C. 1 - 27f
 24 (Commodity Exchange Act);

25 (7) a registered futures commission merchant under the federal
 26 commodities laws, to the extent of the merchant's operation as a registered futures
 27 commission merchant under the federal commodities laws;

28 (8) a person **that** [WHO] provides clearance or settlement services
 29 under a registration as a clearing agency or an exemption from the registration granted
 30 under the federal securities laws, to the extent of the person's operation as a provider
 31 of clearance or settlement services under a registration as a clearing agency or an

1 exemption from the registration granted under the federal securities laws;

2 (9) an operator of a payment system to the extent that the operator
3 provides processing, clearing, or settlement services, between or among persons
4 **exempted** [EXCLUDED] by this section, in connection with wire transfers, credit
5 card transactions, debit card transactions, stored-value transactions, automated
6 clearinghouse transfers, or similar funds transfers; [OR]

7 (10) a person registered as a securities broker-dealer under federal or
8 state securities laws, to the extent of the person's operation as a securities broker-
9 dealer;

10 **(11) an individual employed by a licensee, an authorized delegate,**
11 **or a person exempt from the licensing requirements of this chapter when the**
12 **individual is acting within the scope of employment and under the supervision of**
13 **the licensee, authorized delegate, or exempt person as an employee and not as an**
14 **independent contractor;**

15 **(12) a person expressly appointed as a third-party service provider**
16 **to or agent of an entity exempt under (4) of this section, solely to the extent that**

17 **(A) the service provider or agent is engaging in money**
18 **transmission on behalf of and in accordance with a written agreement**
19 **with the exempt entity that sets out the specific functions that the service**
20 **provider or agent is to perform; and**

21 **(B) the exempt entity assumes all risk of loss and all legal**
22 **responsibility for satisfying the outstanding money transmission**
23 **obligations owed to purchasers and holders of the outstanding money**
24 **transmission obligations upon receipt of the purchaser's or holder's**
25 **money or monetary value by the service provider or agent;**

26 **(13) a person appointed as an agent of a payee to collect and**
27 **process a payment from a payor to the payee for goods or services, other than**
28 **money transmission services, provided to the payor by the payee, if**

29 **(A) the payee and the agent have a written agreement**
30 **directing the agent to collect and process payments from payors on the**
31 **payee's behalf;**

1 **(B) the payee holds the agent out to the public as accepting**
2 **payments for goods or services on the payee's behalf; and**

3 **(C) payment for the goods and services is treated as**
4 **received by the payee upon receipt by the agent, the payor's obligation is**
5 **extinguished, and there is no risk of loss to the payor if the agent fails to**
6 **remit the funds to the payee;**

7 **(14) a person that acts as an intermediary by processing payments**
8 **between an entity that has directly incurred an outstanding money transmission**
9 **obligation to a sender and the sender's designated recipient if the entity**

10 **(A) is a licensee or exempt from the licensing requirements**
11 **of this chapter;**

12 **(B) provides a receipt, electronic record, or other written**
13 **confirmation to the sender identifying the entity as the provider of money**
14 **transmission in the transaction; and**

15 **(C) bears sole responsibility to satisfy the outstanding**
16 **money transmission obligation to the sender, including the obligation to**
17 **make the sender whole in connection with any failure to transmit the**
18 **funds to the sender's designated recipient;**

19 **(15) an entity that is an insurance company, title insurance**
20 **company, or escrow agent, to the extent that the entity is lawfully authorized to**
21 **conduct business in this state as an insurance company, title insurance company,**
22 **or escrow agent and to the extent that the entity engages in money transmission**
23 **as an ancillary service when conducting insurance, title insurance, or escrow**
24 **activity;**

25 **(16) an attorney, to the extent that the attorney is lawfully**
26 **authorized to practice law in this state and engages in money transmission as an**
27 **ancillary service to the practice of law;**

28 **(17) a person exempt by regulation or order if the department**
29 **finds that the exemption is in the public interest and that the regulation of the**
30 **person is not necessary for the purposes of this chapter; or**

