

ALASKA STATE LEGISLATURE



REPRESENTATIVE ZACK FIELDS

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Sectional Analysis Narrative

HB 99 Version A

34-LS0543\A

“An Act Relating to Money Transmission; Virtual Currency”

2/17/25

The proposed bill is not a simple repeal and reenactment of AS 06.55. Instead, it is a line-by-line overhaul of the Act carefully considering the Model Law and selectively adopting and revising the statutes. The bill repeals the currency exchange license and includes that activity in the definition of money transmission so only one license type will be required in AS 06.55 going forward.

- **Sections 1 through 6 are related to licensing.** Adds a section of uncodified law explaining the purpose of the bill and amends language related to licensing application and license renewal requirements. Adds criminal background check report requirements for individuals who are senior management and control the company. Allows the department to utilize the Nationwide Multi-State Licensing System (NMLS) for all aspects of licensing.
- **Section 7.** Amends AS 06.55 to add new sections to Article 1A concerning virtual currency (VC) derived from the Model Law. Virtual Currency Business Activity replaces Currency Exchange Licenses as the heading for Article 1A. AS 06.55.150 – 06.55.170 provide the details of what is considered and what is not considered licensed activity for companies engaging in VC business activity.
- **Section 8.** Repeals and reenacts AS 06.55.301 creating a requirement that a licensee adopt policies and procedures consistent with applicable state and federal law prior to using an authorized delegate and provides details stating that a licensee must enter into a contract with an authorized delegate with a list of provisions.
- **Section 9.** Amends AS 06.55.302 concerning unauthorized activities and liability provisions that apply to persons engaging in MT on behalf of an unlicensed person.
- **Section 10.** Amends AS 06.55.401 relating to supervision and the department’s powers with respect to examination. It allows the department to accept examination reports from other states, the federal government, or an independent accounting firm. This section requires

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licensees to pay all costs associated with examinations, references confidentiality requirements, and eliminates the existing requirement to notify a licensee 45 days prior to an examination.

- **Sections 11 - 14.** Repeals and reenacts or amends subsections of AS 06.55.403 for consistency with the Model Law. It requires quarterly reports of condition for a licensee's activities and their authorized delegates. It maintains existing requirements for immediate reporting knowledge of filing a bankruptcy petition, a proceeding to revoke or suspend a license in another state or country, bond cancellation and criminal charges. Allows the department to utilize the NMLS for reporting required by AS 06.55.403.

Executive officer is replaced and repealed utilizing key individual, a term introduced by the Model Law which means "any individual ultimately responsible for establishing or directing policies and procedures of the licensee, including an executive officer, manager, or trustee."

- **Section 15.** Repeals and reenacts AS 06.55.404 regarding acquisition of control of a MT licensee containing procedural and reporting requirements for the acquisition or transfer of control of licensees. It allows exceptions for acquisition of control and contains discretionary provisions for the department for ease and flexibility of administration and the utilization of the NMLS. It adds details for aggregation of interest of ownership for family members for consistency with the Model Law.
- **Sections 16 through 22.** Amends language consistency with the Model Law. Increases the record keeping requirements of licensees from 3 years to 5 years. Removes the requirement that certain money laundering, record keeping, and suspicious transaction reporting requirements be filed with the Attorney General. Includes an amendment that provides guidance that is helpful regarding when a licensee or authorized delegate may disclose financial information provided to the licensee or authorized delegate by a customer.
- **Section 23.** Adds a new subsection (f) to AS 06.55.407 stating when department records may be made public and what information is confidential.
- **Section 24.** Amends AS 06.55 to add new sections to article 4 from the Model Law. Provides details when licensees are required to submit an annual audited financial statement to the department within 90 days after the end of the licensee's fiscal year. Grants the department discretion to enter into agreements with other state and federal agencies to

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improve efficiencies and reduce regulatory burden and to adopt rules and regulations, and to recover its costs through imposition and collection of fees. Provides that in the event of an inconsistency between state and federal law, the federal law governs to the extent of the inconsistency.

