

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 8, 2016

1:29 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Cathy Giessel, Vice Chair
Senator Kevin Meyer
Senator Gary Stevens
Senator Johnny Ellis

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 165

"An Act relating to the presence of minors in the licensed premises of manufacturers, wholesalers, and retailers of alcoholic beverages; relating to the Alcoholic Beverage Control Board; relating to the offense of minor consuming; relating to revocation of a driver's license for a minor consuming offense; relating to the effect of the revocation of a driver's license for a minor consuming offense on a motor vehicle liability insurance policy; and amending Rule 17, Alaska Rules of Minor Offense Procedure."

- MOVED CSSB 165(L&C) OUT OF COMMITTEE

SENATE BILL NO. 168

"An Act relating to the membership of the Board of Barbers and Hairdressers."

- HEARD & HELD

SENATE BILL NO. 152

"An Act relating to a money services business; relating to transmitting value that substitutes for money; relating to licensing requirements and registration through the Nationwide Multistate Licensing System and Registry; relating to surety bonding requirements; authorizing certain licensees to contract to use subdelegates for reloading funds onto stored-value cards;

relating to record retention, reporting requirements, and enforcement provisions; relating to exemptions; relating to money services Internet activities; relating to definitions regarding the transmitting value, currency, and money transmission business activities; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 165

SHORT TITLE: ALCO. BEV. CONT. BOARD; MINORS; ALCOHOL

SPONSOR(s): SENATOR(s) MICCICHE

02/01/16	(S)	READ THE FIRST TIME - REFERRALS
02/01/16	(S)	L&C, JUD
02/11/16	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/11/16	(S)	Scheduled but Not Heard
02/23/16	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/23/16	(S)	Heard & Held
02/23/16	(S)	MINUTE (L&C)
03/08/16	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 168

SHORT TITLE: BOARD OF BARBERS AND HAIRDRESSERS

SPONSOR(s): SENATOR(s) MCGUIRE

02/03/16	(S)	READ THE FIRST TIME - REFERRALS
02/03/16	(S)	L&C, FIN
03/08/16	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 152

SHORT TITLE: MONEY SERVICES BUSINESS: REQS; LICENSING;

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/21/16	(S)	READ THE FIRST TIME - REFERRALS
01/21/16	(S)	L&C
02/25/16	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/25/16	(S)	<Bill Hearing Canceled>
03/08/16	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

WESTON EILER, Staff
Senate Labor and Commerce Committee and
Senator Mia Costello

POSITION STATEMENT: Explained the changes in the proposed committee substitute for SB 165.

TREVOR Gutierrez, Staff
Senator Lesil McGuire
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SB 168 on behalf of the sponsor.

JANEY HOVENDEN, Director
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: Answered questions related to SB 168.

JEANNINE JABAAY, member
Board of Barbers and Hairdressers
Hope, Alaska

POSITION STATEMENT: Testified in support of SB 168.

KEVIN ANSELM, Director
Division of Banking and Security
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Introduced SB 152 on behalf of the administration.

ACTION NARRATIVE

[1:29:50 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:29 p.m. Present at the call to order were Senators Giessel, Meyer, and Chair Costello. Senators Stevens and Ellis arrived soon thereafter.

SB 165-ALCO. BEV. CONT. BOARD; MINORS; ALCOHOL

[1:30:13 PM](#)

CHAIR COSTELLO announced the consideration of SB 165. She noted this is the second hearing, public testimony closed on 2/23/16, and there is a proposed committee substitute (CS).

[1:30:51 PM](#)

SENATOR ELLIS joined the committee.

[1:30:58 PM](#)

SENATOR GIESSEL moved to adopt the work draft CS for SB 165, labeled 29-LS1384\W, as the working document.

CHAIR COSTELLO objected for an explanation of the changes.

[1:31:23 PM](#)

WESTON EILER, Staff, Senate Labor and Commerce Committee and Senator Mia Costello, explained that the first change deletes subsection (c) on page 2, lines 7-16. This removes the provision that takes the previous experience of the executive director of the Alcoholic Beverage Control Board into consideration when appointing other members of the board. This was removed to keep the role of the executive director from being politicized.

