

CS FOR SENATE BILL NO. 84(JUD)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE JUDICIARY COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the business of money transmission; relating to licenses for money
2 transmission, licensure requirements, and registration through a nationwide multistate
3 licensing system; relating to the use of virtual currency for money transmission; relating
4 to authorized delegates of a licensee; relating to acquisition of control of a license;
5 relating to record retention and reporting requirements; authorizing the Department of
6 Commerce, Community, and Economic Development to cooperate with other states in
7 the regulation of money transmission; relating to permissible investments; relating to
8 violations and enforcement of money transmission laws; relating to exemptions to
9 money transmission licensure requirements; relating to payroll processing services;
10 relating to currency exchange licenses; amending Rules 79 and 82, Alaska Rules of Civil
11 Procedure; and providing for an effective date."

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

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

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

9 * **Sec. 2.** AS 06.55.101 is amended to read:

10 **Sec. 06.55.101. License required.** (a) A person may not engage in the
11 business of money transmission or advertise, solicit, or hold **itself** [THE PERSON] out
12 as providing money transmission unless the person

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

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

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

19 (b) A [MONEY TRANSMISSION] license is not transferable or assignable.

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

21 **Sec. 06.55.102. Application for license.** (a) An applicant for a license shall
22 submit

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

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

29 (3) the application fee established by the department;

30 (4) the license fee established by the department; and

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

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

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

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

11 (1) the application is approved; and

12 (2) the license takes effect on the first business day after expiration of
13 the 120-day period.

14 (b) The department may for good cause extend the application period.

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

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

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

29 (2) the financial condition, financial responsibility, financial
30 experience, financial business experience, competence level, character, and general
31 fitness of the applicant, and the experience, competence level, character, and general

1 fitness of the key individuals and persons in control of the applicant indicate that it is
2 in the interest of the public to allow the applicant to engage in money transmission.

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

5 (1) for the purposes of (d) of this section, accept the investigation
6 results of a state that is the lead investigator in the multistate licensing process; or

7 (2) investigate the applicant in accordance with (d) of this section and
8 the time frames established by agreement through the multistate licensing process, if
9 those time frames comply with the application approval period set out in (a) of this
10 section.

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

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

18 (1) the initial license is issued between November 1 and December 31,
19 in which case the initial license term runs through December 31 of the following year;
20 or

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

23 (h) An applicant for a license shall demonstrate that it meets or will meet the
24 requirements of this chapter.

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

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

31 (b) A licensee shall submit a renewal report with the renewal fee in a form and

1 in a medium prescribed by the department. The renewal report must describe each
2 material change in information submitted by the licensee in the licensee's initial
3 license application that the licensee has not reported to the department.

4 (c) The department may for good cause grant an extension of the renewal
5 filing deadline.

6 (d) The department may use the registry to process license renewals if the use
7 is consistent with this section.

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

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

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

14 **Sec. 06.55.109. Information requirements for certain individuals.** (a) An
15 individual in control of a licensee or applicant, an individual who seeks to acquire
16 control of a licensee, and each key individual shall furnish to the department the
17 following items:

18 (1) the individual's fingerprints; the department shall submit the
19 fingerprints to the Department of Public Safety to obtain a national criminal history
20 record check under AS 12.62.400; and

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

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

25 (B) information related to a criminal conviction or pending
26 charges; and

27 (C) information related to any regulatory or administrative
28 action and any civil litigation involving claims of fraud, misrepresentation,
29 conversion, mismanagement of funds, breach of fiduciary duty, or breach of
30 contract.

31 (b) If the individual has resided outside the United States at any time in the 10

1 years before the date of furnishing the information under (a) of this section, the
2 individual shall also provide an investigative background report prepared by an
3 independent search firm. The independent search firm may not be affiliated with or
4 have an interest in the individual the firm is researching. At a minimum, the
5 investigative background report must

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

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

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

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

20 (C) employment history;

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

23 (E) regulatory history related to financial services, including
24 money transmission, securities, banking, insurance, and mortgage-related
25 industries.

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

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

30 (2) participate in nationwide protocols for licensing cooperation and
31 coordination among state regulators if the nationwide protocols for licensing

1 cooperation and coordination are consistent with this chapter.

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

5 (1) collect and maintain records;

6 (2) coordinate multistate licensing processes and supervision
7 processes;

8 (3) process fees; and

9 (4) facilitate communication between the department and licensees or
10 other persons subject to this chapter.

11 (c) The department may use the registry for all aspects of licensing in
12 accordance with this chapter, including license applications, applications for
13 acquisitions of control, surety bonds, reporting, criminal background checks, credit
14 checks, fee processing, and examinations.

