

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 22, 2022

9:04 a.m.

MEMBERS PRESENT

Representative Zack Fields, Co-Chair
Representative Ivy Spohnholz, Co-Chair
Representative Calvin Schrage
Representative Liz Snyder

MEMBERS ABSENT

Representative David Nelson
Representative James Kaufman
Representative Ken McCarty

COMMITTEE CALENDAR

HOUSE BILL NO. 404

"An Act repealing the requirement that the Alaska Housing Finance Corporation make a dividend available to the state, and repealing associated definitions."

- MOVED CSHB 404 (L&C) OUT OF COMMITTEE

CONFIRMATION HEARING(S) :

Board of Pharmacy

Ramsey Bell, RPh - Eagle River

- HEARD AND HELD

Board of Massage Therapists

Amanda Nosich, LMT - Anchorage
Kelli Shew, LMT - Chugiak

- HEARD AND HELD

Board of Dental Examiners

Dominic Wenzell, DMD - Girdwood

- HEARD AND HELD

Board of Nursing

Jody Miller, LPN - Haines

- HEARD AND HELD

Board of Chiropractic Examiners

Walter Campbell, DC - Palmer

- HEARD AND HELD

HOUSE BILL NO. 405

"An Act relating to the establishment of trusts; requiring the filing of certain trust information; and requiring compliance with a federal law."

- HEARD & HELD

HOUSE BILL NO. 406

"An Act relating to the validity of trusts involving persons sanctioned by the United States Department of the Treasury; and relating to the recording of documents conveying land to persons sanctioned by the United States Department of the Treasury."

- HEARD & HELD

HOUSE BILL NO. 408

"An Act relating to the business of money transmission; relating to money transmission licenses, licensure requirements, and registration through the Nationwide Multistate Licensing System; relating to the use of virtual currency for money transmission; relating to authorized delegates of a licensee; relating to acquisition of control of a license; relating to record retention and reporting requirements; authorizing the Department of Commerce, Community, and Economic Development to cooperate with other states in the regulation of money transmission; relating to permissible investments; relating to violations and enforcement of money transmission laws; relating to money transmission license exemptions; relating to payroll processing services; repealing currency exchange licenses; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 392

"An Act relating to advanced practice registered nurses; and relating to death certificates, do not resuscitate orders, and life sustaining treatment."

- MOVED CSHB 392 (HSS) OUT OF COMMITTEE

HOUSE BILL NO. 333

"An Act extending the termination date of the Board of Certified Direct-Entry Midwives; and providing for an effective date."

- BILL HEARING CANCELED

HOUSE BILL NO. 91

"An Act exempting veterinarians from the requirements of the controlled substance prescription database."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 404

SHORT TITLE: REPEAL AK HOUSING FINANCE CORP. DIVIDEND

SPONSOR(s): LABOR & COMMERCE

04/04/22	(H)	READ THE FIRST TIME - REFERRALS
04/04/22	(H)	L&C, FIN
04/04/22	(H)	L&C AT 3:15 PM BARNES 124
04/04/22	(H)	<Bill Hearing Canceled>
04/18/22	(H)	L&C AT 3:15 PM BARNES 124
04/18/22	(H)	Heard & Held
04/18/22	(H)	MINUTE(L&C)
04/22/22	(H)	L&C AT 9:00 AM BARNES 124

BILL: HB 405

SHORT TITLE: ESTABLISHMENT OF TRUSTS

SPONSOR(s): LABOR & COMMERCE

04/04/22	(H)	READ THE FIRST TIME - REFERRALS
04/04/22	(H)	L&C
04/08/22	(H)	L&C AT 9:00 AM BARNES 124
04/08/22	(H)	-- MEETING CANCELED --
04/15/22	(H)	L&C AT 9:00 AM BARNES 124
04/15/22	(H)	Heard & Held
04/15/22	(H)	MINUTE(L&C)
04/18/22	(H)	L&C AT 3:15 PM BARNES 124
04/18/22	(H)	Heard & Held
04/18/22	(H)	MINUTE(L&C)

04/20/22 (H) JUD REFERRAL ADDED AFTER L&C
04/20/22 (H) BILL REPRINTED
04/22/22 (H) L&C AT 9:00 AM BARNES 124

BILL: HB 406

SHORT TITLE: MORATORIUM ON TRUSTS/PROPERTY ACQUISITION
SPONSOR(s): LABOR & COMMERCE

04/04/22 (H) READ THE FIRST TIME - REFERRALS
04/04/22 (H) L&C
04/08/22 (H) L&C AT 9:00 AM BARNES 124
04/08/22 (H) -- MEETING CANCELED --
04/15/22 (H) L&C AT 9:00 AM BARNES 124
04/15/22 (H) Heard & Held
04/15/22 (H) MINUTE(L&C)
04/20/22 (H) JUD REFERRAL ADDED AFTER L&C
04/20/22 (H) BILL REPRINTED
04/22/22 (H) L&C AT 9:00 AM BARNES 124

BILL: HB 408

SHORT TITLE: MONEY TRANSMISSION; VIRTUAL CURRENCY
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

04/04/22 (H) READ THE FIRST TIME - REFERRALS
04/04/22 (H) L&C, FIN
04/22/22 (H) L&C AT 9:00 AM BARNES 124

BILL: HB 392

SHORT TITLE: EXPAND ADV. PRAC. REG. NURSE AUTHORITY
SPONSOR(s): SNYDER

02/22/22 (H) READ THE FIRST TIME - REFERRALS
02/22/22 (H) HSS, L&C
03/24/22 (H) HSS AT 3:00 PM DAVIS 106
03/24/22 (H) -- MEETING CANCELED --
03/29/22 (H) HSS AT 3:00 PM DAVIS 106
03/29/22 (H) Heard & Held
03/29/22 (H) MINUTE(HSS)
03/31/22 (H) HSS AT 3:00 PM DAVIS 106
03/31/22 (H) -- MEETING CANCELED --
04/14/22 (H) HSS AT 3:00 PM DAVIS 106
04/14/22 (H) Moved CSHB 392(HSS) Out of Committee
04/14/22 (H) MINUTE(HSS)
04/20/22 (H) HSS RPT CS(HSS) NEW TITLE 4DP
04/20/22 (H) DP: FIELDS, SPOHNHOLZ, SNYDER, ZULKOSKY
04/20/22 (H) L&C AT 3:15 PM BARNES 124
04/20/22 (H) Heard & Held

04/20/22 (H) MINUTE (L&C)
04/22/22 (H) L&C AT 9:00 AM BARNES 124

WITNESS REGISTER

BRITTANY SMART, Special Assistant to the Mayor
Mayor's Office
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Provided testimony on HB 404.

TOM WADSWORTH, PharmD
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to the appointment of Ramsey Bell to the Board of Pharmacy.

RAMSEY BELL, RPh, Appointee
Board of Pharmacy
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community, and Economic Development
Eagle River, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Pharmacy.

ROD GORDON, RPh
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to the appointment of Ramsey Bell to the Board of Pharmacy.

DAN NELSON, PharmD
Director of Pharmacy
Tanana Chiefs Conference
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to the appointment of Ramsey Bell to the Board of Pharmacy.

AMANDA NOSICH, LMT, Appointee
Board of Massage Therapists
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community, and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Massage Therapists.