[1:32:27 PM](#)

SENATOR STEVENS joined the committee.

MR. EILER said the next substantive change begins on page 5, line 30, and continues through the bill. The term "community diversion panel" is inserted to ensure community diversion panels, youth courts, and other alternative restorative justice programs can be included for processing of minor consuming and alcohol crimes by minors. Conforming changes appear on page 6, lines 1-5, page 6, lines 28-31, and page 8, lines 25 and 26.

[1:33:56 PM](#)

CHAIR COSTELLO found no questions and removed her objection. Finding no further objection, version W was adopted.

[1:34:22 PM](#)

SENATOR GIESSEL moved to report the work draft CS for SB 165(L&C), labeled 29-LS1384\W, from committee with individual recommendations and attached fiscal note(s).

[1:34:39 PM](#)

CHAIR COSTELLO announced that without objection, CSSB 165(L&C) is reported from the Senate Labor and Commerce Standing Committee.

[1:34:45 PM](#)

At ease

[1:35:34 PM](#)

CHAIR COSTELLO reconvened the meeting and welcomed the sponsor to make final comments on the bill.

SENATOR MICCICHE thanked the committee for hearing the bill and moving it along. He summarized it brings a good balance of representation to the board, decriminalizes simple alcohol consumption offenses for youth, puts accountability measures in place, and opens new opportunities for youth who have made a mistake with alcohol. He stated support for the changes in the committee substitute, particularly the addition of community diversion panels.

SB 168-BOARD OF BARBERS AND HAIRDRESSERS

1:37:29 PM

CHAIR COSTELLO announced the consideration of SB 168; "An Act relating to the membership of the Board of Barbers and Hairdressers." She stated this is the first hearing and the intent is to hear from the sponsor's staff, open public testimony and hold the bill.

1:37:48 PM

TREVOR Gutierrez, Staff, Senator Lesil McGuire, sponsor of SB 168, introduced the legislation on behalf of the sponsor speaking to the following sponsor statement:

Senate Bill 168 aims to create equal Board representation for all licensees governed by the Board of Barbers and Hairdressers. This restructuring of the Board will not remove any current board member from their position, and it carries a zero general fund fiscal note.

As of February 3, 2015, the Board of Barbers and Hairdressers oversees 2,271 Hairdressers, 962 Manicurists and Nail Technicians, 542 Estheticians, 151 Barbers, and 146 Tattoo/Permanent Cosmetic Colorist/Body Piercers. The current Board structure is 1) Hairdresser, 1) Hairdresser/Esthetician combo, 1) Tattoo/Permanent Cosmetic Colorist/Body Piercer, 1) Public Member, 2) Barbers.

Providing Board Representation for Nearly 1,000 Currently Unrepresented Nail Technicians

In 2015, legislation was passed requiring those practicing the art of manicuring to receive education and to pass a nationally recognized examination. Current statute does not provide a nail technician seat on the Board. As the second largest body of licensees overseen by the Board of Barbers and

Hairdressers, nail technicians should be given a seat at the table to advocate for their industry. This bill ensures that nail technicians be given a Board position.

Creating a More Balanced Number of Board Members

This bill increases the Board of Barbers and Hairdressers from six to seven members. This will create an odd number of voting members, better assuring a tie-break in certain Board decisions. Seven members also make it more likely to have a quorum at Board meetings and teleconferences.

Evenly Distributing Board Representation for Current Seats

When the Board seats were created, Alaska had approximately 1,200 Barbers. We currently have 151 in the entire state. There is an over-representation from a minor licensee group, which not only makes Board recruitment difficult, but it gives an over-abundance of voice to the Barbering industry. This bill will change one of the Barber seats to allow for any licensee group governed by this Board.

CHAIR COSTELLO asked Ms. Hovenden to give the administration's position on the legislation and discuss the fiscal note.