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

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

17 **Sec. 06.55.150. Requirements for engaging in virtual currency business**
18 **activity.** (a) A person may not engage in virtual currency business activity or hold
19 itself out as being able to engage in virtual currency business activity unless the person
20 is

21 (1) licensed under this chapter; or

22 (2) exempt from licensing under AS 06.55.802.

23 (b) A person that is licensed to engage in virtual currency business activity is
24 engaged in the business of money transmission and is subject to the requirements of
25 this chapter.

26 **Sec. 06.55.155. Required disclosures.** (a) A licensee that engages in virtual
27 currency business activity shall provide to a person that uses the licensee's products or
28 service the disclosures required by (b) of this section and any additional disclosures
29 the department determines to be reasonably necessary for the protection of persons.
30 The department shall determine by regulation or order the time and form required for
31 disclosure. A disclosure required by this section must be made separately from any

1 other information provided by the licensee and in a clear and conspicuous manner in a
2 record the person may keep. A licensee may propose for the department's approval
3 alternate disclosures as more appropriate for its virtual currency business activity.

4 (b) Before establishing a relationship with a person, a licensee shall disclose,
5 to the extent applicable to the virtual currency business activity the licensee will
6 undertake with the person,

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

10 (2) whether the product or service provided by the licensee is covered
11 by

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

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

20 (ii) if not provided at the dollar equivalent of virtual
21 currency purchased from the licensee or for control of virtual currency
22 by the licensee, the maximum amount of coverage for each person
23 expressed in the dollar equivalent of the virtual currency; or

24 (B) private insurance against theft or loss, including cyber
25 theft;

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

28 (4) a description of

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

31 (B) the person's responsibility to provide notice to the licensee

1 of a virtual currency transfer or virtual currency exchange;

2 (C) the basis for any recovery by the person from the licensee
3 or registrant;

4 (D) general error resolution rights applicable to a virtual
5 currency transfer or virtual currency exchange; and

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

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

11 (6) whether the person has a right to stop a pre-authorized payment or
12 revoke authorization for a virtual currency transfer and the procedure to initiate a stop-
13 payment order or revoke authorization for a later virtual currency transfer;

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

16 (8) the person's right to at least 30 days' notice of a change in the
17 licensee's fee schedule, other terms and conditions of operating the licensee's virtual
18 currency business activity with the person, and the policies applicable to the person's
19 account; and

20 (9) that virtual currency is not money.

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

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

26 (2) the type, value, date, precise time, and amount of the transaction;
27 and

28 (3) the fee charged for the transaction, including any charge for
29 conversion of virtual currency to money, bank credit, or another virtual currency.

30 (d) If a licensee discloses that it will provide a daily confirmation in the initial
31 disclosure under (c) of this section, the licensee may elect to provide a single, daily

1 confirmation for all transactions with or on behalf of a person on that day instead of a
2 confirmation for each transaction.

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

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

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

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

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

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

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

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

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

1 person; and

2 (D) the account number, name, and mailing address of the
3 resident, and, to the extent feasible, other parties to the transaction;

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

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

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

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

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

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

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

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

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

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

30 (1) a person that contributes only connectivity software or computing
31 power to a decentralized virtual currency or to a protocol governing virtual currency

1 transfer of the digital representation of value;

2 (2) a person that provides only data storage or security services for a
3 business engaged in virtual currency business activity and does not otherwise engage
4 in virtual currency business activity on behalf of another person;

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

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

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

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

14 (C) for academic purposes;

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

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

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

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

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

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

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

1 interest in compliance with AS 45.29 or the law applicable to the lien;

2 (10) a virtual currency control services vendor;

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

4 (A) providing virtual currency products or services;

5 (B) conducting virtual currency business activity; or

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

7 own funds.

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

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

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

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

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

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

18 and

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

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

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

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

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

29 (3) require the authorized delegate to agree to comply with all
30 applicable state and federal laws, rules, and regulations pertaining to money
31 transmission, including this chapter and regulations implementing this chapter,

1 relevant provisions of the Bank Secrecy Act, and P.L. 107-56 (USA PATRIOT Act);

2 (4) require the authorized delegate to remit and handle money and
3 monetary value in accordance with the terms of the contract;

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

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

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

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

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

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

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

31 (f) In this section, "remit" means to make direct payments of money to a

1 licensee or its representative authorized to receive money or to deposit money in a
2 bank account specified by the licensee.

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

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

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

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

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

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

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

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

1 authorized delegate.