31 **(18) a person providing payroll processing services; in this**

1 paragraph,

2 (A) "payroll processing services" means receiving money
 3 for transmission under a contract with a person to deliver wages or
 4 salaries, make payment of payroll taxes to state and federal agencies,
 5 make payments relating to employee benefit plans, or make distributions
 6 of other authorized deductions from wages or salaries;

7 (B) "receiving money for transmission" means receiving
 8 money or monetary value in the United States for transmission within or
 9 outside the United States by electronic or other means [UNDER FEDERAL
 10 OR STATE SECURITIES LAWS].

11 * **Sec. 44.** AS 06.55 is amended by adding a new section to read:

12 **Sec. 06.55.803. Authority to require demonstration of exemption.** The
 13 department may require a person who claims to be exempt from licensing under
 14 AS 06.55.802 to provide information and documentation to the department
 15 demonstrating the claimed exemption.

16 * **Sec. 45.** AS 06.55.810 is amended to read:

17 **Sec. 06.55.810. Notices required.** (a) A [MONEY SERVICES] licensee shall
 18 provide customers with notice of how to file a complaint. A licensee shall provide
 19 notice [DISPLAY A SIGN] at each location where the [MONEY SERVICES]
 20 licensee

21 (1) provides money transmission [SERVICES] under this chapter;
 22 and

23 (2) has not designated an authorized delegate to provide money
 24 transmission [SERVICES] on behalf of the [MONEY SERVICES] licensee at the
 25 location.

26 (b) An authorized delegate shall provide customers with notice of how to
 27 file a complaint. An authorized delegate shall provide notice [DISPLAY A SIGN]
 28 at each location where the authorized delegate provides money transmission
 29 [SERVICES] under this chapter.

30 (c) The notice [SIGN] required by (a) or (b) of this section must be in a
 31 format and contain information required by the department [SHALL BE

1 DISPLAYED AT ALL TIMES IN FULL VIEW OF PERSONS VISITING THE
 2 LOCATION AND SHALL GIVE THE DEPARTMENT'S ADDRESS AND THE
 3 DEPARTMENT'S TELEPHONE NUMBER FOR RECEIVING CALLS
 4 REGARDING COMPLAINTS AND OTHER CONCERNS ABOUT MONEY
 5 SERVICES LICENSEES, AUTHORIZED DELEGATES, AND THE MONEY
 6 SERVICES PROVIDED BY MONEY SERVICES LICENSEES AND
 7 AUTHORIZED DELEGATES].

8 * **Sec. 46.** AS 06.55.810 is amended by adding a new subsection to read:

9 (d) A licensee or authorized delegate shall include on a receipt or disclose on
 10 the licensee's Internet website or mobile application the name and telephone number
 11 of the department and a statement that the licensee's customers can contact the
 12 department with questions or complaints about the licensee's money transmission. In
 13 this subsection, "mobile application" means a software application developed
 14 specifically for use on small, wireless computing devices.

15 * **Sec. 47.** AS 06.55 is amended by adding a new section to read:

16 **Sec. 06.55.815. In-state determination.** For a transaction requested
 17 electronically or by telephone, the licensee or authorized delegate may determine if the
 18 person requesting the transaction is in this state by relying on other information
 19 provided by the person regarding the location of the person's residential address or
 20 principal place of business or other physical address, and any records associated with
 21 the person that the licensee or authorized delegate may have that indicate the location,
 22 including an address associated with an account.