[1:40:19 PM](#)

JANEY HOVENDEN, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development (DCCED), said the fiscal note asks for \$4.5 thousand in travel costs for the additional board member to attend board meetings. This is a receipt-supported service so the licensing fees will pay for the additional seat and travel costs. Responding to further questions from the Chair, she reported that the board is operating at a surplus and the administration is neutral on the bill.

CHAIR COSTELLO asked if there is any opposition to the legislation.

MS. HOVENDEN said she assumes the barbers aren't pleased to lose the second seat, but that doesn't prevent a barber from filling the undesignated licensee seat.

[1:42:39 PM](#)

CHAIR COSTELLO opened public testimony.

[1:42:53 PM](#)

JEANNINE JABAAY, member, Board of Barbers and Hairdressers, Hope, Alaska, stated the board fully supports SB 168 and believes that barbers currently are over represented. The licensees haven't voiced direct opposition to re-designating the seat and both barbers on the board support the change. She relayed the board's surprise at the fiscal note and their belief that it should be zero. She pointed out that the board is receipt supported and is operating in the black.

CHAIR COSTELLO said the Finance Committee would address the request to zero the fiscal note.

[1:44:56 PM](#)

CHAIR COSTELLO closed public testimony on SB 168 and held the bill in committee for future consideration.

[1:45:12 PM](#)

At ease

SB 152-MONEY SERVICES BUSINESS: REQS; LICENSING;

[1:47:04 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SB 152; "An Act relating to a money services business; relating to transmitting value that substitutes for money; relating to licensing requirements and registration through the Nationwide Multistate Licensing System and Registry; relating to surety bonding requirements; authorizing certain licensees to contract to use subdelegates for reloading funds onto stored-value cards; relating to record retention, reporting requirements, and enforcement provisions; relating to exemptions; relating to money services Internet activities; relating to definitions regarding the transmitting value, currency, and money transmission business activities; and providing for an effective date." She noted this is the first hearing.

[1:47:45 PM](#)

KEVIN ANSELM, Director, Division of Banking and Security, Department of Commerce, Community and Economic Development, provided an overview of SB 152 on behalf of the administration. She explained that a money service business (MSB) deals with currency exchange and money transmission functions. Currency exchange, also called exchange of fiat currency, means the receipt of revenue from the exchange of one government's money

to another government's money. U.S. dollars to Euros, for example. A payment instrument, which is what money transmission does, includes a check, money order, traveler's checks, prepaid or stored-value cards, wiring money, and moving money from a deposit account to a loadable card.

MS. ANSELM told the committee that SB 152 updates the definition of "money transmission" to include virtual currency. This is a digital representation of value that does not have legal tender status in the U.S. but can be digitally traded and function as a medium of exchange, a unit of account, a stored value, or incorporated into the payment system technology. She said none of this was anticipated in 2007 when this body heard the original Money Services Act.

She described the bill as timely, because the division is receiving requests to license money transmitters that are also involved in virtual currency. Virtual currency has also expanded to more than just Bitcoin. She reported that the division is not licensing money transmitters to deal in virtual currencies and is requiring them to disclose that to their Alaska customers.

MS. ANSELM reported that there currently are 73 money transmitters, at least two of which are providing virtual currency to customers. SB 152 would allow the division to better regulate these riskier forms of currency in a consistent and efficient manner. Additionally, the bill will incorporate alternative payment systems and instruments, allow a licensee to contract with a delegate who may then use their network of delegates to reload funds onto cards without having a separate contract between a licensee and subdelegate. She noted that she would discuss what that means specifically for Alaska-based money transmitters later in the presentation. Finally, the bill removes the out-of-state business advantage that is a quirk in the original bill.

[1:51:16 PM](#)

MS. ANSELM explained that SB 152 will require the use of the Nationwide Multistate System and Registry (NMLS) for filing documents and paying fees. The NMLS is currently used by mortgage brokers and originators in Alaska and most out-of-state MSBs are already using it. The merit is that these transmitters will be able to electronically file documents with the division rather than paper copies. It also means that Alaska can receive these payments electronically which reduces staff processing time.