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

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

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

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

15 (a) A licensee shall submit a report of the licensee's financial condition within
16 45 days after the end of each quarter of the calendar year or within an extended period
17 that the department establishes. The report of condition must include

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

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

22 (3) a permissible investments report;

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

25 (5) any other information the department reasonably requires with
26 respect to the licensee.

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

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

31 (1) if the authorized delegate is an entity, the legal name of the entity;

1 if the authorized delegate is an individual, the legal name of the individual;

2 (2) taxpayer employer identification number;

3 (3) principal provider identifier;

4 (4) physical address;

5 (5) mailing address;

6 (6) business conducted in other states, if any;

7 (7) a trade name or other name used by the individual that is not
8 individual's legal name;

9 (8) contact person name, telephone number, and electronic mail
10 address;

11 (9) the date the authorized delegate began acting as the licensee's
12 authorized delegate;

13 (10) the date the authorized delegate stopped acting as the licensee's
14 authorized delegate, if applicable; and

15 (11) any other information the department reasonably requires with
16 respect to the authorized delegate.

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

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

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

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

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

31 (4) the cancellation or other impairment of the [MONEY SERVICES]

1 licensee's bond or other security;

2 (5) a charge against or conviction of the [MONEY SERVICES]
3 licensee or of a key individual [AN EXECUTIVE OFFICER, MANAGER,
4 DIRECTOR,] or person in control of the [MONEY SERVICES] licensee for a felony;
5 or

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

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

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

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

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

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

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

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

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

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

1 (1) the application is approved; and

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

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

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

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

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

18 and

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

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

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

30 (2) investigate the applicant in accordance with (g) of this section and
31 the time frames established by agreement through the multistate licensing process.

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

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

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

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

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

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

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

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

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

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

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

31 (m) If a multistate licensing process includes a determination made under (l)

1 of this section and an applicant is subject to the multistate licensing process, the
2 department may

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

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

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

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

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

17 (3) the licensee to be acquired is projected to meet the requirements of
18 this chapter, including AS 06.55.501, 06.55.505, and 06.55.510 after the acquisition of
19 control is completed, and if the person acquiring control is a licensee, the licensee is
20 also projected to meet the requirements of this chapter, including AS 06.55.501,
21 06.55.505, and 06.55.510, after the acquisition of control is completed;

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

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

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

1 considered to be approved.

2 (p) A person is presumed to exercise a controlling influence when the person
3 holds the power to vote, directly or indirectly, at least 10 percent of the outstanding
4 voting shares or voting interests of a licensee or person in control of a licensee. To
5 determine the percentage of a person controlled by any other person, the interest of the
6 person presumed to have a controlling interest shall be aggregated with the interest of
7 any other immediate family member, including the person's spouse, parents, children,
8 siblings, relative by marriage, and any other person who shares the home of the person
9 presumed to have a controlling interest.

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

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

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

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

20 (4) shall attest to (1) - (3) of this subsection on a form and in a medium
21 prescribed by the department, or commit to the requirements of (1) - (3) of this
22 subsection in a written document.

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

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

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

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

30 (3) bank statements and bank reconciliation records;

31 (4) records of outstanding **money transmission** [PAYMENT

1 INSTRUMENTS AND STORED-VALUE] obligations;

2 (5) records of each **outstanding money transmission** [PAYMENT
3 INSTRUMENT AND STORED-VALUE] obligation paid within the **five-year**
4 [THREE-YEAR] period;

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

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

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

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

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

13 (a) A [MONEY SERVICES] licensee and an authorized delegate shall file
14 with the **appropriate federal agency** [ATTORNEY GENERAL] all reports required
15 by federal currency reporting, record keeping, and suspicious transaction reporting
16 requirements as set out in **the Bank Secrecy Act** [31 U.S.C. 5311] and other federal
17 and state laws pertaining to money laundering. **The timely filing of a complete and**
18 **accurate report required under this section with the appropriate federal agency**
19 **is considered to be in compliance with the requirements of this section.**

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

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

28 (1) ALL INFORMATION CONTAINED IN OR RELATED TO
29 EXAMINATION, INVESTIGATION, OPERATING, OR CONDITION REPORTS
30 PREPARED BY, ON BEHALF OF, OR FOR THE USE OF THE DEPARTMENT;
31 AND

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

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

4 (b) The department may disclose information that is not otherwise subject to
5 disclosure under (a) of this section to representatives of state or federal agencies who
6 promise in a record that they will maintain the confidentiality of the information or if
7 the department finds that the release is reasonably necessary for the protection of the
8 public and in the interests of justice [, AND THE MONEY SERVICES LICENSEE
9 HAS BEEN GIVEN PREVIOUS NOTICE BY THE DEPARTMENT OF ITS
10 INTENT TO RELEASE THE INFORMATION].

