



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

**ALASKA UNIFORM MONEY TRANSMISSION
MODERNIZATION ACT
HOUSE BILL 86**

Robert H. Schmidt, Director
Division of Banking and Securities

House Labor & Commerce Committee
March 8, 2023



Introduction

This legislation amends and modernizes the Alaska Uniform Money Services Act (AS 06.55) and adopts pertinent sections of the Uniform Money Transmission Modernization Act (Model Law).

- In 2008, money transmission was sending a wire transfer at your local grocery store or purchasing a money order or traveler's checks at the bank.
- This bill will modernize Alaska's money transmission laws to include cryptocurrency (aka "virtual currency," Bitcoin, Ethereum, DogeCoin). Six states have adopted the model law in some form so far with 12 more introducing bills this year. Effective 1/1/23 DBS adopted regulations to include crypto in current law as an interim solution.
- Cryptocurrency remains one of the key tools of rogue actors. "North Korea stole more cryptocurrency assets in 2022 than in any other year[.]" (Reuters, 2/6/23)



What is covered by the 2008 Act?

- Money transmitters (wiring of funds)
- Issuers of traveler's checks, money orders, or stored valued cards
- Sellers or redeemers of traveler's checks, money orders, or stored value cards
- Currency dealers or exchangers



Virtual Currency and Money Transmission

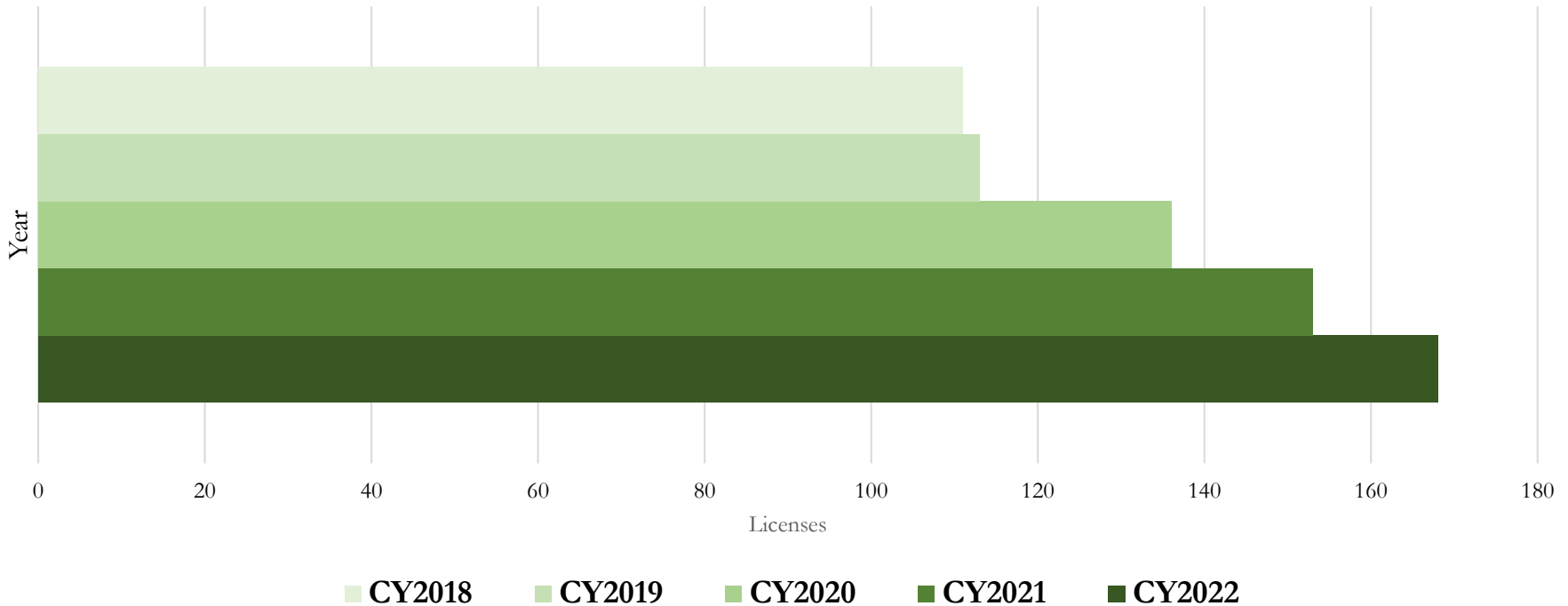
Definition of virtual currency: Cryptocurrency or virtual currency means a digital representation of value that is used as a medium of exchange, unit of account, or store of value; and is not money, whether or not denominated in money. AS 06.55.990(45)