KELLI SHEW, LMT, Appointee
Board of Massage Therapists
Division of Corporations, Business and Professional Licensing

Department of Commerce, Community, and Economic Development
Chugiak, Alaska

POSITION STATEMENT: Testified as appointee to the Board of
Massage Therapists.

DOMINIC WENZELL, DMD, Appointee
Board of Dental Examiners
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community, and Economic Development
Girdwood, Alaska

POSITION STATEMENT: Testified as appointee to the Board of
Dental Examiners.

JODY MILLER, LPN, Appointee
Board of Nursing
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community, and Economic Development
Haines, Alaska

POSITION STATEMENT: Testified as appointee to the Board of
Nursing.

WALTER CAMPBELL, DC, Appointee
Board of Chiropractic Examiners
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community, and Economic Development
Palmer, Alaska

POSITION STATEMENT: Testified as appointee to the Board of
Chiropractic Examiners.

KAISA DE BEL, Policy Analyst
Global Financial Integrity
Washington, DC

POSITION STATEMENT: Provided invited testimony during the
hearing on HB 405 and HB 406.

ROBERT SCHMIDT, Director
Division of Banking and Securities
Department of Commerce, Community, and Economic Development
Juneau, Alaska

POSITION STATEMENT: During the hearing on HB 405 and HB 406,
answered questions.

ANDRES KNOBEL, Lead Researcher on Beneficial Ownership
Tax Justice Network
Buenos Aires, Argentina

POSITION STATEMENT: During the hearing on HB 405 and HB 406, provided a PowerPoint presentation titled "Addressing the risks created by Trusts," dated 4/21/22.

ROBERT SCHMIDT, Director
Division of Banking and Securities
Department of Commerce, Community, and Economic Development
Juneau, Alaska

POSITION STATEMENT: On behalf of the governor, introduced HB 408 by way of a PowerPoint presentation titled "Alaska Uniform Money Transmission Modernization Act HB 408 / SB 238," dated 4/11/22.

TRACY RENO, Chief of Examinations
Division of Banking and Securities
Department of Commerce, Community, and Economic Development
Anchorage, Alaska

POSITION STATEMENT: During the hearing on HB 408, answered questions.

MATTHEW LAMBERT, Esq., Non-Depository Counsel
Conference of State Bank Supervisors
Washington, D.C.

POSITION STATEMENT: During the hearing on HB 408, answered a question.

ACTION NARRATIVE

[9:04:30 AM](#)

CO-CHAIR ZACK FIELDS called the House Labor and Commerce Standing Committee meeting to order at 9:04 a.m. Representatives Schrage, Snyder, Spohnholz, and Fields were present at the call to order.

HB 404-REPEAL AK HOUSING FINANCE CORP. DIVIDEND

[9:04:39 AM](#)

CO-CHAIR FIELDS announced that the first order of business would be HOUSE BILL NO. 404, "An Act repealing the requirement that the Alaska Housing Finance Corporation make a dividend available to the state, and repealing associated definitions." [Before the committee was Version I, the proposed committee substitute (CS) for HB 404, Version 24-LS1638\I, Klein, 4/15/22, adopted on 4/18/22.]

[9:05:02 AM](#)

CO-CHAIR SPOHNHOLZ reminded members that the changes made in Version I of HB 404 [a bill sponsored by the committee] were made at the recommendation of Alaska Housing Finance Corporation (AHFC), which wanted the dividend to remain on the books due to its importance in ensuring that AHFC's bond rating remains high to keep the rates low in Alaska, allowing AHFC to be effective. She said Version I requires the dividend be designated for affordable and workforce housing, given the statewide housing crisis in Alaska that includes a strategic problem for the military in Fairbanks where military housing needs to be upgraded and the issue in Anchorage where the average home now is \$420,000. In recent years of tight budgets, she continued, the dividend has been spent on other state departments rather than on workforce and affordable housing, so HB 404 will ensure that AHFC continues to be effective moving forward and increases the state's strategic investments without increasing overhead. No new programs would be created, rather it would turn up the dose of AHFC's investment in affordable and workforce housing.

[9:07:12 AM](#)

CO-CHAIR FIELDS opened public testimony on HB 404.

[9:07:35 AM](#)

BRITTANY SMART, Special Assistant to the Mayor, Mayor's Office, Fairbanks North Star Borough (FNSB), testified that neither the assembly nor the administration has taken a formal stance on HB 404 but are grateful that the state is looking at options to help address the housing issue in the Fairbanks community and statewide. She noted that she has served as the point of contact working on the military housing issue in the community. Housing is a challenge across Alaska and nationwide, she stated, and tools should be looked at to help communities meet this need. The borough looks forward to working with the committee on this issue, she said.

[9:09:09 AM](#)

CO-CHAIR FIELDS closed public testimony on HB 404 after ascertaining that no one else wished to testify.

[9:09:18 AM](#)

CO-CHAIR SPOHNHOLZ moved to report CSHB 404, Version 24-LS1638\I, Klein, 4/15/22, from committee with individual recommendations and the accompanying [zero] fiscal notes. There being no objection, CSHB 404(HL&C) was moved out of the House Labor and Commerce Standing Committee.

CONFIRMATION HEARING(S):

Board of Pharmacy
Board of Massage Therapists
Board of Dental Examiners
Board of Nursing
Board of Chiropractic Examiners

[9:09:39 AM](#)

CO-CHAIR FIELDS announced that the next order of business would be consideration of the governor's appointees to various boards.

[9:10:07 AM](#)

TOM WADSWORTH, PharmD, testified in opposition to the appointment of Ramsey Bell to the Board of Pharmacy. He related that he is an Alaska pharmacist of 20 years, and his opinion today is his own. He said the Board of Pharmacy is statutorily mandated to establish and enforce professional standards, competence, and rules of conduct for the pharmacy profession in Alaska. Members of the board, he continued, should be experienced pharmacists who demonstrate competence and commitment with evidence based best practices and standards of care. Dr. Wadsworth stated that Ramsey Bell's social media posts over the last few years demonstrate extreme politicized and conspiratorial views that are strongly at variance with the profession's established time proven standards and best practices. He maintained that Dr. Bell's sentiments are in direct contradiction to the mission of the Board of Pharmacy and her views will be imposed through the Board of Pharmacy and its regulations. He said he therefore strongly opposes her appointment.

[9:12:01 AM](#)

CO-CHAIR FIELDS noted that it was his error to not have first turned to the appointee, Ramsey Bell, for testimony. He invited Ms. Bell to testify.

[9:12:37 AM](#)

RAMSEY BELL, RPh, Appointee, Board of Pharmacy, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community, and Economic Development (DCCED), testified as appointee to the Board of Pharmacy. She said she arrived in Alaska five years ago from Illinois and is a pharmacist with 22 years of experience. She stated that the biggest asset she brings to her appointment is that she values truth over comfort. She related that she became a pharmacy manager within nine months of her graduation and licensure in 2000.

DR. BELL stated that she did not hesitate in applying for the Board of Pharmacy as she is ready to serve Alaskans and the profession of pharmacy in general. She said she will bring to the table her ability to effectively communicate with people from diverse backgrounds, personalities, beliefs, and styles of communication, regardless of how they feel about her. She expressed surprise at Mr. Wadsworth's testimony and said she had not been approached by him regarding her abilities to serve.