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

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

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

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

20 (1) authorized in writing by the customer;

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

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

23 or

24 (4) part of the money transmission [SERVICES] transaction ordered
25 by the customer.

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

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

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

- 1 (2) the business address of a licensee's registered agent for service;
- 2 (3) the name, business address, and telephone number of all authorized
- 3 delegates;
- 4 (4) the terms or a copy of any bond filed by a licensee, if that
- 5 confidential information, including the prices and fees for the bond, is redacted;
- 6 (5) copies of any nonconfidential final orders of the department
- 7 relating to any violation of this chapter or regulations implementing this chapter; and
- 8 (6) imposition of an administrative fine or penalty under this chapter.

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

10 **Sec. 06.55.408. Audited financial statements.** (a) A licensee shall, within 90

11 days after the end of each calendar year or within any extended period that the

12 department establishes, file with the department

13 (1) an audited financial statement of the licensee for the calendar year

14 prepared in accordance with generally accepted accounting principles; and

15 (2) other information the department reasonably requires.

16 (b) The audited financial statements must be prepared by an independent

17 certified public accountant or independent public accountant who is satisfactory to the

18 department.

19 (c) The audited financial statements must include a certificate of opinion of

20 the independent certified public accountant or independent public accountant that is

21 satisfactory in form and content to the department. If the certificate or opinion is

22 qualified, the department may order the licensee to take any action that the department

23 finds necessary to enable the independent certified public accountant or independent

24 public accountant to remove the qualification.

25 **Sec. 06.55.409. Implementation.** (a) To carry out the purposes of this chapter,

26 subject to AS 06.55.407, the department may

27 (1) enter into an agreement or relationship with a government official

28 or federal or state regulatory agency or regulatory association to improve efficiency

29 and reduce regulatory burden by standardizing methods or procedures, and sharing

30 resources, records, or related information obtained under this chapter;

31 (2) use, hire, contract, or employ analytical systems, methods, or

1 software to examine or investigate a person subject to this chapter;

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

4 (4) accept an audit report made by an independent certified public
5 accountant or independent public accountant that is satisfactory to the department for
6 an applicant or licensee and incorporate the audit reports into a report of examination
7 or investigation.

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

14 **Sec. 06.55.410. Networked supervision.** (a) The department may participate
15 in multistate supervisory processes established between and among states and
16 coordinated through an organization determined by the department to be a nationally
17 recognized organization in supervisory processes establishment and coordination
18 between and among states for all licensees that hold licenses in this state and other
19 states. As a participant in multistate supervision, subject to AS 06.55.407, the
20 department may

21 (1) cooperate, coordinate, and share information with other state and
22 federal regulators; and

23 (2) enter into written contracts or agreements with other state and
24 federal regulators for the purposes of cooperating, coordinating, and sharing
25 information with state and federal regulators.

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

29 (c) A joint examination or investigation, or acceptance of an examination or
30 investigation report, does not waive an examination assessment provided for in this
31 chapter.

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

5 (b) If an inconsistency between this chapter and a federal law that governs in
6 accordance with (a) of this section, the department may provide interpretive guidance
7 that

8 (1) identifies the inconsistency; and

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

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

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

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

16 (b) The department may issue a notice of disapproval of a key individual if the
17 department finds that the experience, competence level, character, or integrity of the
18 individual would not be in the best interest of the public or the customers of the
19 licensee to permit the individual to be a key individual. The department shall issue a
20 notice of disapproval within 90 days after the department determines the notice
21 provided under (a) of this section to be complete.

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

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

28 (e) If a multistate licensing process includes a key individual notice review
29 and disapproval process, and the licensee is subject to the multistate licensing process,
30 the department may

31 (1) accept the key individual notice review determination of another

1 state; or

2 (2) investigate the applicant in accordance with (b) of this section and
3 the time frames established by agreement through the multistate licensing process.

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

5 **Sec. 06.55.501. Maintenance of permissible investments.** (a) A [MONEY
6 SERVICES] licensee shall maintain at all times permissible investments that have a
7 market value computed under generally accepted accounting principles of not less than
8 the aggregate amount of all of its outstanding **money transmission** [PAYMENT
9 INSTRUMENTS AND STORED VALUE] obligations [ISSUED OR SOLD IN ALL
10 STATES AND MONEY TRANSMITTED FROM ALL STATES BY THE MONEY
11 SERVICES LICENSEE].

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

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

1 **sequestration is for a beneficiary of the statutory trust** [OF THE MONEY
2 SERVICES LICENSEE].

