



THE STATE  
*of* ALASKA  
GOVERNOR MIKE DUNLEAVY

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

# ALASKA UNIFORM MONEY TRANSMISSION MODERNIZATION ACT HB 86

SECTIONAL ANALYSIS

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## Key Goals of the Bill (HB86)

- **Repeal and re-enact language throughout to adopt a Model Law written by money transmitters and state regulators together over a two year period.**
- **Coordinate with other states in regulation, licensing, and supervision.**
- **Reduce regulatory burden on Alaska businesses.**
- **Protect Alaska consumers.**
- **Ensure money transmitters are well run and compliant.**
- **Take action at state level to prevent preemption by the federal government.**



# Model Money Transmission Modernization Act

**This bill was drafted using a Model Law.**

The Model Money Transmission Modernization Act, also known as the Money Transmitter Model Law, is a single set of nationwide standards and requirements created by industry and state experts. The law was approved in full by the Conference of State Bank Supervisors (CSBS) Board of Directors in August 2021.

As of March 2023, six states have adopted all or part of the Model Law. Thirteen states have introduced it and 11 more are expected to introduce the Model Law later this year. With 40 total states expected to adopt or introduce by the end of 2024. Having a Model Law used across the country will reduce regulatory burden for our licensees.

**Letters of support have been provided by:**

- The Money Services Round Table
- Electronic Transactions Association
- Money Services Business Association
- The Financial Technology Association
- TechNet



# Sectional - Purpose of the Act

## Section 1

**The purpose of this Act is to replace existing state money transmission laws to**

- Modernize licensure requirements
- Add model language for the burgeoning virtual currency industry
- Allow the Department of Commerce, Community, and Economic Development (Department) to coordinate with other states in regulation, licensing, and supervision
- Standardize the types of activities that are subject to licensing
- To modernize safety and soundness requirements for money transmission



# Sectional – License Application Requirements

## Sections 2 - 4

## License Application Requirements

**Section 2** amends AS 06.55.101 (license required) with conforming language to ensure a delegate has a written contract with a money transmitter.

**Section 3** repeals and reenacts AS 06.55.102 (application for license) to conform with the Model Law providing application requirements for a money transmission license and allows the Department to change or update the forms to be consistent with licensing requirements in Nationwide Multistate Licensing System (NMLS or registry).

**Section 4** repeals and reenacts AS 06.55.105 (issuance of license) to conform with Model Law to ensure a completed application has been received and to approve or deny an application within 120 days.



# Sectional – Renewing a License

## Section 5

**Repeals and reenacts AS 06.55.106 (renewal of license) to conform with the Model Law changing license renewal, renewal reporting and renewal terminology.**

- Allow regulations to be written to create a tiered assessment renewal fee based a sliding scale determined by the volume transmitted to, from, and within the state of Alaska. (Tiered fees detailed in section 53).
- Ensure fees are fair and based on risk, size, volume.
- Ensure fees charged cover the regulatory costs of regulating this industry and keep pace with growth and innovation of the industry.



# Sectional – Criminal Background Checks

## Section 6

### Maintenance of a license

**Amends AS 06.55 to add new sections AS 06.55.108, 109, and 110 to Article 1 to conform with the Model Law.**

AS 06.55.109 (information requirements for certain individuals) protects Alaska consumers by running criminal background checks in NMLS. These background checks will be conducted automatically at time of application through the NMLS and will save hundreds of hours of staff time.

AS 06.55.110 (consistent state licensing) allows the department to participate in multistate licensing processes, coordination among state regulators, and use the NMLS to collect and maintain records.



# Sectional – Virtual Currency and Currency Exchange

## Section 7

### **Virtual Currency (cryptocurrency) Business Activity**

**Amends AS 06.55 to add new sections to Article 1A concerning Virtual Currency (VC) Business Activity.**

- This section of the bill uses the Uniform Law Commissions' language from Uniform Regulation of Virtual Currency Businesses Act.
- Requires persons engaged in VC business activity to be licensed and states they are subject to the requirements of this chapter.
- Provides a list of exempt activities that do not require a license.
- Ensures when an Alaskan sends funds they are protected by requiring VC business to control the amount of transmitted currency.
- Funds entrusted to a money transmitter to send are the consumers property, not the company's in a bankruptcy.





# Sectional – Authorized Delegates/Unauthorized Activities

## Sections 8 and 9

### Authorized Delegates/Unauthorized Activities

**Repeals and reenacts AS 06.55.301 and amends AS 06.55.302 to conform with the Model Law.**

- Provides details to allow a person to act as an authorized delegate for a licensee with a written contract.
- Requires an authorized delegate to provide disclosures and receipts.
- Requires an authorized delegate to adopt policies and procedures in place.