Money Transmission Licensees

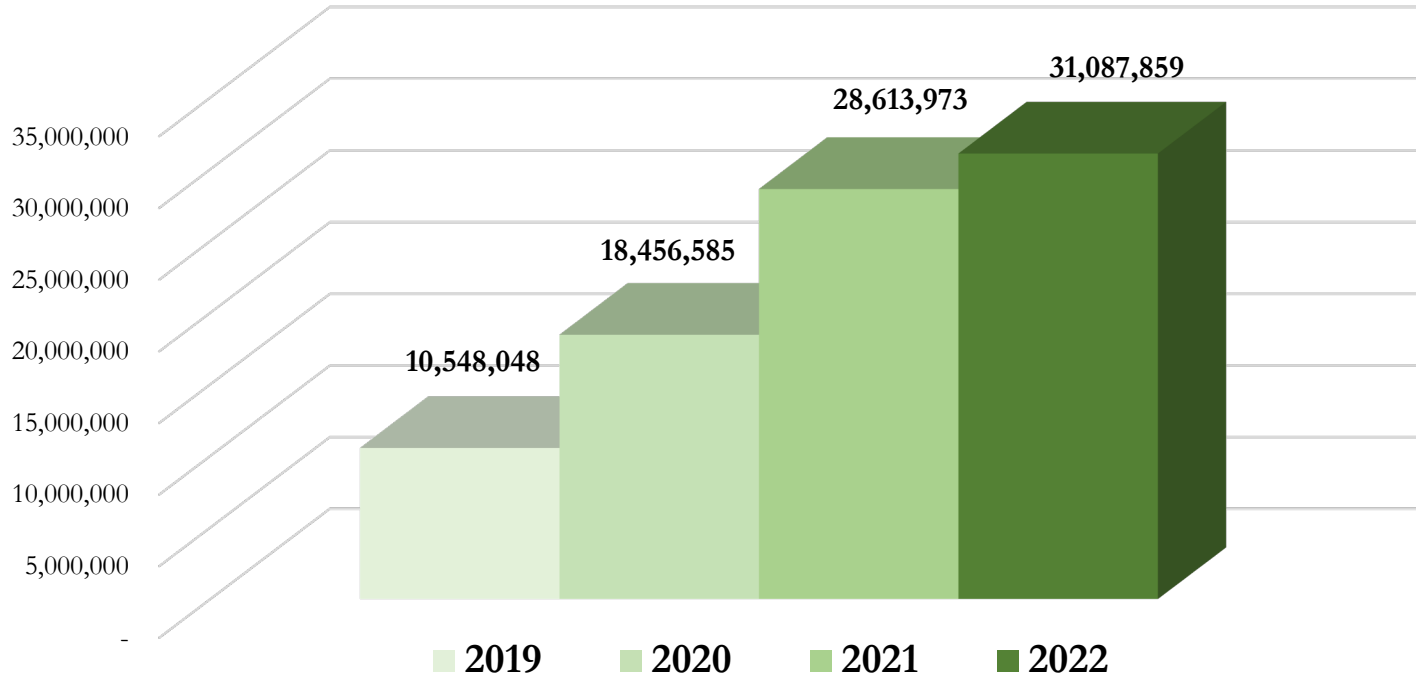
CY2018	CY2019	CY2020	CY2021	CY2022
111	113	136	153	168