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

4 (d) Upon the establishment of a statutory trust under (c) of this section, or
5 when funds are drawn on a letter of credit under AS 06.55.502(a)(4) and (d), the
6 department shall notify the applicable regulator of each state in which the licensee is
7 licensed to engage in money transmission, if any, of the establishment of the trust or
8 the funds drawn on the letter of credit, as applicable. Notice may be provided in
9 accordance with a multistate agreement or through the registry. Funds drawn on a
10 letter of credit and any other permissible investments held in trust for the benefit of the
11 purchasers and holders of the licensee's outstanding money transmission obligations
12 are considered to be held in trust for the benefit of the purchasers and holders of the
13 licensee's outstanding money transmission obligations on a pro rata and equitable
14 basis in accordance with state law and the law of other states, as applicable. A
15 statutory trust established under this section shall be terminated upon extinguishment
16 of all of the licensee's outstanding money transmission obligations.

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

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

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

25 (1) cash, **demand deposits, savings deposits, funds in accounts held**
26 **for the benefit of a licensee's customers in a federally insured depository financial**
27 **institution, money market mutual funds, certificates** [A CERTIFICATE] of
28 deposit, [OR A] senior debt **obligations** [OBLIGATION] of **a federally** [AN] insured
29 depository **financial** institution, **and cash equivalents, including automated**
30 **clearing house items in transit to the licensee and automated clearing house items**
31 **or international wires in transit to a payee, cash in transit by armored car, cash**

1 **in smart safes, cash in licensee-owned locations, and transmission receivables**
2 **owed by a bank and funded by a debit card or credit card;**

3 (2) [; IN THIS PARAGRAPH, "INSURED DEPOSITORY
4 INSTITUTION" HAS THE MEANING GIVEN IN 12 U.S.C. 1813 (FEDERAL
5 DEPOSIT INSURANCE ACT);

6 (2) BANKER'S ACCEPTANCE OR BILL OF EXCHANGE THAT IS
7 ELIGIBLE FOR PURCHASE ON ENDORSEMENT BY A MEMBER BANK OF
8 THE FEDERAL RESERVE SYSTEM AND IS ELIGIBLE FOR PURCHASE BY A
9 FEDERAL RESERVE BANK;

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

12 (3) [(4) AN INVESTMENT SECURITY THAT IS] an obligation of
13 the United States or a **commission** [DEPARTMENT], agency, or instrumentality of
14 the United States, [AN INVESTMENT IN] an obligation that is guaranteed fully as to
15 principal and interest by the United States, or [AN INVESTMENT IN] an obligation
16 of a state or a governmental subdivision, agency, or instrumentality of a state;

17 (4) **the full drawable amount that can be drawn on an irrevocable**
18 **standby letter of credit that complies with (d) of this section;**

19 (5) **100 percent of the surety bond provided for under**
20 **AS 06.55.505 that exceeds the average daily money transmission liability in this**
21 **state**

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

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

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

9 (b) In addition to the investments permissible under (a) of this section, the
10 following investments are permissible under (a) of this section, to the extent specified:

11 (1) receivables that are payable to a licensee from the licensee's
12 authorized delegates in the ordinary course of business that are less than seven days
13 old and do not exceed 50 percent of the aggregate value of the licensee's total
14 permissible investments; receivables under this paragraph that are payable to a
15 licensee from a single authorized delegate in the ordinary course of business may not
16 exceed 10 percent of the aggregate value of the licensee's total permissible
17 investments;

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

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

23 (B) commercial paper bearing an eligible rating;

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

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

28 (E) money market mutual funds rated by a rating service
29 selected by the department as appropriate for this purpose at a rate determined
30 by the department; and

31 (F) a mutual fund or other investment fund composed solely

1 and exclusively of one or more permissible investments listed in (a)(1) - (3) of
2 this section; and

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

8 (A) has an eligible rating;

9 (B) is registered under 26 U.S.C. 1471-1474 (Foreign Account
10 Tax Compliance Act);

11 (C) is not located in any country subject to sanctions from the
12 United States Department of the Treasury Office of Foreign Assets Control;
13 and

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

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

17 **Sec. 06.55.503. Letter of Credit.** (a) The letter of credit permitted under
18 AS 06.55.502(a)(4)

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

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

23 (3) must be issued by a federally insured depository financial
24 institution or a foreign bank that bears an eligible rating and is regulated, supervised,
25 and examined by federal or state regulatory authorities having regulatory authority
26 over banks, credit unions, and trust companies;