The bill also replaces the current net worth requirement with the surety bond requirement that can be adjusted based on the risk presented by the licensee's business model and focus. Currently, a money service business holds a \$25,000 deposit in reserve so being able to change that to a bond frees that cash and often allows for a much higher surety bond amount that will better protect Alaska consumers. SB 152 also will allow annual assessment fees to cover periodic examination fees and ongoing administrative costs to be set by regulation.

MS. ANSELM listed the enhancements to consumer protection that SB 152 will provide:

- It adds a background check component for all control persons. Right now, only control persons that have 25 percent or more control, and certain other attributes, are required to undergo fingerprinting.
- It requires licensees to comply with the federal anti-money laundering law, the Bank Secrecy Act, and other requirements that protect consumers and the marketplace.
- It also allows a broader spectrum of orders to be issued beyond a cease and desist order so that enforcement can be tailored to the issue.
- It removes the advance exam notification requirement and allows joint examinations and investigations with other regulators. In the last few years Alaska has been working with other states to do joint exams on money transmitters and money service businesses that are located outside the state. Using staff from other states makes it possible to accomplish more in shorter time and is less an imposition on the business.

She noted that the bill suggests an exemption for businesses that really aren't in the money services business but need to move money around incidental to the business. The exemption would apply to insurance companies, title companies, and escrow agents or attorneys that engage in ancillary money services business.

[1:54:29 PM](#)

MS. ANSELM highlighted that the definition of "payment instrument" has been updated to include an electronic check or electronic instrument so as to capture changing technology. Examples of new ways to transfer money include PayPal, Square Cash, Venmo, Mobile Wallets and Apple Pay.

SB 152 affects prepaid or stored value cards that are both open loop and reloadable. The definitions of "open loop" and "stored value" are updated: the monetary value of the card is prefunded and reduced with each use; there is a card code; it is redeemable at multiple, unaffiliated merchants or ATMs; and it does not include an electronic record. She reviewed examples of what is and is not an open loop stored value card. An Olive Garden \$50 gift card is not reloadable and does not require an MSB licensee or delegate to issue or sell the card. By comparison, a VISA/Green Dot card purchased at Fred Meyer, Safeway, and Walgreens requires an MSB licensee or delegate to issue, sell, or reload the card.

CHAIR COSTELLO asked if the bill changes that.

MS. ANSELM said no, but it does change what would be allowed for another entity - subdelegates. This is a new provision.

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MS. ANSELM directed attention to the white paper in the bill packets that provides information about Alaska Prepaid Card in Nome, Alaska that conducts business as Q-card. Q-Card contracts with Western Union Financial Services (WUFSI) to allow WUFSI's delegates in Alaska (32 locations at Fred Meyer, Walgreens, and Safeway) to offer reload services to Q-Card customers. Current Alaska law does not allow the use of subdelegates so Alaska Prepaid Card must also have contracts with each of the WUFSI delegates in the 32 store locations that will offer reloads to Q-Card customers. The law also requires Alaska Prepaid Card to increase the amount of its bond to include Western Union and each of those 32 delegates. This is in addition to the bond that Western Union already pays for its delegates in Alaska. Maintaining the higher bond amount places an additional financial burden on the business. SB 152 would streamline the process by allowing the limited use of subdelegates. Western Union's 32 delegates would be subdelegates.

[2:01:56 PM](#)

SENATOR STEVENS asked the maximum that can be placed on a card and if they could be used for money laundering.

MS. ANSELM said she didn't know the maximum and they could be used for money laundering. However, people in the villages use them to pay bills and take care of day-to-day business when there isn't a bank in the area. When they go shopping in Anchorage, they want to be able to recharge their cards. SB 152

provides limited authorization of subdelegates so it wouldn't be such a convoluted process to get the money onto the cards.

MS. ANSELM reviewed the list of new or expanded definitions in SB 152.