Alaska Money Transmission Transactions

Total Number of Transactions during Calendar Year

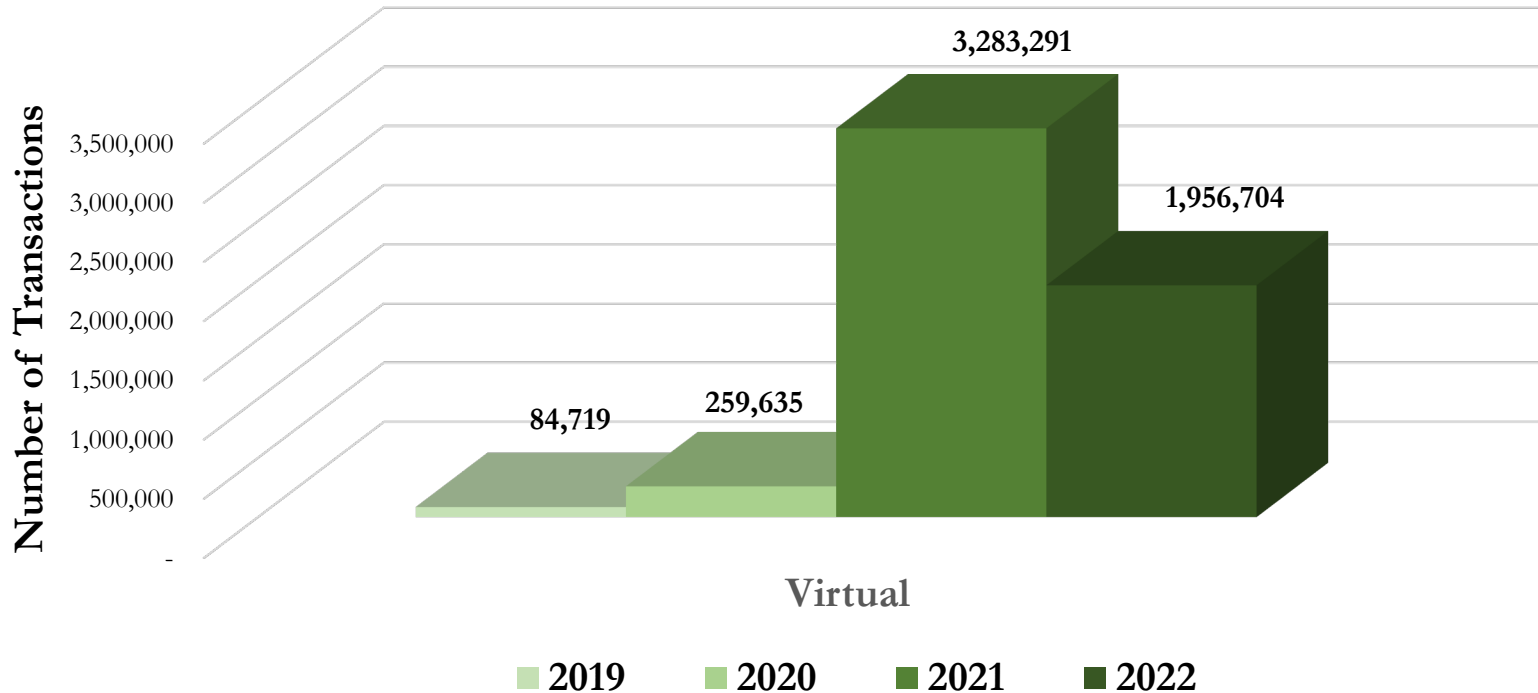


(Total includes all money transmission, payment instruments, stored value and virtual currency)