DR. BELL related that she would bring to the table her desire to seek and share truth regardless of the discomfort it brings to others or the attacks it will bring on herself. She said she has spoken openly over the past two years about her support of several things that have been labeled as controversial. She believes in early treatment for all health conditions and off-label uses of drugs, she continued, and those concepts are not just limited to COVID-19. She added that she believes in every person's right to decide with their health provider what is best for them, as well as fully informed consent regarding medicines and vaccines, beliefs that are not limited to COVID-19.

DR. BELL stressed that she doesn't back down from opening dialogue because of what people might say or think; she advocates for what is right and discusses points. It would have been easy to scrub herself from media once appointed as was suggested by several people, she continued, but then people would not get the full picture of who she is and what she stands for. Health care and pharmacy will never be one size fits all, she stated, and she will never advocate for a solution that that is the case. She argued that the public's trust in the medical profession, including pharmacy, has decreased significantly due in part to a lack of transparency, respect, and discussion. She said that in her role on the Board of Pharmacy she wants to help restore the public's trust in health care and she will serve the people of Alaska regardless of the attacks that come at her.

[9:19:13 AM](#)

CO-CHAIR FIELDS opened public testimony on Ms. Bell's appointment. He said Dr. Wadsworth's comments are included in public testimony.

[9:19:36 AM](#)

ROD GORDON, RPh, testified in opposition to the appointment of Ramsey Bell to the Board of Pharmacy. He stated he has been a pharmacist for 42 years, the last 22 years being in Alaska. He said the Board of Pharmacy matters in how pharmacy is provided in the state of Alaska, and Ramsey Bell may not be the best person for the board given her public media posts. A board member's primary concern, he maintained, must be for the general public's safety and health, and a board member's mindset must be based on objective data driven science, not influenced by political bias. Regarding use of drugs off label, he stated that using drugs off label in pharmacy is only appropriate when there is clinical data to support the safety and efficacy of that drug. He related that on social media Dr. Bell has represented strong support for the use of ivermectin to treat COVID-19, and she has stated that the Centers for Disease Control and Prevention (CDC) had restricted the use of monoclonal antibodies to boost the bottom line of pharmaceutical companies. That that is not the mindset of a person who puts objective science-based medicine at the forefront, Dr. Gordon argued. He urged that thought be given to the appointment of someone else.

[9:24:20 AM](#)

DAN NELSON, PharmD, Director of Pharmacy, Tanana Chiefs Conference, testified in opposition to the appointment of Ramsey Bell to the Board of Pharmacy. He stated he is a pharmacist of 20 years in Alaska and is speaking on behalf of himself and his employer Tanana Chiefs Conference. He said Alaska Natives have been especially hard hit by the effects of the COVID-19 pandemic with higher rates of hospitalization, death, and other long-term effects.

DR. NELSON recounted that throughout the pandemic, medical and scientific knowledge and information changed, grew, and improved as additional studies were done and analyzed, which led to an ever-changing landscape of medical literature, best practices, and clinical guidelines. New vaccines and therapeutic options to treat the SARS-CoV-2 virus were done at a breakneck pace, he

added, a pace where changes can and do become confusing. Medical decisions and recommendations must be made from looking at the basics and what the scientific evidence says, he argued, they should not be unmoored from their scientific basis and morphed into political based ideology.

DR. NELSON said he feels that Ramsey Bell has gone offtrack in her privilege to practice in pharmacy. He maintained that her approach to literature evaluation, and application of that evaluation, is not in line with professional standards, and is not in the best interest of Alaska residents and is dangerous to Alaska Native and American Indian communities. He urged members to not vote for Dr. Bell's confirmation.

[9:27:09 AM](#)

CO-CHAIR FIELDS stated he has informed the governor's staff that he is unable to support Dr. Bell's confirmation for many of the reasons stated by the testifiers.

[9:27:37 AM](#)

AMANDA NOSICH, LMT, Appointee, Board of Massage Therapists, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community, and Economic Development (DCCED), testified as appointee to the Board of Massage Therapists. She noted that she served on this board directly after its conception, took a break after that term ended, and would now like to serve again. She said she has had an extensive relationship with this bill from its conception and representing it to the state and other massage therapists and to the public.

[9:28:16 AM](#)

KELLI SHEW, LMT, Appointee, Board of Massage Therapists, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community, and Economic Development (DCCED), testified as appointee to the Board of Massage Therapists. She stated she has been a massage therapist since 2011, having been originally licensed in another state and then licensed in Alaska in 2013. She said she looks forward to serving on the board to help protect the public and help advance the massage therapy profession. She has worked in a variety of settings and types of employment, she added, so she is versed in how and why any issues would affect massage therapists.

[9:29:13 AM](#)

DOMINIC WENZELL, DMD, Appointee, Board of Dental Examiners, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community, and Economic Development (DCCED), testified as appointee to the Board of Dental Examiners. He stated that he received his Doctor of Dental Medicine from Oregon Health and Sciences University. He noted that prior to his being appointed to this board the first time he was chair of the Alaska Dental Society peer review for three years. He said he is a dental licensing examiner for the Commission on Dental Competency Assessments and for the Western Regional Examining Board. He further stated that he believes in patient protection through self-regulation.

[9:30:31 AM](#)

JODY MILLER, LPN, Appointee, Board of Nursing, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community, and Economic Development (DCCED), testified as appointee to the Board of Nursing. She stated she has over 42 years of nursing experience, including experience in the emergency room and critical care. She said she has been working with the Southeast Alaska regional Health Consortium (SEARHC) in Haines since 1994. She added that she looks forward to serving and sharing her knowledge and experience as there are different challenges to being a nurse in a hospital compared to a rural community.

[9:31:49 AM](#)

WALTER CAMPBELL, DC, Appointee, Board of Chiropractic Examiners, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community, and Economic Development (DCCED), testified as appointee to the Board of Chiropractic Examiners. He stated he has been in chiropractic practice for 17 years in Alaska and is humbled and honored by the appointment.

[Advancements of the appointees were held over.]

HB 405-ESTABLISHMENT OF TRUSTS
HB 406-MORATORIUM ON TRUSTS/PROPERTY ACQUISITION

[9:32:17 AM](#)

CO-CHAIR FIELDS announced that the next order of business would be HOUSE BILL NO. 405, "An Act relating to the establishment of trusts; requiring the filing of certain trust information; and requiring compliance with a federal law." and HOUSE BILL NO. 406, "An Act relating to the validity of trusts involving persons sanctioned by the United States Department of the Treasury; and relating to the recording of documents conveying land to persons sanctioned by the United States Department of the Treasury."

CO-CHAIR FIELDS [continued] invited testimony on HB 405 [and HB 406]. He said this additional invited testimony will address Representative Kaufman's question about identifying the problem statement that [HB 405 and HB 406] are trying to address.

[9:32:48 AM](#)

KAISA DE BEL, Policy Analyst, Global Financial Integrity (GFI), provided invited testimony during the hearing on HB 405 and HB 406. She said she is a policy analyst affiliated with Global Financial Integrity (GFI), a Washington DC-based think tank focused on providing evidence-based research and solutions to counter ways in which criminal actors abuse the US economy to hide their illicit profits. She paraphrased from a document in the committee packet titled "Illicit Finance and Real Estate Opacity in Alaska," dated 4/22/22. Ms. de Bel spoke as follows:

Sanctioned governments, kleptocrats, and drug traffickers have long used the US real estate sector as a vehicle to evade sanctions and hide their ill-gotten gains. Simply put, real estate is an attractive safe haven for illicit money because it retains value, while also creating the opportunity for long-term profits through rentals, property flips, and land development. Most significantly, the US real estate market permits the anonymous purchase of real estate through shell companies and trusts. This makes it easy for bad actors and criminals to hide their identity and, in turn, protects their wealth from asset recovery efforts as well, both in their home jurisdiction and in countries where they are sanctioned.