[2:04:26 PM](#)

MS. ANSELM displayed the following list of what the bill sections address and offered to go through each section in detail:

- Sec. 01 - 07 Money Transmission Licenses
- Sec. 08 - 17 Currency Exchange Licenses
- Sec. 09 - 21 Authorized Delegates
- Sec. 22 - 33 Examinations, Reports, Records
- Sec. 34 - 35 Permissible Investments
- Sec. 36 - 44 Enforcement
- Sec. 45 - 48 Miscellaneous Provisions
- Sec. 49 - 51 General Provisions (includes definitions)
- Sec. 54 Lists repealed provisions

She informed the committee that since 2009, the division has issued 18 Money Service Business final orders, generally against firms operating in Alaska unlawfully. Many are large firms that deal internationally and over the Internet. The bill clarifies that companies that work with Alaskans over the Internet must be appropriately licensed in Alaska.

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At ease

[2:06:20 PM](#)

CHAIR COSTELLO asked Ms. Anselm to provide a sectional analysis for SB 152.

MS. ANSELM informed the members that the bill packets have a brief sectional analysis that focuses on the major changes in the bill; a detailed analysis or "crosswalk" is available upon request. She discussed the following:

Sections 1-2. AS 06.55.101. Clarifies a license or exemption is needed to engage in money and a licensee must register with a designated national registry (streamlines the licensing process).

Section 3. AS 06.55.102. Application for license.

Repeals and reenacts current provision to move the detailed application information to regulations and adds requirements for control person criminal and civil background checks and authority to obtain a credit report.

SENATOR STEVENS asked what a designated national registry does.

MS. ANSELM said they are a repository for documents that come in from nationwide companies, including Alaska. It allows the money service business to make just one filing and the information is available to any state where the company wishes to be licensed and wherever they are registered. A national registry also is a central place to collect money that then is disbursed to the various states. Most states are participating and most mortgage lenders, mortgage loan originators, and money service businesses also participate because it's a lot less expensive than to file with each individual state. It's a matter of efficiency for both the states and licensees.

SENATOR STEVENS asked if any legal or moral judgements are made at that point by the designated national registry.

MS. ANSELM said no, but the regulators that look at the filing may make a judgment because it's the official filing.

CHAIR COSTELLO requested a copy of the detailed analysis or "crosswalk" that was previously mentioned.

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MS. ANSELM agreed to provide it and continued the sectional analysis.

Section 4. AS 06.55.104. Security. Repeals and reenacts the current provision to require a surety bond in the amount required by the department up to \$1,000,000 issued by a company authorized to do business in this state and allows the department to issue an order if the licensee fails to maintain a bond.

MS. ANSELM noted that this would replace the cash that needs to be placed on deposit.

Section 5. AS 06.55.105. Issuance of license. Repeals and reenacts the current provision to clarify the

department may be reimbursed for any applicant investigation, may exclude any applicant, employee or independent contract that is listed on certain designated lists, and establishes December 31 as the license expiration date.

MS. ANSELM explained that under existing law the license expiration date is an annual event 12 months after the money service business is licensed. This consolidation will make it easier for both the division and the licensees.

Section 6. AS 45.55.106. Renewal of license. Repeals and reenacts the current provision to move the detailed application information to regulations, requires applicant provide updated and additional information and provides a 60 day time period for the department to approve or deny the application.

Section 7. AS 06.55.108. Annual assessment fee and annual report. Replaces the nominal, static annual renewal fee with a volume-based annual assessment fee, requires an annual report be submitted to the department, and assesses a fee for late filings or payment.

Currency Exchange Licenses

Sections 8-9. AS 06.55.201. License required. Clarifies license is needed to engage in currency exchange or money transmission and deletes authorized delegate of a licensed money transmitter. Requires registration with a designated national registry (streamlines the licensing process).

Section 10. AS 06.55.202. Application for license. Repeals and reenacts current provision to move the detailed application information to regulations and adds requirements for control person criminal and civil background checks and authority to obtain a credit report.