Alaska Money Transmission Transactions

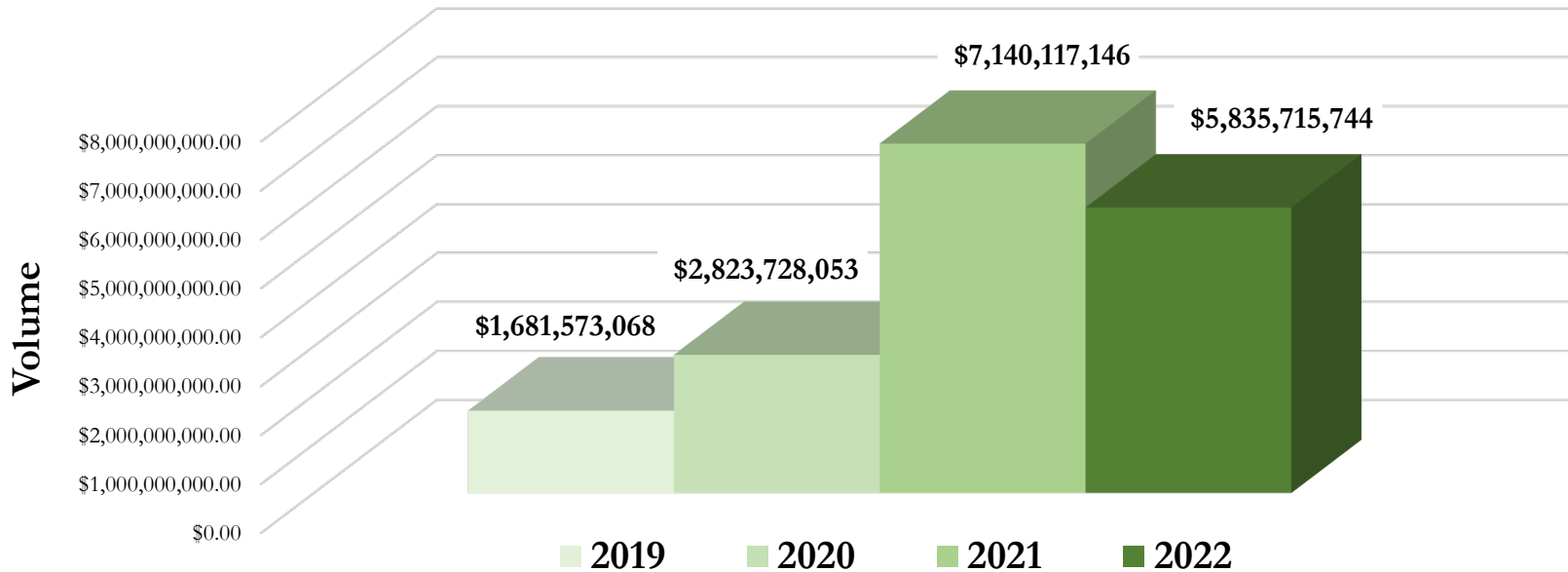
Virtual Currency Transactions for Calendar Year