23 * **Sec. 48.** AS 06.55.830 is repealed and reenacted to read:

24 **Sec. 06.55.830. Receipt.** (a) Except as provided in (c) of this section, a
 25 licensee or licensee's authorized delegate shall provide the sender a receipt for money
 26 received for transmission. The receipt must be in English and in any other language
 27 principally used by the licensee or authorized delegate to advertise, solicit, or
 28 negotiate, either orally or in writing, for a transaction conducted. The receipt must
 29 contain the following information, as applicable:

- 30 (1) the name of the sender;
 31 (2) the name of the designated recipient;

- 1 (3) the date of the transaction;
 2 (4) the unique transaction or identification number;
 3 (5) the name of the licensee, unique registry identifier, the licensee's
 4 business address, and the licensee's customer service telephone number;
 5 (6) the dollar amount of the transaction;
 6 (7) any fee charged by the licensee to the sender for the transaction;
 7 (8) any taxes collected by the licensee from the sender for the
 8 transaction; and
 9 (9) the exchange rate, if any, used by the provider for the transaction.

10 (b) For a transaction conducted in person, the receipt may be provided
 11 electronically if the sender requests or agrees to receive an electronic receipt. For a
 12 transaction conducted electronically or by telephone, a receipt may be provided
 13 electronically. All electronic receipts must be provided in a retainable form.

14 (c) This section does not apply to

- 15 (1) money received for transmission subject to 12 C.F.R. Part 1005,
 16 Subpart B;
 17 (2) money received for transmission that is not primarily for personal,
 18 family, or household purposes;
 19 (3) money received for transmission in accordance with a written
 20 agreement between the licensee and payee to process payments for goods or services
 21 provided by the payee;
 22 (4) an individual consumer transferring funds to reload stored value to
 23 the consumer's account through a point of sale transaction; or
 24 (5) stored value transactions exempted by the department by regulation
 25 or order.

26 (d) In this section, "receipt" means a paper receipt, electronic record, or other
 27 written confirmation.

28 * **Sec. 49.** AS 06.55 is amended by adding a new section to read:

29 **Sec. 06.55.835. Timely transmission.** (a) A licensee shall forward all money
 30 received for transmission in accordance with the terms of the agreement between the
 31 licensee and the sender unless the licensee has a reasonable belief that the sender may

1 be a victim of fraud or that a crime or violation of law, rule, or regulation has
2 occurred, is occurring, or may occur.

3 (b) If a licensee fails to forward money received for transmission in
4 accordance with this section, the licensee must respond to inquiries by the sender with
5 the reason for the failure unless providing a response would violate a state or federal
6 law, rule, or regulation.

7 * **Sec. 50.** AS 06.55.840 is repealed and reenacted to read:

8 **Sec. 06.55.840. Refunds.** (a) Except as provided in (b) of this section, a
9 licensee shall refund to the sender, within 10 days after receipt of the sender's written
10 request for a refund, all money received for transmission unless

11 (1) the money has been forwarded within 10 days after the date on
12 which the money was received for transmission;

13 (2) within 10 days after the date on which the money was received for
14 transmission, instructions have been given committing an equivalent amount of money
15 to the person designated by the sender;

16 (3) the agreement between the licensee and the sender instructs the
17 licensee to forward the money at a time that is beyond 10 days after the date on which
18 the money was received for transmission; if money has not yet been forwarded in
19 accordance with the terms of the agreement between the licensee and the sender, the
20 licensee shall issue a refund in accordance with this section;

21 (4) the refund is requested for a transaction that the licensee has not
22 completed based on a reasonable belief that a crime or violation of law, rule, or
23 regulation has occurred, is occurring, or may occur; or

24 (5) the refund request does not

25 (A) identify the sender's name and

26 (i) address; or

27 (ii) telephone number; or

28 (B) identify the particular transaction to be refunded in the
29 event the sender has multiple transactions outstanding.

30 (b) This section does not apply to

31 (1) money received for transmission subject to 12 C.F.R. Part 1005,

1 Subpart B; or

2 (2) money received for transmission in accordance with a written
3 agreement between the licensee and payee to process payments for goods or services
4 provided by the payee.