# Sectional – Authority to Conduct Examinations

## Section 10

### Supervision; Examination

Repeals and Reenacts AS 06.55.401 to conform with the Model Law

- Provides details on conducting examinations on-site or off-site with other states or federal agencies.
- Reduces regulatory burden by accepting another state's report of examination.
- Licensee shall pay all costs in connection with a an examination.
- Removes 45 day notification prior to examination.



## Sectional – Reporting, Key Individuals and Change of Control

### Sections 11-15

## Reporting, Key Individuals and Change of Control

Repeals and re-enacts AS 06.55.403 and AS 06.55.404 to conform with Model Law.

- Requires quarterly reports of condition in the NMLS and allows department to access the registry reports to reduce regulatory burden on licensees.
- Maintains existing requirements for immediate reporting for bankruptcy filings and other significant actions.
- Uses a new term Key Individual instead of Executive Officer to ensure conforming language.
- In the event of a change of control a licensee must obtain approval by the department.



# Sectional – Bank Secrecy Act and Recordkeeping

## Sections 16 – 18

### **Bank Secrecy Act and Recordkeeping**

Sections 16 and 17 amends AS 06.55.405(a) and (d) to extend the period to retain records from three to five years to be consistent with the Bank Secrecy Act.

Section 18 amends AS 06.55.406(a) concerning money laundering reports retitling the heading to Bank Secrecy Act reports for consistency with the Model Law and federal laws. This section requires licensees to comply with federal laws so that our examiners can enforce them when weaknesses are identified during an examination providing consumer protection for Alaskans.



## Sectional – To Conform with the Model Law

### Sections 19 to 28

## Confidentiality, Maintenance and Types of Permissible Investments

Repeals and reenacts or amends AS 06.55.407, 408 – 412, 501, and 502 for consistency with the Model Law.

- Licensees must submit an annual audited financial statement
- Department may participate in multistate examinations and investigations.
- Federal law governs in the event of an inconsistency between state and federal law.
- Authorizes the Department to allow additional permissible investments
- Allows letters of credit as a permissible investment



# Sectional – Letter of Credit, Security, Net Worth

## Section 29

### Letter of Credit, Security Bond, Net Worth

Amends AS 06.55 adding a new section to Article 5. AS 06.55.503, 505 and 506.

- Provides requirements to use a letter of credit as security.
- Is a hybrid of the Model Law and the existing Act. It requires a licensee to hold a security bond, or deposit account with Department approval, with a maximum amount of \$1,000,000.
- Updates net worth requirements from \$25,000 to a new net worth based on a tiered level of total assets held starting at \$35,000.
- Requires a licensee to demonstrate tangible net worth at application.
- Allows the department to exempt applicants or licensees from net worth requirements.



## Sectional – Enforcement Provisions/Civil Penalties

### Sections 30 – 37

## Enforcement Provisions/Civil Penalties

**Amend AS 06.55.601- 605 for consistency with the Model Law.**

- Amends enforcement provisions regarding the suspension and revocation of a license using conforming language repealing money services licensee and using only “licensee” and using money transmission deleting the word “services”.
- Amends civil penalties allowing the department to cover regulatory costs by assessing its costs and expenses for investigations.
- Allows a broader spectrum of orders to be issued.



## Sectional – Conform to Model Law and Remove Repealed Citations

### Sections 38-39 and 42

Amends AS 06.55.606 (Criminal penalties) (b) and (c) and AS 06.702(a) for consistency with conforming language in the Model Law changing money services license to license.

### Sections 40-41

Amends AS 06.55.607 (Unlicensed persons) to remove citations related to a currency exchange license that has been repealed in favor of one license type. Currency exchange will be included in the definition of money transmission, eliminating the need for two separate licenses.





# Sectional – Exemptions

## Section 43

### **Amends AS 06.55.802 (Exemptions) for consistency with the Model Law**

- Adds new exemption types; including payroll processing services under AS 06.55.802(18)
- Allow the department to add additional exemptions if it is in the public interest creating consistency from state-to-state.
- Adds the term federally insured depository financial institution for consistency with other statutes the division regulates under AS 06.60.990(9).

## Section 44

**Amends AS 06.55 by adding a new section AS 06.55.803 allowing the department to require a person who claims an exemption to provide documentation demonstrating the claimed exemption.**



## Sectional – Notices

### Sections 45-46

Amends AS 06.55.810 (Notices required) to provide customers with notices of how to file a complaint and allows the department to establish the format and content required in the notices. Requires licensees and authorized delegates include on a receipt or through disclosure on the licensee’s website or mobile application, the name and phone number of the department and a statement on how customers can contact the department with questions or complaints.