Money Transmission Volume

Annual Alaska Money Transmission Volume

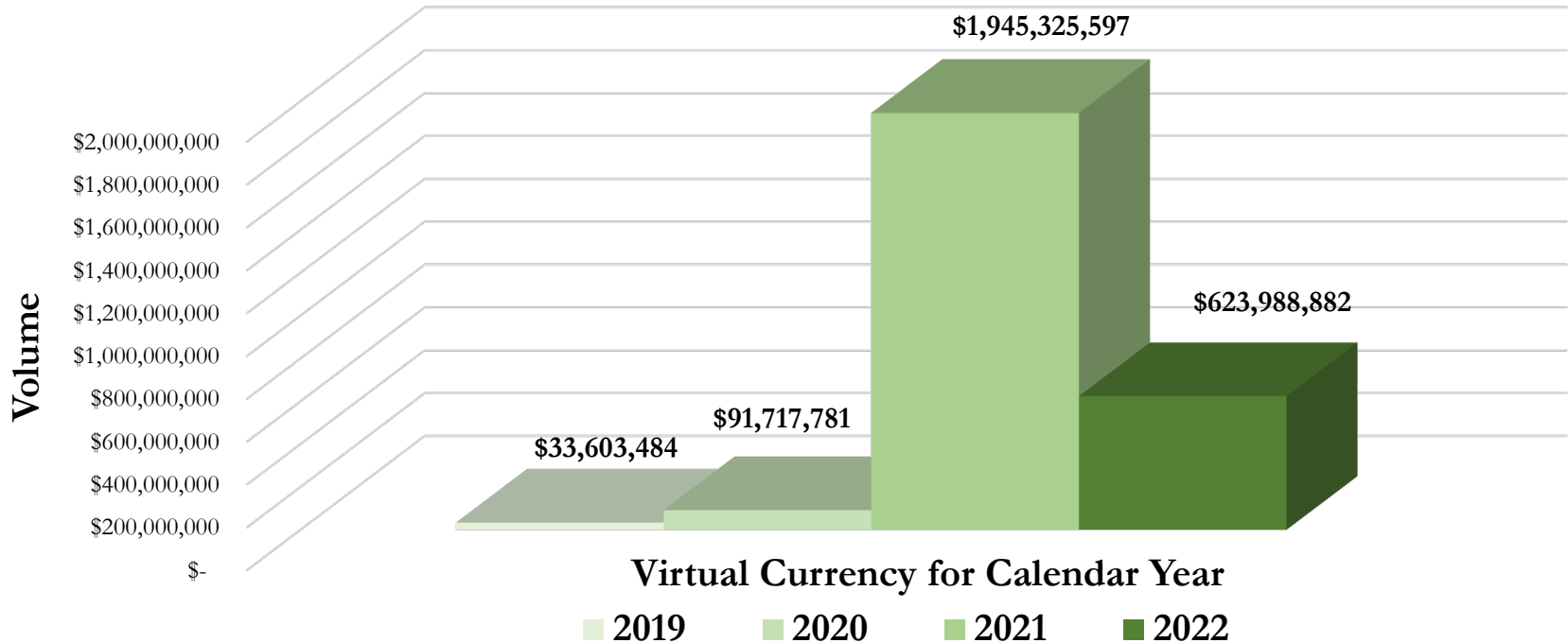


(Total includes money transmission, payment instruments, stored value and virtual currency)



Money Transmission Volume – Virtual Currency

Virtual currency transmission was nearly 1/3 of total volume in Alaska in 2021





2022 Crypto Bankruptcies – Alaska Consumer Harm



VOYAGER DIGITAL:

- 1,879 Alaskan Accounts
- \$4.96 million in Alaska accounts frozen

CELSIUS NETWORK:

- 526 Alaskan Accounts
- \$13.9 million in Alaska accounts frozen

CONSUMER COMPLAINTS RECEIVED: 0



FTX Trading - Alaskan Consumer Harm

FTX - Bankruptcy in November 2022; largest crypto bankruptcy yet; former CEO facing federal criminal charges.

\$\$\$? ? ? ALASKA IMPACT UNKNOWN

“Never in my career have I seen such a complete failure of corporate controls and such a complete absence of trustworthy financial information as occurred here.”

- FTX CEO-in-bankruptcy John Jay Ray III
(Mr. Ray was the CEO-in-bankruptcy of Enron)



Fiscal Impact

- Receipts in FY2012 were \$12.4 million. The FY2012 budget was \$3.5 million.
- Receipts in FY2022 were \$22 million. The FY2022 budget was \$4.3 million.

The fiscal note for this position includes five full-time positions with the passage of this bill: three in FY2024 and two in FY2025. The operating expenditures for DBS for the added personnel are estimated to be \$496,100 in FY2024 increasing to \$787,400 in FY2025.

DBS anticipates revenue from a new volume based annual fee assessment, created by regulation, will cover all costs of supervision of the industry and additional staffing. DBS estimates there will be new program receipt revenue estimated conservatively at \$110,000 for 35 new license applications for companies with only virtual currency activity.



Why change the Act?

- The current law has not kept up with the industry's explosive growth and innovation.
- Consumer protection is insufficient; cryptocurrency is currently one of the top risks for consumer fraud.
- Reduce wasting staff time, increase automation, harmonize Alaska laws to encourage business, reduce regulatory burden.



What does this bill do?

- Reduces regulatory burden by streamlining initial licensing and license renewal
- Protects Alaska consumers by conducting criminal background checks through the Nationwide Multistate Licensing System (NMLS)
- Ensures regulatory costs of supervision keep pace with growth
- Broadens the definition of money transmission and defines virtual currency activities
- Requires licensees to comply with federal laws, including suspicious activity reporting
- Updates enforcement provisions by allowing a broader spectrum of orders to be issued
- Ensures DBS can coordinate with other states in all areas of regulation, licensing, and supervision to reduce regulatory burden on the industry and more effectively utilize regulator resources



Thank You

Questions?

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Division of Banking and Securities' mission:

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

Supporting DCCED's mission to:

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