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

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

31 (6) must contain an issue date and expiration date, and expressly

1 provide for automatic extension, without a written amendment, for an additional
2 period of one year from the present or each future expiration date, unless the issuer of
3 the letter of credit notifies the department in writing by certified or registered mail,
4 courier mail, or other means of notice that provides a receipt, at least 60 days before
5 an expiration date, that the irrevocable letter of credit will not be extended; and

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

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

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

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

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

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

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

28 (b) In the event of any notice of expiration or non-extension of a letter of
29 credit issued under (a) of this section, the licensee shall be required to demonstrate to
30 the satisfaction of the department, 15 days before expiration, that the licensee
31 maintains and will maintain permissible investments in accordance with AS 06.55.501

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

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

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

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

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

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

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

30 (e) The aggregate liability on a surety bond may not exceed the principal sum
31 of the bond. A claimant against a licensee may maintain an action on the bond, or the

1 department may maintain an action on behalf of the claimant.

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

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

13 **Sec. 06.55.510. Net worth.** (a) A licensee shall maintain at all times a tangible
14 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 an applicant or licensee, in part or in whole,
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 the
28 licensee's 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 and prosecution of the matter, including reasonable attorney fees.**

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**, a bank, a
29 bank 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;

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

9 (A) the United States or a department, an agency, or an
10 instrumentality of the United States; or

11 (B) a state, or a department, an agency, or an instrumentality of
12 a state;

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

18 (7) a registered futures commission merchant under the federal
19 commodities laws, to the extent of the merchant's operation as a registered futures
20 commission merchant under the federal commodities laws;

21 (8) a person **that** [WHO] provides clearance or settlement services
22 under a registration as a clearing agency or an exemption from the registration granted
23 under the federal securities laws, to the extent of the person's operation as a provider
24 of clearance or settlement services under a registration as a clearing agency or an
25 exemption from the registration granted under the federal securities laws;

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

31 (10) a person registered as a securities broker-dealer under federal or

1 state securities laws, to the extent of the person's operation as a securities broker-
2 dealer;

3 (11) an individual employed by a licensee, authorized delegate, or
4 a person exempt from the licensing requirements of this chapter when the
5 individual is acting within the scope of employment and under the supervision of
6 the licensee, authorized delegate, or exempt person and not as an independent
7 contractor;

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

10 (A) the service provider or agent is engaging in money
11 transmission on behalf of and in accordance with a written agreement
12 with the exempt entity that sets out the specific functions that the service
13 provider or agent is to perform; and

14 (B) the exempt entity assumes all risk of loss and all legal
15 responsibility for satisfying the outstanding money transmission
16 obligations owed to purchasers and holders of the outstanding money
17 transmission obligations upon receipt of the purchaser's or holder's
18 money or monetary value by the service provider or agent;

19 (13) a person appointed as an agent of a payee to collect and
20 process a payment from a pavor to the payee for goods or services, other than
21 money transmission services, provided to the pavor by the payee, if

22 (A) the payee and the agent have a written agreement
23 directing the agent to collect and process payments from payors on the
24 payee's behalf;

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

27 (C) payment for the goods and services is treated as
28 received by the payee upon receipt by the agent and the pavor's obligation
29 is extinguished, and there is no risk of loss to the pavor if the agent fails to
30 remit the funds to the payee;

31 (14) a person that acts as an intermediary by processing payments

between an entity that has directly incurred an outstanding money transmission obligation to a sender and the sender's designated recipient, if the person acting as an intermediary

(A) is a licensee or exempt from the licensing requirements under this chapter;

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

(C) bears sole responsibility to satisfy the outstanding money transmission obligation to the sender, including the obligation to remedy a failure to transmit the funds to the sender's designated recipient;

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

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

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

(18) a person providing payroll processing services; in this paragraph,

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

1 AUTHORIZED DELEGATES].

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

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

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

10 **Sec. 06.55.815. In-state determination.** For a transaction requested
11 electronically or by telephone, the provider of money transmission may determine if
12 the person requesting the transaction is in this state by relying on other information
13 provided by the person regarding the location of the person's residential address or
14 principal place of business or other physical address, and any records associated with
15 the person that the provider of money transmission may have that indicate the
16 location, including an address associated with an account.

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

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

- 24 (1) the name of the sender;
- 25 (2) the name of the designated recipient;
- 26 (3) the date of the transaction;
- 27 (4) the unique transaction or identification number;
- 28 (5) the name of the licensee, unique registry identifier, the licensee's
29 business address, and the licensee's customer service telephone number;
- 30 (6) the dollar amount of the transaction;
- 31 (7) any fee charged by the licensee to the sender for the transaction;

1 (8) any taxes collected by the licensee from the sender for the
2 transaction; and

3 (9) the exchange rate, if any, used by the provider for the transaction.