5 * **Sec. 51.** AS 06.55.850(b) is amended to read:

6 (b) The department shall establish fee levels under (a) of this section so that
7 the [TOTAL AMOUNT OF] fees collected for [BOTH MONEY TRANSMISSION]
8 licenses **are sufficient to cover the cost of administration of** [AND CURRENCY
9 EXCHANGE LICENSES UNDER] this chapter. **The fees may include**

10 **(1) an annual renewal fee consistent with (f) of this section;**

11 **(2) a late fee for the late payment of a fee established by the**
12 **department;**

13 **(3) an hourly investigation fee to cover the costs of an investigation**
14 **of the books and records of a licensee or other person subject to this chapter;**

15 **(4) a nonrefundable application fee to cover the costs of processing**
16 **license applications;**

17 **(5) an initial license fee to cover the period from the day the**
18 **application is approved to the end of the calendar year in which the license is**
19 **initially granted; and**

20 **(6) a transaction fee to cover the administrative cost associated**
21 **with processing changes in control, changes of address, and other administrative**
22 **changes** [APPROXIMATELY EQUALS THE DEPARTMENT'S ACTUAL TOTAL
23 REGULATORY COSTS FOR BOTH MONEY TRANSMISSION LICENSES AND
24 CURRENCY EXCHANGE LICENSES. THE DEPARTMENT SHALL SET THE
25 FEE LEVELS SO THAT THE FEE LEVELS FOR BOTH MONEY
26 TRANSMISSION LICENSES AND CURRENCY EXCHANGE LICENSES ARE
27 THE SAME].

28 * **Sec. 52.** AS 06.55.850(c) is amended to read:

29 (c) The department shall annually review each fee level to determine whether
30 the **fees collected** [REGULATORY COSTS] are **sufficient to cover the cost of**
31 **administration of this chapter** [APPROXIMATELY EQUAL TO FEE

1 COLLECTIONS]. If the review indicates that fee collections [AND REGULATORY
2 COSTS] are not sufficient to cover the cost of administration of this chapter
3 [APPROXIMATELY EQUAL], the department shall calculate fee adjustments and
4 adopt regulations under (a) of this section to implement the adjustments.

5 * **Sec. 53.** AS 06.55.850 is amended by adding a new subsection to read:

6 (f) An annual renewal fee must be based on a licensee's total volume of money
7 transmission in this state, calculated in dollars or dollar equivalents. An annual
8 renewal fee shall be determined by the department by regulation or order.

9 * **Sec. 54.** AS 06.55.990(1) is amended to read:

10 (1) "authorized delegate" means a person that a [MONEY
11 SERVICES] licensee designates to engage in [PROVIDE] money transmission
12 [SERVICES] on behalf of the [MONEY SERVICES] licensee;

13 * **Sec. 55.** AS 06.55.990(3) is amended to read:

14 (3) "control" means

15 (A) [THE OWNERSHIP OF, OR] the power to vote, directly
16 or indirectly, at least 25 percent of the [A CLASS OF] outstanding voting
17 shares [SECURITIES] or voting interests of a [MONEY SERVICES] licensee
18 or of a person that has the power to vote, directly or indirectly, at least 25
19 percent of the voting securities or voting interests [IN CONTROL] of a
20 [MONEY SERVICES] licensee, unless the person with the power to vote is
21 a passive investor as described under AS 06.55.404(q);

22 (B) the power to elect or appoint a majority of key
23 individuals, executive officers, managers, directors, trustees, or other persons
24 exercising managerial authority of a [MONEY SERVICES] licensee or person
25 in control of a [MONEY SERVICES] licensee; or

26 (C) the power to exercise, directly or indirectly, a controlling
27 influence over the management or policies of a [MONEY SERVICES]
28 licensee or person in control of a [MONEY SERVICES] licensee;

29 * **Sec. 56.** AS 06.55.990(15) is amended to read:

30 (15) "money transmission"

31 (A) means

1 (i) selling or issuing payment instruments or stored
2 value **to a person located in this state;**

3 (ii) [, OR] receiving money or monetary value for
4 transmission **from a person located in this state;**

5 **(iii) engaging in virtual currency exchange; or**

6 **(iv) engaging in virtual currency business activity;**

7 **(B)** [, BUT] does not **mean** [INCLUDE] the provision solely of
8 [DELIVERY,] online services, telecommunications services, or network
9 access;