## Sectional – Location

### Section 47

Amends AS 06.55 by adding a new section AS 06.55.815 (In-state determination) for transactions requested by telephone, a licensee may rely on information provided by the customer to determine the location of a transaction, if the transaction is in or out of state.



# Sectional – Receipts, Timely Transmission and Refunds

## Section 48

Repeals and reenacts AS 06.55.830 (Receipt) for consistency with the Model Law. Provides content and format requirements for money transmission transaction receipts and defines receipt. Receipts are required to be in English and any other language principally used by the licensee or authorized delegate to negotiate a transaction.

## Section 49

Amends AS 06.55 to add a new section, AS 06.55.835 (Timely transmission) requiring licensees to forward money received for transmission in accordance with the agreement between the licensee and sender unless the licensee determines there may be fraud involved or another crime.

## Section 50

Repeals and reenacts AS 06.55.840 (Refunds) for consistency with the Model Law.



# Sectional – Fees Conforming to Model Law

## Sections 51-53

### **Establishment of fees and other charges**

**Amends AS 06.55.850 for consistency with the Model Law.**

- Allow the department greater flexibility in the assessment of fees.
- Conduct a review annually of each fee level to determine if fees are sufficient to cover the cost of the administration of this chapter
- An annual renewal fee must be based on a licensee's total volume of money transmission in the state with the annual renewal fee to be determined by the department by regulation or order.



# Sectional - Definitions

## Sections 54-62

**Amends AS 06.55.990 (Definitions) for consistency with the Model Law including “control”, “money transmission”, “Payment instrument”, “person”, “state”, “stored value”, and other terms added by the Model Law.**

- Renumbers definitions
- Exception for a loyalty reward card
- Amends the definition of “control” to at least 25% of ownership
- Amends “money transmission” to include virtual currency exchange or business activity
- Amends the definition of stored value
- Adds definitions for terms introduced by the Model Law



# Sectional – Amendments and Repeals

## **Section 63** - Short title

Amends AS 06.55.995 to refer to the Act or Chapter as the Alaska Uniform Money Transmission Modernization Act instead of the Alaska Uniform Money Services Act.

## **Section 64** - National criminal history record checks for employment, licensing, and other noncriminal justice purposes

Amends AS 12.62.400(b) to read that an applicant under AS 06.55 may submit fingerprints to the registry.

## **Section 65**

Lists repealed statutes throughout the bill that are no longer necessary.



# Sectional - Provisions

## Sections 66-68

Transitional provisions amending uncodified law to avoid interference with existing contracts, to allow a transitional period for holders of existing money services licenses and for payroll processors, to allow adoption of transitional regulations by the Department, and to instruct the revisor of statutes to amend certain headings.

## Section 69

Provides for an immediate effective date for sec. 68, which would allow DCCED to begin the regulation promulgation process.

## Section 70

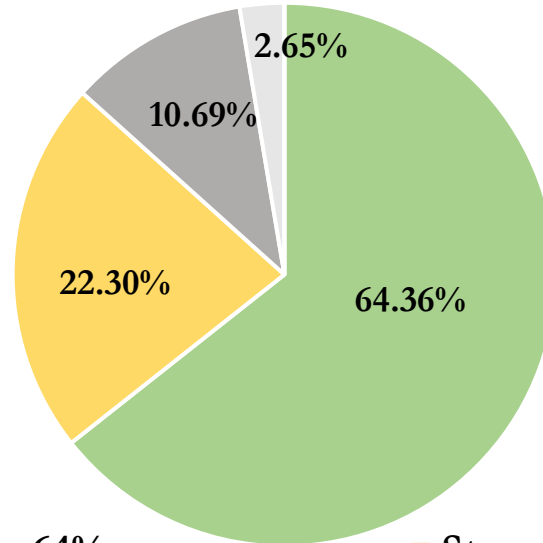
Provides for an effective date of January 1, 2024 for all other sections of the bill.





# What types of transmissions happen in Alaska?

## 2022 Money Transmitted Based on Volume \$ Value



- Money Transmission 64%
- Stored Value 22%
- Virtual Currency 11%
- Payment Instruments 3%
- Fiat Currency Exchange < 1%



## Sectional – Why this is bill important?

### This bill will:

- Protect Alaska consumers
- Reduce regulatory burden
- Adopt a Model Law that industry drafted with state regulators
- Prevent federal pre-emption by creating uniform statutes across the country
- Allow the division to have the ability to update fees and activities that require a license in regulation to keep up with technology and innovation with this ever-evolving financial industry

**In 2022, Alaskans sent or received over 31 million money transmission transactions worth \$5.8 billion.**



# Thank You

## Questions?

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

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

### **Supporting DCCED's mission to:**

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