Recent investigative efforts like the Pandora Papers are just one in a long line of reports exposing high-profile real estate money laundering cases that span the country. Last year, GFI published a report that

found that more than \$2.3 billion was laundered through US real estate in cases reported between 2015 and 2020. [Global Financial Integrity's] analysis of those cases shows two very clear trends.

First, the most common money laundering technique in the real estate sector is the use of complex legal structures to purchase properties. The use of trusts and companies makes it easy for criminals to hide ownership of real estate, while at the same time being able to flaunt in plain sight the evidence of ill-gotten wealth. Sometimes these were companies and trusts registered domestically, but it also often featured companies registered abroad.

The second trend found in GFI's analysis, is that the US real estate sector particularly attracts actors with political ties to foreign regimes, including foreign adversaries like North Korea, Iran, and Venezuela. In 82 percent of the analyzed cases, the illicit money invested in the real estate sector had foreign origins. And in more than half of the cases, the beneficial owner of the property was a foreign politician or their associate who obtained their wealth through corrupt activities. This high influx of foreign and corrupt money poses a serious threat to US national security and global democratic norms.

Unfortunately, the Alaskan real estate market has not been excluded from this trend. For instance, between 2011 and 2014, an Alaskan resident helped the Iranian government transfer \$1 billion to various businesses and individuals around the world, in violation of the US sanctions regime. This Alaskan resident received ... \$10 million dollars for his role in the scheme and laundered this money through real estate purchases in Alaska. Through various shell companies, he held more than 20 condominiums and homes in Anchorage and Eagle River.

And despite these known risks across the country, real estate transactions are subject to limited federal oversight. The only binding federal regulation focused on real estate risks are Geographic Targeting Orders or GTOs. These temporary orders require title insurance companies to report the beneficial owner of ... residential real estate purchases - but they only

apply in a select group of 22 counties across the country.

This policy has several serious shortcomings and is inadequate to address real estate money laundering and sanctions evasion risks. First, the GTOs do not apply in Alaska. In fact, GFI's research found that the majority of real estate money laundering cases involved properties located outside of the GTO geographic scope, with Alaska proven to be one of the bigger real estate money laundering hubs as you can see on this map. Even if the GTOs would apply in Alaska, it would be very easy to get around them because title insurance is only mandatory when the buyer takes out a loan. Kleptocrats, oligarchs, and high net worth criminals have plenty of cash at their disposal to acquire real estate without a loan or title insurance, thereby evading the GTOs. And while the Corporate Transparency Act, which was passed by Congress last year, will address some of the opacity in the US real estate sector, it will not help in identifying the beneficial owner when a foreign company or trust buys real estate, which is just as common.

Given the loopholes in the federal regulatory system, it is critical to seek solutions at the state level to address these gaps. [Global Financial Integrity] therefore supports House Bills 405 and 406 as an important step to address the opacity in the real estate sector in Alaska. To ensure that HB 406 brings greater transparency without loopholes for bad actors to exploit, GFI urges Alaska to incorporate the following policy recommendations:

First, at a minimum, the basic goal of HB 406 should be to create a clear picture of the beneficial ownership of real estate in Alaska. The requirement of identifying the beneficial owner should apply to all legal entities buying real estate, including LLCs [limited liability companies], trusts and other legal entities formed and registered in the US, as well as abroad.

Second, in addition to beneficial ownership, the source of funds and the identification of politically exposed persons should also be reported. These two

additional ... key pieces of information are critical to spot red flags in a transaction and identify high-risk actors.

Third, instead of putting the reporting burden on one gatekeeper, it should be placed on multiple real estate professionals in cascading order. This creates a shared responsibility among real estate professionals and prevents bad actors from evading the requirement by bypassing a title agent.

Fourth and finally, the bill should apply to all real estate transactions that were not financed with a loan from US-based financial institutions, because those are currently the only actors who are required under federal law to conduct any type of anti-money laundering checks in a real estate transaction in the US. These reforms would make HB 406 more effective while at the same time ensure it has minimal costs on Alaskan real estate professionals.

In conclusion, Alaska has the opportunity to counter the use real estate as an easy mechanism for bad actors to evade sanctions, gain access to the US dollar, and the US financial system. We encourage you to take this opportunity.

[9:40:18 AM](#)

CO-CHAIR FIELDS encouraged Ms. de Bel to work with his staff on crafting amendments to tighten HB 406. He inquired whether preventing money laundering and hiding ill-gotten gains by sanctioned individuals requires both state and federal laws or whether it is sufficient to wait for the federal government.

MS. DE BEL replied that there isn't any important federal legislation underway. But the federal Corporate Transparency Act [of 2021], she specified, was a very important step in addressing some of the issues of the past in the real estate sector and the illicit use of legal entities such as LLCs and trusts general. Some things remain unclear under the Corporate Transparency Act, she advised, and those are crucial issues. Under the Corporate Transparency Act, corporations, limited liability companies, and other similar entities formed and registered to do business in the US in any US state will be required to disclose their beneficial owner to a directly housed financial entity and that includes foreign companies but only

when they are registering in the US to do business. Because of the qualification "to do business," she explained, it is unclear whether the use of foreign LLCs or trusts for the purchase of, for example, residential real estate would be covered by that because that might not qualify as doing business. That weakness means that if, for example, a Russian LLC or trust buys property in Alaska, that would not qualify as doing business and would therefore not necessarily be captured by federal legislation. Another loophole, Ms. de Bel explained, is that the application of the [contractual trust arrangement] (CTA) to trusts remains unclear to this day, so it is very important that states are proactive about addressing that loophole with state level legislation.

[9:42:19 AM](#)

CO-CHAIR FIELDS thanked Ms. de Bel for her testimony. He said the Pandora Papers have provided a window into how criminals exploit trusts and launder money through real estate, yet the full extent to which criminals have exploited trusts within Alaska is unknown because the view of the Pandora Papers is limited. He inquired about what can be said to policymakers in states where a limited degree of leaks has suggested that the scope of this problem could be significant, but the full scope cannot be understood until there are greater transparency laws.

MS. DE BEL remarked that that is an important question to look at. She said GFI's research was based on real estate money laundering cases that are in the public domain, which were cases reported by journalists such as the Pandora Papers or law enforcement and actions. It is unknown what else is out there, she continued, because it is unknown across the US who owns these properties or who owns these legal entities or trusts. It is very important to get into that, she advised, since the Pandora Papers and GFI research are just the tip of the iceberg. She noted that cases are being seen in places where real estate money laundering wasn't expected, such as Alaska, which points that it is likely a much bigger problem than is known.

[9:44:35 AM](#)

CO-CHAIR FIELDS inquired about Kenneth Zong, an identified money launderer in Alaska.

MS. DE BEL answered that he was indicted and his properties across Alaska and elsewhere in the US seized because it was

proven they were purchased with money he received for helping the Iranian government evade sanctions.