10 * **Sec. 57.** AS 06.55.990(19) is amended to read:

11 (19) "payment instrument" means a **written or electronic** check, [A]
12 draft, [A] money order, [A] traveler's check, or **other written or electronic**
13 [ANOTHER] instrument for the transmission or payment of money or monetary value,
14 whether or not negotiable, but does not **mean stored value,** [INCLUDE] a credit card
15 voucher, a letter of credit, [OR] an instrument that is redeemable by the issuer in
16 goods or services, **or other instrument not sold to the public but issued and**
17 **distributed as part of a loyalty, rewards, or promotional program;**

18 * **Sec. 58.** AS 06.55.990(20) is amended to read:

19 (20) "person" means an individual, **general partnership, limited**
20 **partnership,** [A] corporation, [A BUSINESS] trust, [AN ESTATE, A TRUST, A
21 PARTNERSHIP, A] limited liability company, [AN] association, [A] joint **stock**
22 **corporation** [VENTURE, A GOVERNMENT, A GOVERNMENTAL
23 SUBDIVISION, AN AGENCY, OR AN INSTRUMENTALITY, A PUBLIC
24 CORPORATION], or any other legal or **corporate** [COMMERCIAL] entity
25 **identified by the department;**

26 * **Sec. 59.** AS 06.55.990(22) is amended to read:

27 (22) "state" means a state of the United States, the District of
28 Columbia, Puerto Rico, the United States Virgin Islands, **a United States military**
29 **installation that is located in a foreign country,** or a territory or insular possession
30 subject to the jurisdiction of the United States;

31 * **Sec. 60.** AS 06.55.990(23) is amended to read:

1 (23) "stored value"

2 (A) means

3 (i) monetary value **representing a claim against the**
 4 **issuer** that is evidenced by an electronic **or digital** record **and that is**
 5 **intended and accepted as a means of redemption for money or**
 6 **monetary value, or payment for goods or services; or**

7 (ii) **prepaid access as defined in 31 C.F.R. 1010.100;**

8 (B) **does not mean a payment instrument, a closed-loop**
 9 **stored value, or monetary value not sold to the public but issued and**
 10 **distributed as part of a loyalty, rewards, or promotional program;**

11 * **Sec. 61.** AS 06.55.990(24) is amended to read:

12 (24) "unsafe or unsound practice" means a practice or conduct by a
 13 [MONEY TRANSMISSION] licensee or an authorized delegate **that** [OF THE
 14 MONEY TRANSMISSION LICENSEE IF THE PRACTICE] creates the likelihood
 15 of material loss, insolvency, or dissipation of the [MONEY TRANSMISSION]
 16 licensee's assets, or otherwise materially prejudices the interests of the [MONEY
 17 TRANSMISSION] licensee's customers.

18 * **Sec. 62.** AS 06.55.990 is amended by adding new paragraphs to read:

19 (25) "accredited state" means a state agency that is accredited by the
 20 Conference of State Bank Supervisors and Money Transmitter Regulators Association
 21 for money transmission licensing and supervision;

22 (26) "acting in concert" means persons knowingly acting together with
 23 a common goal of jointly acquiring control of a licensee whether or not under an
 24 express agreement;

25 (27) "average daily money transmission liability" means the amount of
 26 the licensee's outstanding money transmission obligations in this state at the end of
 27 each day in a given period, added together and divided by the total number of days in
 28 the given period; in this paragraph, "given period" means a calendar year quarter
 29 ending March 31, June 30, September 30, or December 31;

30 (28) "Bank Secrecy Act" means 31 U.S.C. 5311 - 5336 and its
 31 implementing regulations;

1 (29) "closed-loop stored value" means stored value that is redeemable
2 by the issuer only for goods or services provided by the issuer or its affiliate, or
3 franchisees of the issuer or its affiliate, except to the extent required by applicable law
4 to be redeemable in cash for its cash value;