- **Sections 25 – 29.** Revises article 5 of AS 06.55 to rename and broaden its scope from Permissible Investments to Prudential Standards. Details the level of permissible investments required by a and provides details on what specific investments can be held by licensees due to risk concerns and adds language to protect beneficiaries of statutory trusts from actions by creditors of licensees. Provides details regarding Automated Clearing House (ACH), letters of credit, and security bonds. Expands net worth requirements from \$25,000 to a new net worth based on a tiered level of total assets held. Allows the department to exempt applicants or licensees from net worth requirements. Provides a requirement to maintain at all times a tangible net worth in tiers and that it must be demonstrated at initial application.
- **Section 30 through 36.** Amends language for consistency with the Model Law regarding the suspension and revocation of a license by deleting unnecessary language and inserting new terms such as key individual and the replacement of transmission for services. Allows an authorized delegate to apply for relief from a suspension or revocation of a license.
- **Section 37.** Amends AS 06.55.605 regarding civil penalties allowing the department to assess its costs and expenses for investigation.
- **Section 38 and 39.** Amends language for consistency with the Model Law conforming language such as deleting money services and inserting money transmission.
- **Sections 40 and 41.** Amends subsections of AS 06.55.607 to remove citations to AS 06.55.201, which is repealed. The existing AS 06.55.201 contains the currency exchange license requirements and this license is being eliminated in the bill in favor of one license type including currency exchange as a money transmission activity.
- **Section 42.** Amends AS 06.55.702(a) concerning hearings for consistency with the Model Law deleting money services and a citation to AS 06.55.702(b) which is repealed in the bill.
- **Section 43 and 44.** Amends language for consistency with the Model Law revising licensing exclusions and renames the section to exemptions. It adds new exemption types and would

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allow the department to add additional exemptions if it is in the public interest creating consistency from state-to-state. It also adds the term federally insured depository financial institution for consistency with other statutes the division regulates under AS 06.60.990(9). Allows the department to require a person who claims an exemption to provide information and documentation demonstrating the claimed exemption.

- **Sections 45 through 48.** Amends language regarding notices and receipts requiring licensees and authorized delegates 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 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. Includes in-state determination of the location of a person requesting a transaction and provides a definition of receipt.
- **Sections 49 and 50.** Provides details on 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. The licensee is required to respond to inquiries from the sender with the reason for the failure to forward money unless doing so violates a state or federal law. Provides information concerning refunds for consistency with the Model Law.
- **Sections 51 and 52.** Amends language for consistency with the Model Law and states the department shall establish fee levels including an annual renewal fee based on a licensee's total volume of money transmission in the state.
- **Sections 53 through 61.** Amends definitions found in AS 06.55.990 for consistency with the Model Law. Changes include the incorporation of the words in this state to ensure AS 06.55 protects Alaska consumers and insuring revisions are made to align the language of the Act with the model law. It also includes an exception for a loyalty reward card, amends the definition of control and renumbers the definitions.
- **Section 62.** Amends AS 06.55.995 Short title to refer to the Act or Chapter as the Alaska Uniform Money Transmission Modernization Act instead of the Alaska Uniform Money Services Act.

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- **Section 63.** Amends AS 12.62.400(b) to read that an applicant under AS 06.55 may submit fingerprints to the registry.
- **Section 64.** Repeals several sections in AS 06.55. AS 06.55.104 and AS 06.55.107 are repealed and reenacted in Article 5 concerning prudential standards. All statutes in Article 2 regarding currency exchange licenses are repealed as the activity was added to the definition of money transmission. AS 06.55.890 and AS 06.55.990 contains definitions that are no longer necessary.
- **Section 65 – 67.** Amends by adding a new section for INDIRECT RULE AMENDMENT and transitional provisions amending uncodified law to avoid interference with existing contracts, to allow a transitional period for holders of existing money services licenses.
- **Section 68.** Adds a new section “CONDITIONAL EFFECT” to allow adoption of transitional regulations by DCCED.
- **Section 69.** Provides for an effective date of January 1, 2026.