

HOUSE No. 845

The Commonwealth of Massachusetts

PRESENTED BY:

John V. Fernandes

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to the regulation of the business of domestic and foreign money transmission by the Division of Banks.

PETITION OF:

NAME:

John V. Fernandes

DISTRICT/ADDRESS:

10th Worcester

HOUSE No. 845

By Mr. Fernandes of Milford, a petition (accompanied by bill, House, No. 845) of John V. Fernandes relative to the regulation by the Division of Banks of domestic and foreign money transmissions. Financial Services.

The Commonwealth of Massachusetts

**In the One Hundred and Eighty-Ninth General Court
(2015-2016)**

An Act relative to the regulation of the business of domestic and foreign money transmission by the Division of Banks.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 167F of the General Laws is hereby amended by striking out
2 section 4, as appearing in the 2012 Official Edition, and inserting in place thereof the following
3 section:--

4 Section 4. A bank may engage directly in the business of selling, issuing or registering
5 checks.

6 SECTION 2. Chapter 169 of the General Laws is hereby repealed.

7 SECTION 3. The General Laws are hereby amended by inserting after chapter 169A
8 the following chapter:-

9 Chapter 169B

10 Licensing and Supervision of Money Transmitters

11 Section 1. As used in this chapter, the following words shall, unless the context clearly
12 requires otherwise, have the following meanings:

13 “Authorized agent,” a person designated by a licensee under the provisions of this
14 chapter to sell or issue payment instruments or engage in the business of transmitting money on
15 behalf of a licensee at a location in the commonwealth.

16 “Branch office”, any office in the commonwealth operated by a licensee at which the
17 licensee engages in money transmission.

18 “Commissioner,” the commissioner of banks.

19 “Licensee,” a person licensed under this chapter to engage in the business of money
20 transmission; provided, however that the term “licensee” shall not include an “authorized agent.”

21 “Material litigation,” any litigation that, according to generally accepted accounting
22 principles, is deemed significant to an applicant’s or licensee’s financial health and would be
23 required to be referenced in that entity’s annual audited financial statements, report to
24 shareholders or similar documents.

25 “Money transmission,” the sale or issuance of payment instruments or prepaid access
26 or engaging in the business of receiving money for transmission or transmitting money within
27 the United States or to countries other than the United States by any and all means, including but
28 not limited to payment instrument, wire, facsimile or electronic trans.

29 “Multi-state licensing system”, a system involving 1 or more states, the District of
30 Columbia, or the Commonwealth of Puerto Rico for the sharing of regulatory information and

31 the licensing and application processes, by electronic or other means, for the business of money
32 transmission.

33 “Outstanding payment instrument,” any payment instrument issued by the licensee
34 which has been sold in the United States directly by the licensee or any payment instrument
35 issued by the licensee which has been sold by an authorized agent of the licensee in the United
36 States, which has been reported to the licensee as having been sold and which has not yet been
37 paid by or for the licensee.

38 “Payment instrument,” any electronic or written check, draft, money order, travelers
39 check or other electronic or written instrument or order for the transmission or payment of
40 money, sold or issued to one or more persons, whether or not such instrument is negotiable. The
41 term “payment instrument” shall not include any credit card voucher, any letter of credit or any
42 instrument which is redeemable by the issuer in goods or services.

43 “Person,” any individual, partnership, association, joint-stock association, trust,
44 limited liability company, limited liability partnership or corporation.

45 “Prepaid access,” access to funds or the value of funds that have been paid in advance
46 and can be retrieved or transferred at some point in the future through an electronic device or
47 vehicle, such as a card, code, electronic serial number, mobile identification number or personal
48 identification number. The term “prepaid access” shall not include any electronic device or
49 vehicle which is redeemable by the issuer in goods or services.

50 “Primary business,” the principal business of the licensee as determined by the
51 commissioner, exclusive of any business conducted as an agent of the state lottery commission.

52 “Principal shareholder,” any person or group of persons acting in concert who is the
53 owner of 10 per cent or more of any voting class of an applicant’s stock.

54 “Remit,” either to make direct payment of money to a licensee or its representatives
55 authorized to receive the money, or to deposit money in a bank, credit union or savings and loan
56 association or other similar financial institution in an account specified by the licensee.

57 Section 2. No person or entity shall engage in the business of money transmission
58 without first obtaining a license from the commissioner pursuant to this chapter. If a licensee
59 intends to carry on a business at a location other than its main office, including through an
60 authorized agent, such licensee shall procure a license for each branch office or authorized agent;
61 provided, however, that a license shall not be required for a location of an authorized agent that
62 engages solely in the sale of prepaid access or travelers’ checks and is not engaged in any other
63 form of money transmission on behalf of the licensee.