5 (30) "control of virtual currency," when used in reference to a
6 transaction or relationship involving virtual currency, means the power to execute
7 unilaterally or prevent indefinitely a virtual currency transaction;

8 (31) "dollar equivalent" means the equivalent value of a particular
9 virtual currency in United States dollars shown on a virtual currency exchange based
10 in the United States for a particular date or period specified in this chapter; in this
11 paragraph, "virtual currency exchange" means an organization that provides a market
12 for the exchange of virtual currency;

13 (32) "eligible rating" means a short-term or long-term credit rating
14 determined by the department that is based on any of the three highest rating
15 categories provided by an eligible rating service;

16 (33) "eligible rating service" means a nationally recognized statistical
17 rating organization, as determined by the United States Securities and Exchange
18 Commission, and any other nationally recognized statistical rating organization
19 designated by the department by regulation;

20 (34) "federally insured depository financial institution" means a bank,
21 credit union, savings and loan association, trust company, savings association, savings
22 bank, industrial bank, or industrial loan company organized under the laws of the
23 United States or any state of the United States that has federally insured deposits;

24 (35) "in this state" means at a physical location within this state for a
25 transaction requested in person;

26 (36) "individual" means a natural person;

27 (37) "key individual" means an individual ultimately responsible for
28 establishing or directing policies and procedures of the licensee, including an
29 executive officer, manager, director, or trustee;

30 (38) "license" means a license issued under AS 06.55.105;

31 (39) "licensee" means a person licensed under AS 06.55.105;

1 (40) "money received for transmission" means money or monetary
2 value received in the United States for transmission within or outside the United States
3 by electronic or other means;

4 (41) "multistate licensing process" means an agreement entered into by
5 and among state regulators relating to coordinated processing of applications for
6 licenses, applications for the acquisition of control of a licensee, control
7 determinations, or notice and information requirements for a change of key
8 individuals;

9 (42) "outstanding money transmission obligation" means

10 (A) a payment instrument or stored value issued or sold by a
11 licensee to a person located in the United States, or reported as sold by an
12 authorized delegate of the licensee to a person that is located in the United
13 States, that has not yet been paid or refunded by or for the licensee, or
14 escheated in accordance with applicable abandoned property laws; or

15 (B) money received for transmission by the licensee or an
16 authorized delegate in the United States from a person located in the United
17 States that has not been received by the payee or refunded to the sender, or
18 escheated in accordance with applicable abandoned property laws; in this
19 paragraph, "in the United States" means, to the extent applicable, a person in a
20 state, territory, or possession of the United States, the District of Columbia, the
21 Commonwealth of Puerto Rico, or a United States military installation that is
22 located in a foreign country;

23 (43) "registry" means the Nationwide Multistate Licensing System and
24 Registry, a licensing system owned and operated by the State Regulatory Registry,
25 LLC, or any successor or affiliated entity, for the licensing and registration of persons
26 in the mortgage and other financial services industries;

27 (44) "tangible net worth" means the aggregate assets of a licensee
28 excluding all intangible assets, less liabilities, as determined in accordance with
29 generally accepted accounting principles;

30 (45) "virtual currency"

31 (A) means a digital representation of value that

1 (i) is used as a medium of exchange, unit of account, or
2 store of value; and

3 (ii) is not money, whether or not denominated in
4 money;

5 (B) does not mean

6 (i) a transaction in which a merchant grants, as part of
7 an affinity or rewards program, value that cannot be taken from or
8 exchanged with the merchant for money, bank credit, or virtual
9 currency; or

10 (ii) a digital representation of value issued by or on
11 behalf of a publisher and used solely within an online game, game
12 platform, or family of games sold by the same publisher or offered on
13 the same game platform;

14 (46) "virtual currency business activity" means

15 (A) exchanging, transferring, or storing virtual currency or
16 engaging in virtual currency administration, whether directly or through an
17 agreement with a virtual currency control services vendor; in this
18 subparagraph, "virtual currency administration" means issuing virtual currency
19 with the authority to redeem the currency for money, bank credit, or other
20 virtual currency;