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CHAIR COSTELLO asked if Section 10 is identical to Section 3.

MS. ANSELM replied they're similar but the applications are different. Section 3 deals with money transmission licenses and Section 10 deals specifically with currency exchange licenses.

Under the money transmission law, a currency exchange is considered money transmission. It can be a standalone license, but it doesn't allow as many offerings as a money transmission license. The latter applies to the reloadable cards and other things.

Sections 11-14. AS 06.55.203. Issuance of license.

Repeals and reenacts the current provisions to clarify the department may be reimbursed for any applicant investigation, may exclude any applicant, employee or independent contract that is listed on certain designated lists, establishes December 31 as the license expiration/renewal date and provides a 120 day period for the department to approve or deny the application (30 day appeal period for a denial).

Section 15. AS 06.55.204. Renewal of license.

Repeals and reenacts the current provision to move the detailed application information to regulations, requires applicant provide updated and additional information and provides a 60 day time period for the department to approve or deny the application.

Section 16. AS 06.55.206. Security.

Requires a surety bond in the amount required by the department up to \$1,000,000 issued by a company authorized to do business in this state and allows the department to issue an order if the licensee fails to maintain a bond. Allows either a claimant against the licensee or the department to file an action on the bond and requires that the bond remain in effect a minimum of five years after licensure.

Section 17. AS 06.55.207. Annual assessment fee and annual report.

Replaces the nominal, static annual renewal fee with a volume-based annual assessment fee, requires an annual report be submitted to the department, and assesses a fee for late filings or payment.

Authorized Delegates

Sections 18-20. AS 06.55.301. Relationship between licensee and authorized delegate.

Removes definition of "Remit" and moves it to definition section. Expands statutory references for scope of permissible activity of authorized delegate and clarifies that a licensee

is responsible for the actions of an authorized delegate.

Section 21. AS 06.55.304. Limited authorization of subdelegate. Allows a licensee to contract with another licensee to use that other licensee's existing authorized delegate as a subdelegate to reload prepaid cards and requires the licensee to maintain books and records of contracts.

Examinations, Reports, Records

Section 22. AS 06.55.401. Authority to conduct examinations. Repeals and reenacts the current provisions for authority to examine, interview or investigate; removes the 45-day advance notice requirement and specifically authorizes joint examination and investigations with other regulators. Allows department to gather evidence relevant for a hearing or investigation and allows reimbursement of examination or investigation costs.

Section 23. AS 06.55.402. Cooperation. Repealed and reenacted to allow cooperation with other regulators.

Sections 24-25. AS 06.55.403. Reports. Expands the required quarterly report information. Requires licensee to notify the department within one day of most petition filings, lawsuits, bond cancellation, or criminal charges or convictions against the licensee or authorized delegate. Allows the Department to assess a late fee or other consequence for failure to report as required.

Sections 26-28. AS 06.55.404. Change of control. Requires a 30-day advance notice of a change of control and notice within 15 days of learning of a proposed change in control be submitted to the department along with any required fee. The department has 120 days to approve or deny a change in control request.

Sections 29-30. AS 06.55.405. Records. Adds currency transaction reports and suspicious activity reports to the types of records to be retained. Extends the retention period from three to five years and requires

the records to be provided in a format established by the department.

Section 31. AS 06.55.406. Money laundering reports. Repealed and reenacted to align reporting requirements with federal law.

Sections 32-33. AS 06.55.407. Confidentiality. Allows the department to share information with state or federal agencies without giving prior notice to a licensee and expands the list of licensee information that may be publicly disclosed to include the address and name of a contact individual for a licensee and their authorized delegate.

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CHAIR COSTELLO asked if Sections 32 and 33 are a uniform law or align with other states.

MS. ANSELM replied this generally aligns with other states, but it shouldn't be called a uniform act because the states are no longer all the same.

Permissible Investments

Sections 34-35. AS 06.55.501. Maintenance of permissible investments. Clarifies that permissible investment calculations must consider any limitations imposed by the department.