CO-CHAIR SPOHNHOLZ asked how Kenneth Zong's fraud and laundering were identified.

MS. DE BEL replied that she doesn't know the specifics of how law enforcement detected this case. She pointed out that only after a lead is found can the threads be pulled to find all properties someone owns, and that is why it is very helpful to have more beneficial ownership information behind those entities. She offered to get back to the committee with more details on the Zong case.

[9:46:17 AM](#)

ROBERT SCHMIDT, Director, Division of Banking and Securities, Department of Commerce, Community, and Economic Development (DCCED), related that his understanding of Mr. Zong's indictment comes from a 1/5/21 press release issued by the US Attorney's Office for the District of Alaska announcing the indictment. According to the press release, he said, Mr. Zong laundered money in Korea, then the laundered money came into Anchorage and other places, and Mr. Zong and his son invested it. At the time of the press release, he continued, Mr. Zong was serving time in Korea for violating Korea's money laundering laws, as well there was police action/law enforcement action being taken by the United Arab Emirates and the Republic of Georgia.

[9:47:45 AM](#)

CO-CHAIR SPOHNHOLZ asked whether the US's ability to prosecute was driven by another government's prosecution or whether the US was able to document something that allowed it to prosecute.

MR. SCHMIDT answered that the indictment happened when Mr. Zong was already in jail in Korea, which suggests that the Korean action significantly pre-dated any law enforcement action in the US. The press release, he continued, said the prosecution would not have been possible but for coordination with the law enforcement agencies of other countries.

[9:48:35 AM](#)

CO-CHAIR FIELDS continued invited testimony on HB 405 and HB 406.

[9:48:59 AM](#)

ANDRES KNOBEL, Lead Researcher on Beneficial Ownership, Tax Justice Network, during the hearing on HB 405 and HB 406, provided a PowerPoint presentation titled "Addressing the risks created by Trusts," dated 4/21/22. He paraphrased from the second slide which stated [original punctuation provided]:

The Tax Justice Network believes our **tax and financial systems** are our most powerful tools for creating a just society that gives equal weight to the needs of everyone. But **under pressure from corporate giants and the super-rich, our governments have programmed these systems to prioritise the wealthiest over everybody else wiring financial secrecy** and tax havens into the core of our global economy. This fuels inequality, **fosters corruption and undermines democracy**. We work to repair these injustices by inspiring and equipping people and **governments to reprogramme their tax and financial systems**.

MR. KNOBEL moved to the third slide titled "Risks created by Trusts." He paraphrased from the slide, which stated [original punctuation provided]:

Although many trusts are used for legal and legitimate purposes, trusts' **secrecy** and **asset protection** properties can be exploited by anyone (e.g. criminals, money launderers, etc)

Not even authorities know how many trusts exist, the assets they hold nor the people who benefit from them.

MR. KNOBEL displayed slide 4 to provide an example of the risks created by trusts [as reported by *The Guardian*]. He paraphrased from the slide, which stated [original punctuation provided]:

Alisher Usmanov's assets may be out of reach of sanctions regime

Alisher Usmanov, the Russian oligarch once said to be the UK's richest person, claims to have placed hundreds of millions of pounds of his assets into an irrevocable trust, potentially leaving them outside the sanctions regime established by western governments.

MR. KNOBEL showed slide 5 to provide another example of the risks created by trusts [as reported by *The Washington Post*]. He paraphrased from the slide, which stated [original punctuation provided]:

A Texas billionaire evaded \$2 billion in taxes, feds say. Now he's charged in the 'largest-ever' tax fraud case.

MR. KNOBEL proceeded to slide 6 and continued his discussion of risks created by trusts. He paraphrased from the slide, which stated [original punctuation provided]:

World Bank & UNODC' "The puppet masters":

Investigators interviewed as part of this study argued that **the grand corruption investigations in our database failed to capture the true extent to which trusts are used. Investigators and prosecutors tend not to bring charges against trusts, because of the difficulty in proving their role in the crime.**

FATF & EGMONT Group "Concealment of Beneficial ownership"

The interaction of the trust with other legal persons adds an additional layer of complexity and helps prostrate efforts to discover beneficial ownership... it is also possible that the use of legal arrangements may increase the difficulty of investigating and identifying the beneficial owner, thereby explaining their relatively low prevalence in the case study sample.

MR. KNOBEL spoke to slide 7 titled "Solutions," which stated [original punctuation provided]:

Require Trust Registration:

-To obtain legal validity (eg Puerto Rico, Czech Republic, France)

-Whenever a trust: (i) is created according to local laws, (ii) has local assets or operations, or (iii) has local parties (eg any local settlor, trustee, protector, beneficiary) [eg Argentina]

-To include information on beneficial owners (natural persons) for every party of the trust that is an entity, eg "corporate beneficiary" [eg the UK, EU]

MR. KNOBEL addressed slide 8 titled "Implementation," regarding "FATF I 2022," "obtaining legal validity," trusts created according to local laws, local assets or operations, or local parties, and 12 EU countries that will also give public access. [Due to technical difficulties, slide 8 was only partially visible due to connectivity issues and the speaker was indiscernible].

[9:55:37 AM](#)

The committee took a brief at-ease.

[9:55:57 AM](#)

MR. KNOBEL continued his PowerPoint presentation [but slides still were not visible due to connectivity issues].

[9:56:27 AM](#)

The committee took another brief at-ease.

[9:56:34 AM](#)

CO-CHAIR FIELDS stated that the connectivity issues were continuing, so the committee would try to get the testimony on the record. He announced that the committee is working on amendments to HB 405 and HB 406. He clarified that the intent with HB 405 is not to provide public transparency of every trust beneficiary, but to provide oversight through DCCED so the department would be able to review who are trust beneficiaries, compare them against the sanctions lists, and as necessary make referrals to the US Department of the Treasury and the Office of Foreign Assets Control (OFAC), which does not mean publicly disclosing who is in a trust.

[HB 405 was held over.]

[HB 406 was held over.]

HB 408-MONEY TRANSMISSION; VIRTUAL CURRENCY

[9:58:04 AM](#)

CO-CHAIR FIELDS announced that the next order of business would be HOUSE BILL NO. 408, "An Act relating to the business of money transmission; relating to money transmission licenses, licensure requirements, and registration through the Nationwide Multistate Licensing System; relating to the use of virtual currency for money transmission; relating to authorized delegates of a licensee; relating to acquisition of control of a license; relating to record retention and reporting requirements; authorizing the Department of Commerce, Community, and Economic Development to cooperate with other states in the regulation of money transmission; relating to permissible investments; relating to violations and enforcement of money transmission laws; relating to money transmission license exemptions; relating to payroll processing services; repealing currency exchange licenses; and providing for an effective date."

CO-CHAIR FIELDS noted that HB 408, a bill by request of the governor, addresses issues of transparency and financial integrity. He said the bill was developed by staff at the Department of Commerce, Community, and Economic Development (DCCED). He invited the department to explain the bill.