21 (B) holding electronic precious metals or electronic certificates
22 representing interests in precious metals on behalf of another person or issuing
23 shares or electronic certificates representing interests in precious metals; or

24 (C) exchanging one or more digital representations of value
25 used within one or more online games, game platforms, or family of games for

26 (i) virtual currency offered by or on behalf of the same
27 publisher from which the original digital representation of value was
28 received; or

29 (ii) money or bank credit outside the online game, game
30 platform, or family of games offered by or on behalf of the same
31 publisher from which the original digital representation of value was

1 received;

2 (47) "virtual currency control services vendor" means a person that has
3 control of virtual currency solely under an agreement with a person that, on behalf of
4 another person, assumes control of virtual currency;

5 (48) "virtual currency exchange" means to

6 (A) assume control of virtual currency from or on behalf of a
7 person, at least momentarily; or

8 (B) sell, trade, or convert

9 (i) virtual currency for money, bank credit, or one or
10 more forms of virtual currency or money; or

11 (ii) bank credit for one or more forms of virtual
12 currency;

13 (49) "virtual currency transfer" means to assume control of virtual
14 currency from or on behalf of a person and to

15 (A) credit the virtual currency to the account of another person;

16 (B) move the virtual currency from one account of a person to
17 another account of the same person; or

18 (C) relinquish control of virtual currency to another person.

19 * **Sec. 63.** AS 06.55.995 is amended to read:

20 **Sec. 06.55.995. Short title.** This chapter may be cited as the Alaska Uniform
21 Money **Transmission Modernization** [SERVICES] Act.

22 * **Sec. 64.** AS 12.62.400(b) is amended to read:

23 (b) Notwithstanding (a) of this section, an applicant for a license under
24 AS 06.60 **and an applicant for a license, to acquire control of a license, or to act as**
25 **a key individual under AS 06.55** may submit the applicant's fingerprints to the
26 Nationwide Mortgage Licensing System and Registry. In this subsection, "Nationwide
27 Mortgage Licensing System and Registry" has the meaning given in 12 U.S.C. 5102.

28 * **Sec. 65.** AS 06.55.103, 06.55.104, 06.55.107, 06.55.201, 06.55.202, 06.55.203, 06.55.204,
29 06.55.402, 06.55.406(b), 06.55.502(c), 06.55.702(b), 06.55.820, 06.55.850(e), 06.55.890,
30 06.55.990(5), 06.55.990(6), 06.55.990(8), 06.55.990(9), 06.55.990(12), 06.55.990(13),
31 06.55.990(14), 06.55.990(16), 06.55.990(17), and 06.55.990(18) are repealed.

1 * **Sec. 66.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 TRANSITION. Contracts, rights, liabilities, and obligations created by or under a law
4 repealed or amended by this Act, and in effect on the day before the effective date of the
5 repeal or amendment, remain in effect notwithstanding this Act taking effect.

6 * **Sec. 67.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 TRANSITION: CURRENT MONEY SERVICES LICENSES. A person that has a
9 valid money services license or approval on December 31, 2023, may continue to operate
10 under that license or approval until the licensee renews the license under AS 06.55.106, as
11 repealed and reenacted by sec. 5 of this Act, or through July 1, 2025, whichever is later. In
12 this section,

13 (1) "approval" means approval under AS 06.55.103, as that section
14 read on December 31, 2023;

15 (2) "money services license" has the meaning given in AS 06.55.990,
16 as that section read on December 31, 2023.

17 * **Sec. 68.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 TRANSITION: REGULATIONS. The Department of Commerce, Community, and
20 Economic Development may adopt regulations to implement this Act. The regulations take
21 effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
22 law implemented by the regulations.

23 * **Sec. 69.** Section 68 of this Act takes effect immediately under AS 01.10.070(c).

24 * **Sec. 70.** Except as provided in sec. 69 of this Act, this Act takes effect January 1, 2024.