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

8 (c) This section does not apply to

9 (1) money received for transmission that is not primarily for personal,
10 family, or household purposes; or

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

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

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

17 **Sec. 06.55.835. Timely transmission.** (a) A licensee shall forward all money
18 received for transmission in accordance with the terms of the agreement between the
19 licensee and the sender unless the licensee has a reasonable cause to believe that the
20 sender may be a victim of fraud or that a crime or violation of law, rule, or regulation
21 has occurred, is occurring, or may occur.

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

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

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

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

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

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

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

12 (5) the refund request does not

13 (A) identify the sender's name and

14 (i) address; or

15 (ii) telephone number; or

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

18 (b) This section does not apply to:

19 (1) money received for transmission subject to 12 C.F.R. Part 1005,
20 Subpart B; or

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

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

25 (b) The department shall establish fee levels under (a) of this section so that
26 the total amount of fees collected for [BOTH MONEY TRANSMISSION] licenses
27 [AND CURRENCY EXCHANGE LICENSES] under this chapter approximately
28 equals the department's actual total regulatory costs for [BOTH MONEY
29 TRANSMISSION] licenses [AND CURRENCY EXCHANGE LICENSES. THE
30 DEPARTMENT SHALL SET THE FEE LEVELS SO THAT THE FEE LEVELS
31 FOR BOTH MONEY TRANSMISSION LICENSES AND CURRENCY

1 EXCHANGE LICENSES ARE THE SAME].

2 * **Sec. 52.** AS 06.55.990(1) is amended to read:

3 (1) "authorized delegate" means a person **that** [WHOM] a [MONEY
4 SERVICES] licensee designates to **engage in** [PROVIDE] money **transmission**
5 [SERVICES] on behalf of the [MONEY SERVICES] licensee;

6 * **Sec. 53.** AS 06.55.990(3) is amended to read:

7 (3) "control" means

8 (A) the ownership of, or the power to vote, directly or
9 indirectly, at least **10** [25] percent of **the** [A CLASS OF] voting securities or
10 voting interests of a [MONEY SERVICES] licensee or **of a person that owns**
11 **or has the power to vote, directly or indirectly, at least 10 percent of the**
12 **voting securities or voting interests** [IN CONTROL] of a [MONEY
13 SERVICES] licensee, **unless the person is a passive investor; in this**
14 **paragraph, "passive investor" under AS 06.55.404(q);**

15 (B) the power to elect **or appoint** a majority of executive
16 officers, managers, directors, trustees, or other persons exercising managerial
17 authority of a [MONEY SERVICES] licensee or person in control of a
18 [MONEY SERVICES] licensee; or

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

22 * **Sec. 54.** AS 06.55.990(15) is amended to read:

23 (15) "money transmission"

24 **(A)** means

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

27 **(ii)** [, OR] receiving money or monetary value for
28 transmission **to the state, from the state, or within the state;**

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

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

31 **(B)** [, BUT] does not **mean** [INCLUDE] the provision solely of

1 [DELIVERY,] online services, telecommunications services, or network
2 access;

3 * **Sec. 55.** AS 06.55.990(19) is amended to read:

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

11 * **Sec. 56.** AS 06.55.990(20) is amended to read:

12 (20) "person" means an individual, **general partnership, limited**
13 **partnership,** [A] corporation, [A BUSINESS] trust, [AN ESTATE, A TRUST, A
14 PARTNERSHIP, A] limited liability company, [AN] association, [A] joint **stock**
15 **corporation** [VENTURE, A GOVERNMENT, A GOVERNMENTAL
16 SUBDIVISION, AN AGENCY, OR AN INSTRUMENTALITY, A PUBLIC
17 CORPORATION], or any other legal or **corporate** [COMMERCIAL] entity
18 **identified by the department;**

19 * **Sec. 57.** AS 06.55.990(22) is amended to read:

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

24 * **Sec. 58.** AS 06.55.990(23) is amended to read:

25 (23) "stored value"

26 **(A)** means

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

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

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

* **Sec. 59.** AS 06.55.990(24) is amended to read:

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

* **Sec. 60.** AS 06.55.990 is amended by adding new paragraphs to read:

(25) "accredited state" means a state agency that is accredited by an organization that the department determines is a nationally recognized association of state bank supervisors and money transmitter regulators for money transmission licensing and supervision;

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

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

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

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

(30) "control of virtual currency," when used in reference to a transaction or relationship involving virtual currency, means the power to execute

1 unilaterally or prevent indefinitely a virtual currency transaction;