[9:58:31 AM](#)

ROBERT SCHMIDT, Director, Division of Banking and Securities, Department of Commerce, Community, and Economic Development (DCCED), on behalf of the governor, introduced HB 408 by way of a PowerPoint presentation titled "Alaska Uniform Money Transmission Modernization Act HB 408 / SB 238," dated 4/11/22. He recounted that in 1880 a person wanting to wire \$20 to someone would give the \$20 to a money transmitter, say, Western Union, and place faith in Western Union that the \$20 would reach the other person minus a pre-determined fee. That act of trust placing money in the hands of others, he continued, resulted in money transmission becoming regulated. Today, he related, the Division of Banking and Securities serves as the primary regulator for over 150 money transmitters in Alaska, and these money transmitters follow the Alaska Uniform Money Services Act (AS 06.55), passed in 2007 and implemented in 2008.

MR. SCHMIDT displayed slide 2, "Introduction." He said HB 408 would amend and modernize the Alaska Uniform Money Services Act, which provides the legal framework for money transmission functions, including currency exchange; transferring or wiring of money; and loading and reloading of payment instruments, including stored value cards. When passed in 2007, he stated, the Act had not contemplated virtual or cryptocurrencies like

Bitcoin, nor the rate of money service business expansion and innovations; HB 408 would update the licensing, recordkeeping, and enforcement provisions to support these business activities and protect Alaska consumers. Mr. Schmidt further specified that HB 408 would adopt pertinent sections of the Uniform Money Transmission Modernization Act, which was developed by state regulators, the Conference of State Bank Supervisors (CSBS), and with input and participation from industry stakeholders. He related that a letter of unconditional support of HB 408 has been received from the Money Service Business Association of America addressed to the co-chairs.

[10:02:40 AM](#)

MR. SCHMIDT proceeded to slide 3, "What is covered by the 2008 Act?" He explained that when the current Act went into effect in 2008, money transmission was sending a wire transfer at a local grocery store or purchasing a money order or traveler's checks at a bank. This bill, he continued, would modernize Alaska's money transmission laws to include cryptocurrency, also known as virtual currency, such as Bitcoin, Ethereum, and Dogecoin. Alaska does not currently regulate cryptocurrency, he pointed out, which is one of the top tools of rogue actors, such as Russian oligarchs and North Korean kleptocrats, to evade sanctions. He further pointed out that 28 states currently regulate cryptocurrency. He said the model law being discussed today has been passed and adopted in West Virginia. The Conference of State Bank Supervisors finalized the model law in September 2021, he related, and it has been introduced in many other states.

MR. SCHMIDT continued to slide 4, "Money Transmission Licenses." He reiterated that when passed in 2007, the Act did not contemplate virtual or cryptocurrency nor the rates of money service business expansion. He said HB 408 would update the licensing, recordkeeping, and enforcement provisions to support these business activities and protect Alaska consumers. In the past, he advised, DBS has found licensed money transmitters of fiat currency (real money) that have had very poor compliance with the Bank Secrecy Act and the Office of Foreign Assets Control. If companies do not have a compliance management system in place, he further advised, Alaskans could be scammed, and the funds they send may not be received by their intended recipients. He explained that Alaska participates in a multi-state money transmitter examination system using a risk-based approach to streamline state supervision to be more effective and to efficiently utilize state resources. In an examination,

DBS staff reviews a company's compliance with applicable state and federal laws and regulations and areas deemed likely to affect the safety and soundness of the licensee. The DBS staff reviews the financial condition, business model, internal controls and auditing management systems and technology in the compliance management system of a licensee. Utilizing network supervision with other states, Mr. Schmidt continued, allows the division to reduce regulatory burden on companies by conducting less frequent examinations and reducing the time, travel, and expense for the licensee and the department. Examinations ensure that policies or procedures are being followed and consumers are protected, he added.

MR. SCHMIDT continued speaking to slide 4. He said the most common form of money transmission in 2022 is activity like PayPal, Venmo, and Zelle. He advised that money transmission in Alaska keeps growing - as of 12/31/21, Alaska had 153 money transmitter licenses, with 40 of those conducting virtual currency business activity that is not currently regulated. He further advised that over the last five years money transmission licenses have increased 68 percent. He explained that this data comes from three different buckets. Bucket one is a company that only does real money transmission (fiat currency), and DBS issues them a license and periodically examines them. Bucket two is becoming much more common and is a company that does both real money and virtual currency money transmission. The division issues these companies a license to transmit real money, but then specifically enters into an agreement with them that says Alaska does not regulate virtual currency and the company is not allowed to hold itself out as being licensed or approved by the State of Alaska to manage real or virtual currency. Bucket three is a company that only does virtual currency, and the company doesn't get licensed and doesn't get regulated under the current law.

MR. SCHMIDT moved to slide 5, "Money Transmission Volume." He said the graphic depicts the annual Alaska money transmission volume [for 2019, 2020, 2021]. The dollar amounts are from buckets one and two, he specified, bucket three isn't included.

[10:06:20 AM](#)

REPRESENTATIVE SNYDER requested an example of business names that manage these three buckets.

MR. SCHMIDT listed the names PayPal, Venmo, Zelle, Stripe, Western Union, and Robinhood. In further response, he said

those are the big actors and each of them is at least in the first bucket of real money and most of them are in the second bucket of both virtual and real money.

[10:07:13 AM](#)

MR. SCHMIDT returned to slide 5 and reiterated that the graphic represents buckets one and two. He pointed out that money transmission in Alaska that is reported to the division has gone from \$1.7 billion in 2019, to \$2.8 billion in 2020, and to \$7.1 billion in 2021. Key and important, he emphasized, is that bucket three is not included here - no companies are included here that do only virtual currency transmission, but the graphic does include bucket two which is both real and virtual money.

[10:07:56 AM](#)

CO-CHAIR SPOHNHOLZ asked whether the intent of HB 408 is to incorporate those companies that only do virtual currency.

MR. SCHMIDT confirmed that the intent is to bring in virtual currency to the regulated sphere of money transmission.

[10:08:28 AM](#)

MR. SCHMIDT moved to slide 6, "Money Transmission Volume - Virtual Currency." He said the graphic depicts the virtual currency transmission volume in Alaska that is reported to the division, which means buckets one and two, none of bucket three, and the numbers depicted are a floor. He stated that the virtual currency transmitted within Alaska was \$33.6 million in 2019, \$91.7 million in 2020, and in 2021 it exploded to \$2.3 billion. He related that after this bill was adopted by the Conference of State Bank Supervisors, his staff was reporting to him that something was going on because the numbers the division was getting were astronomical.

[10:09:41 AM](#)

REPRESENTATIVE SNYDER requested an explanation of the distinction between virtual currency and cryptocurrency.

MR. SCHMIDT replied that for purposes of this discussion he is using the two interchangeably.

[10:10:02 AM](#)

CO-CHAIR SPOHNHOLZ asked what happened between 2020 and 2021 that resulted in this exponential growth in cryptocurrency use in Alaska.

MR. SCHMIDT responded that because Alaska does not regulate virtual currency the division never looks at these businesses on their virtual currency products and the division never gets to examine them, so DBS doesn't have a good ability to tell the committee what is going on. He said he has received data at the company level where companies that were doing a few thousand or tens of thousands of virtual currency transmission in 2020 went to doing tens of millions of dollars of virtual currency transmission in Alaska in 2021. Some virtual currency transmitters, he related, have gone from \$2 million a few years ago to \$6 [million] to \$9 [million], and some tens of millions of dollars. One of the biggest virtual currency transmitters in 2021 grew from less \$100 million to over a billion dollars of virtual currency transmission in 2022, and because Alaska does not regulate or examine this the division doesn't know. Virtual currency price is very dynamic, Mr. Schmidt added, and has gone up a lot in value. It is being utilized more, he continued, but he is not comfortable in saying that the increase in value of virtual currency, and Alaskans doing more virtual currency transmission, alone explain this growth.