Sections 36-37. AS 06.55. 601. Suspension and revocation of licensees; receivership. Clarifies that the department may issue an order against a licensee if either the licensee or an authorized delegate is convicted of or violates certain provisions; a fact or condition that may have been grounds for denial was not disclosed with license application; the licensee engaged in false, misleading or deceptive advertising, failed to pay a judgement or knowingly made a material misstatement or withheld material information. Includes currency exchange operations, potential loss and any order issued by the department or other regulators in determining whether a licensee is engaging in an unsafe or unsound practice.

Sections 38-39. AS 06.55.602. Suspension and revocation of authorized delegates and subdelegates.

Expands the department's ability to issue, suspend or revoke the designation of an authorized delegate or subdelegate.

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Section 40. AS 06.55.603. Administrative orders. Repealed and reenacted to change "cease and desist" to "administrative" order. Expands the requirements of administrative orders that can be issued. Allows person to petition superior court for judicial order to modify the order pending completion of an administrative proceeding.

Sections 41-44. AS 06.55.607. Unlicensed persons. Repealed and reenacted to add subdelegate to unlicensed activity provisions and establishes an additional monetary penalty for unlicensed activity.

Miscellaneous Provisions

Section 45. AS 06.55.802. Exemptions. Includes insurance companies, title insurance companies, escrow agents, and attorneys as exempt from the provisions of this chapter.

Section 46. AS 06.55.810. Notices required. Repealed and reenacted to require a money services licensee provide notice at locations where no authorized delegate or subdelegate is designated to provide services; require authorized delegates and subdelegates to provide customer complaint resolution information at locations where they provide money services; and allows department to establish content of notices.

MS. ANSELM said if somebody is reloading a card in person, they need to know that is the only place they can reload that card as opposed to having those delegations set up with other money service businesses.

Section 47. AS 06.55.820. Transmission, receipt, and refund. Repealed and reenacted to require compliance with the Federal Transmittance Rule for transmission, receipt and refunds and department requirements.

Section 48. AS 06.55.860. Compliance with federal requirements. Required compliance with the listed federal laws related to money services businesses.

MS. ANSELM added that this clarifies that Internet money service activity is regulated by this chapter.

AS 06.55.870 Escheatment of property. Requires compliance with unclaimed property laws in Alaska.

AS 06.55.880. Application to Internet activities. Clarifies internet money services activity is regulated by this chapter.

General Provisions.

Section 49. AS 06.55.900. Administration. Authorizes use of a registry for obtaining information required for licensing purposes.

AS 06.55.920. Regulations. Authorizes the department to adopt regulations.

Section 50. AS 06.55.990. Definitions. Repealed and reenacted. Amends or adds the following definitions:

- (1) applicant - new
- (4) control - amended
- (5) currency - new
- (10) fiat currency - new
- (11) funds - new
- (12) informal value transfer system - new
- (13) medium of exchange - new
- (16) money laundering - new
- (20) money transmission - amended
- (21) money transmission license - amended
- (23) Nationwide Multistate Licensing System and Registry - new
- (24) officer - new
- (25) open-loop stored value - new
- (26) outstanding - amended
- (27) payment instrument - amended
- (28) payment system - new
- (31) registry - new
- (32) remit - new
- (34) stored value - amended
- (35) subdelegate - new

- (36) unsafe or unsound practice - amended
- (37) virtual currency - new
- (38) virtual currency business activity

Section 51. AS 06.55.995. Short title. Removes "Uniform" from the title of the Act.

Sections 52 - 53. Adds provisions relating to new law in AS 12.62.

Section 54. Enumerates provisions repealed.

Section 55. Allows transition regulations.

Section 56. Revisor's instructions.

Section 57. Section 55 takes effect immediately.

Section 58. Effective date is July 1, 2016, except as provided in Section 57.

[2:21:24 PM](#)

CHAIR COSTELLO asked if anything in the legislation causes her concern and if it is in the best interest of Alaskans.