2 (31) "dollar equivalent" means the equivalent value of a particular
3 virtual currency in United States dollars shown on a virtual currency exchange based
4 in the United States for a particular date or period specified in this chapter; in this
5 paragraph, "virtual currency exchange" means an organization that provides a market
6 for the exchange of virtual currency;

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

10 (33) "eligible rating service" means a nationally recognized statistical
11 rating organization, as determined by the United States Securities and Exchange
12 Commission, and any other nationally recognized statistical rating organization
13 designated by the department by regulation;

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

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

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

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

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

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

26 (40) "money received for transmission" means money or monetary
27 value received in the United States for transmission within or outside the United States
28 by electronic or other means;

29 (41) "multistate licensing process" means an agreement entered into by
30 and among state regulators relating to coordinated processing of applications for
31 licenses, applications for the acquisition of control of a licensee, control

1 determinations, or notice and information requirements for a change of key
2 individuals;

3 (42) "outstanding money transmission obligation" means

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

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

17 (43) "registry" means a nationwide organization that the department
18 determines is a nationally recognized multistate licensing system to use as a multistate
19 licensing process;

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

23 (45) "virtual currency"

24 (A) means a digital representation of value that

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

27 (ii) is not money, whether or not denominated in
28 money;

29 (B) does not mean

30 (i) a transaction in which a merchant grants, as part of
31 an affinity or rewards program, value that cannot be taken from or

1 exchanged with the merchant for money, bank credit, or virtual
2 currency; or

3 (ii) a digital representation of value issued by or on
4 behalf of a publisher and used solely within an online game, game
5 platform, or family of games sold by the same publisher or offered on
6 the same game platform;

7 (46) "virtual currency business activity" means

8 (A) exchanging, transferring, or storing virtual currency or
9 engaging in virtual currency administration, whether directly or through an
10 agreement with a virtual currency control services vendor; in this
11 subparagraph, "virtual currency administration" means issuing virtual currency
12 with the authority to redeem the currency for money, bank credit, or other
13 virtual currency;

14 (B) holding electronic precious metals or electronic certificates
15 representing interests in precious metals on behalf of another person or issuing
16 shares or electronic certificates representing interests in precious metals; or

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

19 (i) virtual currency offered by or on behalf of the same
20 publisher from which the original digital representation of value was
21 received; or

22 (ii) money or bank credit outside the online game, game
23 platform, or family of games offered by or on behalf of the same
24 publisher from which the original digital representation of value was
25 received;

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

29 (48) "virtual currency exchange" means to

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

(B) sell, trade, or convert

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

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

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

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

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

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

* **Sec. 61.** AS 06.55.995 is amended to read:

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

* **Sec. 62.** AS 12.62.400(a) is amended by adding a new paragraph to read:

(23) controlling a licensee or an applicant for a license under AS 06.55, seeking to acquire control of a licensee under AS 06.55, or acting as a key individual under AS 06.55.

* **Sec. 63.** AS 06.55.103, 06.55.104, 06.55.107, 06.55.201, 06.55.202, 06.55.203, 06.55.204, 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, 06.55.990(5), 06.55.990(6), 06.55.990(8), 06.55.990(9), 06.55.990(12), 06.55.990(13), 06.55.990(14), 06.55.990(16), 06.55.990(17), and 06.55.990(18) are repealed.

* **Sec. 64.** The uncodified law of the State of Alaska is amended by adding a new section to read:

INDIRECT COURT RULE AMENDMENT. AS 06.55.605, as amended by sec. 37 of this Act, has the effect of changing Rules 79 and 82, Alaska Rules of Civil Procedure, by changing the award of court costs and attorney fees in certain cases.

* **Sec. 65.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION. Contracts, rights, liabilities, and obligations created by or under a law repealed or amended by this Act, and in effect on the day before the effective date of the

1 repeal or amendment, remain in effect notwithstanding this Act taking effect.

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

4 TRANSITION: CURRENT MONEY SERVICES LICENSEES. A person that has a
5 valid money services license or approval on December 31, 2023, may continue to operate
6 under that license or approval until the licensee renews the license under AS 06.55.106,
7 enacted by sec. 5 of this Act, or through July 1, 2025, whichever is later. In this section,

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

10 (2) "money services licensee" has the meaning given in AS 06.55.990, as that
11 section read on December 31, 2023.

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

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

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

20 CONDITIONAL EFFECT. AS 06.55.605, as amended by sec. 37 of this Act, takes
21 effect only if sec. 64 of this Act receives the two-thirds majority vote of each house required
22 by art. IV, sec. 15, Constitution of the State of Alaska.

23 * **Sec. 69.** Section 67 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.