[10:11:42 AM](#)

CO-CHAIR SPOHNHOLZ said she understands Mr. Schmidt may not be able to disclose which companies are doing this, but requested a description of the industries in which the growth is being seen.

MR. SCHMIDT answered that the division does not have a sense of that because the data reported to the division from virtual currency is only from bucket two and does not disclose which type of industry, such as tourism or natural resources.

[10:12:29 AM](#)

REPRESENTATIVE SCHRAGE asked whether other states are seeing this kind of growth.

MR. SCHMIDT replied that he has a limited understanding of this in talking to colleagues and others throughout the US, but when he explains Alaska's growth, Alaska is a standout. Yes, the industry is growing, he continued, but even in that context Alaska is a standout and, yes, that concerns him.

10:13:09 AM

CO-CHAIR SPOHNHOLZ asked whether Mr. Schmidt has a sense of scale of how Alaska is standing out.

MR. SCHMIDT answered that he has spoken with about five industry groups or people involved at a national level, and all have a sense that this is growing, and Alaska's numbers are big. Everyone with whom he has discussed the numbers seen on slide 6, he related, has been surprised by this level of growth. Because Alaska does not regulate this and the division does not perform any examinations other than what is reported, he added, anything behind these numbers is very opaque.

10:14:19 AM

MR. SCHMIDT returned to slide 6. He reiterated that the graphic shows the explosive growth of reported annual virtual currency transmission in Alaska and that bucket three is not included in the graphic. He said reported virtual currency transmission in Alaska grew 6,782 percent from 2019 to 2021 and grew 2,420 percent in 2021 alone. Virtual currency transactions have fundamentally changed the financial services world, he advised, and are having exponential growth in Alaska. He explained that HB 408 would add virtual currency activities to the definition of money transmission to allow DBS to regulate this activity that accounted for nearly one-third of the total money transmission volume in Alaska in 2021. Based on licensing inquiries from companies that have only virtual currency activity, he continued, DBS expects reported volume to increase significantly when the bill goes into effect.

MR. SCHMIDT moved to slide 7, "Fiscal Impact and Request for Additional Staff," and stated that HB 408 contains a fiscal note. He reported that the division's receipts have grown 53 percent from fiscal year (FY) 2012 to FY 2021, with receipts in FY 2021 at \$19.6 million and at \$21.5 million in calendar year 2021, while the DBS budget for FY 2021 was only \$4 million. The DBS budget in FY 2012, he pointed out, was \$3.5 million [and receipts in FY 2012 were \$12.8 million]. He said DBS will require additional staff and support cost to respond to growth in the money service activities, the complexity of new business models, and use of third-party partnerships. He explained that the positions will allow DBS to implement the new law, incorporate changes in the operation of the Nationwide Multistate Licensing System (NMLS), develop proficiency in the examination of electronic systems, and assessment of

cybersecurity measures in a high-risk environment. New program receipt revenue is estimated to be at the low end, a minimum of \$110,000 for 35 new license applications by FY 2025, he continued. It is difficult to anticipate the number of new applications and annual renewal fees and assessments and resulting revenue for future years, Mr. Schmidt added. The division expects to adopt an assessment fee model for new regulations that would ensure actual cost of supervision of the industry would be covered through annual program receipts and is expected to range between \$750,000 and \$1.2 million. He pointed out that as part of the regulations that will implement this bill the division anticipates adopting a volume-based licensing fee. A fee based on volume would be appropriate given there are smaller local Alaskan businesses as well as big businesses like PayPal and Venmo.

MR. SCHMIDT addressed slide 8, "Why Change the Act?" He explained that the current law has not kept up with the industry's explosive growth and innovation. Consumer protection is insufficient, he stressed, as every regulator commenting on top threats facing investors identifies cryptocurrency and other digital assets as one of the highest risks for fraud. Under the current act, he reiterated, virtual currency is not included in the definition of money transmission.

MR. SCHMIDT moved to slide 9, "What Does HB 408 / SB 238 do?" He explained that the bill would reduce regulatory burden by streamlining initial licensing and license renewal utilizing the NMLS, which is fully digitized and uniform. The NMLS, he noted, was developed in the late 2000s following the great recession and was originally intended for the mortgaging industry, but it has now grown to include licensing and registration for all kinds of financial industries.

[10:19:24 AM](#)

CO-CHAIR SPOHNHOLZ referenced a letter opposing HB 408 from the Independent Payroll Providers Association (IPPA) and The Payroll Group [dated 4/15/22]. She requested Mr. Schmidt to address the concern that the bill would bring payroll processors into the NMLS, in which they don't currently participate.

MR. SCHMIDT answered that there may be differences in business models that might take a particular business out of payroll processing but broadly speaking payroll processing is covered within the scope of the current money transmission law - current law includes payroll processing. He emphasized that payroll

processing is in no way a problematic industry and DBS is not highlighting or singling out the industry for enhanced scrutiny. However, he continued, payroll processing is in a position of trust in handling other people's money; in the last 10 years there has been a half a billion dollars of documented theft within the payroll processing industry. One attribute of the payroll processing industry that is a little bit different, Mr. Schmidt explained, is that the criminal prosecutions have shown that the payroll processing industry, when there is fraud, lends itself to a Ponzi scheme. Scams that have come public show a literal robbing of Peter to pay Paul where the payroll processor covered one employer's payroll with another employer's fund. He reiterated that there is nothing about the state of Alaska payroll processing industry that he believes needs heightened scrutiny, it is merely a matter that that industry is already included in the existing law and would be within the NMLS in this proposed bill.

CO-CHAIR SPOHNHOLZ surmised that payroll processors do not currently participate in the NMLS and would be required to do so. She asked whether payroll processors must currently register or get licensed in the state of Alaska.

MR. SCHMIDT replied that currently there are payroll processors that are licensed. He deferred to Ms. Tracy Reno to answer the question further.

CO-CHAIR FIELDS noted that Ms. Reno is not presently online.

[10:22:59 AM](#)

CO-CHAIR SPOHNHOLZ stated she needs follow-up information to understand the way the payroll processing industry is currently regulated, the way it is proposed to be changed, and what would be the impacts. She offered her understanding that West Virginia adopted something similar, but that significant bonding is required and the average cost per payroll processor is about \$50,000. She said she is therefore concerned about how this bill would potentially impact mom-and-pop companies as compared to big companies which can afford that.

MR. SCHMIDT shared that yesterday he, his staff, and a representative of the Conference of State Bank Supervisors spent about three hours with Senator Kiehl discussing changes to the bill that would reduce entry barriers in a way that is appropriate for Alaska, the size of Alaska's economy, and the size of Alaska businesses.

CO-CHAIR SPOHNHOLZ said she would like to learn more about that.

[10:24:36 AM](#)

MR. SCHMIDT proceeded to slide 10, "HB 408 / SB 238 Protects Consumers." He said the bill would protect Alaska consumers by conducting criminal background checks through the NMLS on individuals who control a money transmission business. He noted that criminal background checks are currently done by DBS staff using third party software, which takes about 140 hours of staff time a year. He stated that HB 408 would ensure that regulatory costs of supervision keep pace with growth by allowing implementation of a volume-based assessment - licensees would be required to report money transmission volume, which would ensure licensees are treated fairly and equitably based on the level of volume and business conducted in Alaska. The bill would broaden the definition of money transmission to include virtual currency transactions and other methods of moving or transferring monetary value to better protect Alaskans. He said the bill would provide consumer protections for Alaskans. He paraphrased from slide 10, which stated [original punctuation provided]:

HB 408 / SB 238 protects consumers as it will...