MS. ANSELM replied it is in the best interest of Alaskans right now, but the money services industry changes quickly. She noted her office received a request to review several items and she isn't sure what would come from that but the committee may hear from the industry during public testimony.

[2:23:29 PM](#)

CHAIR COSTELLO asked if she would share what issues her office was asked to review.

MS. ANSELM said she didn't mind at all as the letter was sent to the committee as well.

[2:23:50 PM](#)

At ease

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CHAIR COSTELLO reconvened the meeting and opened public testimony on SB 152. Finding none, she closed public testimony on SB 152.

[2:28:03 PM](#)

At ease

[2:29:32 PM](#)

CHAIR COSTELLO reconvened the meeting and asked Ms. Anselm to discuss the issues raised in the letter from the Money Services Round Table (MSRT).

MS. ANSELM discussed the following points:

Liability for Authorized Delegate Conduct. MSRT expressed the view that the broad assignment of vicarious liability could be construed as excusing an authorized delegate from responsibility for its own conduct. Ms. Anselm said she doesn't agree based on the way the law is proposed. The subdelegate's authority is limited to reloading cards and it's the responsibility of the licensee to make sure that both the delegate and the subdelegate and doing the right things.

Recordkeeping Requirements. Ms. Anselm said the department feels it's necessary to set out guidelines about what it can access. The industry generally uses more current technology than the department so it will need to keep records in a format that the department can access. The department would be able to look at the Suspicious Activity Reports filed under the Bank Secrecy Act. She said she isn't specifically familiar with Project Gateway but the department works closely with FinCEN on Suspicious Activity Reports and that may be the piece the department ultimately uses. She assured the committee that the department will make it as easy on industry as possible while still protecting Alaskan consumers.

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Fingerprinting Requirements. MSRT objects to the fingerprinting requirement extending to the control persons of publicly traded corporations or their subsidiaries and maintains that is consistent with other state transmitter laws. Ms. Anselm said if that is true, the department could look at whether it makes sense to make an exception.

Change of Control Notice Requirements. Specifically, the department is asking for notice in a record 30 days before a proposed change of control and notice in a record not later than 15 days after learning of the proposed change of control. Ms. Anselm said the department recognizes that entities often don't know they're being taken over until after it's happened. If they do know beforehand the department wants to be notified of that, but if they don't know until afterwards the department wants to

know quickly. The department hasn't had an opportunity to talk with MSRT to discuss the intent.

Special Reporting Requirements. MSRT is pointing out that the one day notice is very short, but if a licensee has a person that is being charged with a felony, they generally know it very quickly. Ms. Anselm said this is a fast moving business so it's important that the department knows right away if something is going wrong. In Alaska there have been instances where a licensee knew that somebody had been charged but the law doesn't require their removal until they've been sentenced. This is a concern for money transmission and currency exchange, she said. She acknowledged that there may need to be some exceptions.

Limited Authorization of Subdelegate. MSRT is looking for clarification in the proposal that the term "licensee's existing open-loop stored-value cards" includes stored-value cards issued by a bank and distributed by a licensee under its own license. Ms. Anselm said that probably could be further defined in regulation.

Publication of Authorized Delegates. The bill allows the department to publish a list of authorized delegates including the names of contact individuals of each authorized delegate. MSRT is concerned that a published list will cause administrative and technical challenges for both licensees and the department. Ms. Anselm said the department already keeps a list like that and will explore whether or not there will be a problem they haven't experienced.

Authority to Suspend/Revoke an Authorized Delegate. If an authorized delegate or subdelegate violated any other state or federal law applicable to a money transmitter, MSRT is asking that it be limited to its original scope and that the provision applies only to any other state or federal order enforcing a law applicable to a money services business. Ms. Anselm she isn't sure why that's a problem but it may be clear when she speaks with MSRT.

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CHAIR COSTELLO thanked Ms. Anselm for the thorough review and held SB 152 in committee for further consideration.

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There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 2:38 p.m.