- Require licensees to comply with federal laws, including suspicious activity reporting.
- Increase the record retention schedule to five years for greater transparency.
- Allow criminal background checks to be run on licensees.
- Update enforcement provisions by allowing a broader spectrum of orders to be issued.
- Ensure DBS can coordinate with other states in all areas of regulation, licensing, and supervision to reduce regulatory burden on the industry and more effectively utilize regulator resources.
- Define crypto/virtual currency money transmission activities and allow regulation of those activities (aka "virtual currency," Bitcoin, Ethereum, DogeCoin).

MR. SCHMIDT concluded his presentation with slide 11, "Virtual Currency and Money Transmission." He stated that the bill would define virtual currency and add the business activity to the definition of money transmission requiring licensure and supervision. He said the definition is in the bill at AS 06.55.290(5). Virtual currency, he continued, is a money-like asset that is managed, stored, or exchanged on computer systems and transmitted by the internet. Virtual currency is issued and controlled by its developers and used and accepted electronically among the members of a specific virtual community. It is accepted by natural or legal persons as a means of payment and can be stored, transferred, or traded electronically.

[10:27:21 AM](#)

REPRESENTATIVE SNYDER offered her understanding that digital assets are typically bought and sold using cryptocurrency. She asked whether Mr. Schmidt has any sense of the degree that non-fungible token (NFT) transfers have played in the large increase in virtual currency transmission that is being seen.

MR. SCHMIDT responded that NFTs are "all the rage." He said that if his 17-year-old and 20-year-old sons are buying NFTs like they are buying sneakers, then there is a lot of it out there. That is not scientific or rigorous and he is being somewhat humorous, he allowed, but he is unable to point to data that there is significant activity in that space.

[10:28:35 AM](#)

CO-CHAIR SPOHNHOLZ restated her question regarding opposition to the bill by the Independent Payroll Providers Association (IPPA) and The Payroll Group. She asked what is currently required of payroll processors in the state of Alaska and what would be required under HB 408 if it were passed. She reiterated that her main concern is about the small, mom-and-pop payroll processors that might do bookkeeping and process the payroll for a few companies.

[10:29:50 AM](#)

TRACY RENO, Chief of Examinations, Division of Banking and Securities, Department of Commerce, Community, and Economic Development (DCCED), replied that payment processors are not exempt in the current act for money transmitter licensing, and several are licensed currently with the State of Alaska. The

intention in this bill, she said, is to make it clear and specifically call out that they are required to be licensed in the state of Alaska, that it is transparent to them so they would know what the requirements would be. The NMLS allows [states] to have online electronic applications, renewals, and fee payments. This streamlines the process so that it is the same for everyone across all states in the US, which reduces burden on the companies that are required to be licensing; Alaska would not be unique. She deferred to Mr. Matthew Lambert of CSBS to speak further to the question.

[10:31:40 AM](#)

MATTHEW LAMBERT, Esq., Non-Depository Counsel, Conference of State Bank Supervisors (CSBS), responded that Ms. Reno's synopsis is par for the course nationally. He said states regulate money transmissions, money received from transmission, and typically don't get into details about different business models. So, when a company receives money for transmission, whether that is at a counter through a Western Union agent to send out of the country or for payroll processing, the intent is to make sure that those funds are kept safe and that they are there yet. The reason that payroll got explicitly added to the model law, he explained, was a string of failures of payroll companies, most of which had a background in fraud and a lot of criminals. It is a case-by-case thing as to whether these are folks that had bad intentions at the outset, or it just became a way of covering losses, but both of those scenarios have come to light in the past decade. So, Mr. Lambert continued, it seemed important to make clear that if someone receives money for transmission and is a payroll provider there is no payroll processor exemption.

[10:33:19 AM](#)

CO-CHAIR SPOHNHOLZ referred to Ms. Reno's statement that payroll processors are already legally required to be licensed in Alaska and only a few are currently doing so. She surmised that that implies there is a large number of them that are not doing so, and the proposal is a one-size-fits all process. She requested a description of what is required to get licensed as a payroll processor in the state of Alaska.

MS. RENO answered that the licensing process for money transmitters is that they pay a fee and are required to go into the NMLS where they fill out information about their business, provide financial statements and their business plan, and

provide information on the people who own the company and those who are in control and making decisions for the company. She explained that those people do not currently have background checks run through the system, DBS does that manually in its office. So, she continued, this bill would allow DBS to run criminal background checks through the FBI for all money transmitters and for owners and individuals who make those decisions for the company. Also required, she said, are quarterly reporting on volumes as well as annual reporting for audited financial statements.

MS. RENO continued her response. She said DBS currently has a set surety bond and the bill proposes a sliding scale surety bond for volume-based or asset-based businesses. The bill therefore takes into consideration the risk for national or international companies while considering mom-and-pops and not putting up a barrier to entry. She said the bill currently has proposals for raising the net worth, but because there is concern that that may be a barrier to entry DBS is looking at lowering that to where people think it is a better fit. The division is listening to industry groups, money transmitters, and payroll processors and is looking at some minor adjustments in amending the bill. Ms. Reno further specified that annual renewal is required, and that the renewal assessment is currently a flat fee regardless of the volume size in Alaska. So, Ms. Reno continued, DBS is looking at doing risk-based assessments based on the size and volume of a company to provide a better fit for smaller and larger businesses in Alaska.

[10:36:47 AM](#)

REPRESENTATIVE SNYDER inquired how the everyday Alaskan might be impacted by this bill, if at all.

MR. SCHMIDT replied that he expects virtual currency to continue to increase as a means of payment. He said he wouldn't be surprised if businesses in Juneau put up signs this summer that they accept payments in virtual currency like Bitcoin. That is coming, he continued, as people get more and more comfortable utilizing virtual currency, appreciate the confidentiality that virtual currency provides, and international tourists would love to avoid money exchange issues. Because virtual currency is going to be used more and more, he advised, this bill would increase the confidence that consumers can have that virtual currency is not a Wild West, that it is being appropriately regulated, and they can have faith in the systems to get the money where it is going to go in an appropriate way.

[HB 408 was held over.]

HB 392-EXPAND ADV. PRAC. REG. NURSE AUTHORITY

[10:38:59 AM](#)

CO-CHAIR FIELDS announced that the final order of business would be HOUSE BILL NO. 392, "An Act relating to advanced practice registered nurses; and relating to death certificates, do not resuscitate orders, and life sustaining treatment." [Before the committee was CSHB 392(HSS).]

CO-CHAIR FIELDS noted that no amendments had been received for the bill.

[10:39:13 AM](#)

CO-CHAIR FIELDS opened public testimony on HB 392, then closed it after ascertaining that no one wished to testify.

[10:39:29 AM](#)

CO-CHAIR SPOHNHOLZ moved to report CSHB 392(HSS) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 392(HSS) was moved out of the House Labor and Commerce Standing Committee.

[10:39:51 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 10:39 a.m.