64 Section 3. Nothing in this chapter shall be construed to apply to:

65 (1) the United States or a department, agency, or instrumentality thereof;

66 (2) money transmission by the United States Postal Service or by a contractor on
67 behalf of the United States Postal Service;

68 (3) a state or a governmental subdivision, agency, or instrumentality thereof;

69 (4) a bank, as defined in section 1 of chapter 167, a national banking association, a
70 federally chartered credit union, a federal savings and loan association, a federal savings bank, or
71 any subsidiary of the above, or any bank, trust company, savings bank, savings and loan
72 association, or credit union organized under the laws of any other state, or any subsidiary of the

73 above, a bank holding company, an office of an international banking corporation, a branch of a
74 foreign bank, a corporation organized pursuant to the Bank Services Act, or a corporation
75 organized under the Edge Act under the laws of a state or the United States if the person does not
76 issue, sell, or provide payment instruments or prepaid access through an authorized agent that is
77 not such a person;

78 (5) electronic funds transfer of governmental benefits for a federal, state, or
79 governmental agency by a contractor on behalf of the United States or a department, agency, or
80 instrumentality thereof, or a state or governmental subdivision, agency, or instrumentality
81 thereof;

82 (6) a board of trade designated as a contract market under the Commodity Exchange
83 Act or a person that, in the ordinary course of business, provides clearance and settlement
84 services for a board of trade to the extent of its operation as or for such a board of trade;

85 (7) a registered futures commission merchant under the federal commodities laws to
86 the extent of its operation as such a merchant;

87 (8) a person that provides clearance or settlement services pursuant to a registration as
88 a clearing agency or an exemption from such registration granted under the federal securities
89 laws to the extent of its operation as such a provider;

90 (9) an operator of a payment system to the extent that it provides processing, clearing,
91 or settlement services, between or among persons excluded by this section, in connection with
92 wire transfers, credit card transactions, debit card transactions, prepaid access transactions,
93 automated clearing house transfers, or similar funds transfers; or

94 (10) a person registered as a securities broker-dealer under federal or state securities
95 laws to the extent of its operation as such a broker-dealer.

96 Section 4. The commissioner may adopt, amend, or repeal rules and regulations,
97 which shall include an adequate capitalization requirement in an amount not to exceed
98 \$5,000,000 for entities engaged in the business of money transmission to aid in the
99 administration and enforcement of this chapter. Such regulation may contain such classifications,
100 differentiations, or other provisions, and may provide for such adjustments and exceptions for
101 any class of transactions, as in the judgment of the commissioner are necessary or proper to carry
102 out the purposes of this chapter, to prevent circumvention or evasion thereof, or to facilitate
103 compliance therewith.

104 Notwithstanding any other provision of this chapter, the commissioner may issue an
105 advisory opinion or adopt regulations relative to the business of money transmission for the
106 purpose of maintaining consistency with regulations adopted by a federal regulatory agency and
107 governing provisions similar to those contained in this chapter.

108 Section 5. The application for a license shall be in a form prescribed by the
109 commissioner and shall contain the name and address or addresses where the business of the
110 applicant is located and if the applicant is a partnership, association, corporation, or other form of
111 business organization, the names and addresses of each member, director, principal officer
112 thereof, and any individual acting as a manager of an office location. Such application shall also
113 include a description of the activities of the applicant, in such detail and for such periods as the
114 commissioner may require, as well as such further information as the commissioner may require.
115 The commissioner may require a background investigation of each applicant for a license to

116 engage in the business of money transmission by means of fingerprint and state and national
117 criminal history record checks by the department of criminal justice information services
118 pursuant to section 172 of chapter 6 and the Federal Bureau of Investigation. If the applicant is a
119 partnership, association, corporation or other form of business organization, the commissioner
120 may require such background investigation by means of fingerprint checks on each member,
121 director, principal officer of such applicant, and any individual acting as a manager of an office
122 location. Receipt of criminal history record information by a private entity shall be prohibited.
123 Each application for a license shall be accompanied by an investigation fee. Investigation and
124 license fees shall be determined annually by the commissioner of administration under section
125 3B of chapter 7.

126 Upon the filing of an application for a license, if the commissioner finds that the
127 financial responsibility, character, reputation, integrity and general fitness of the applicant, and
128 of the partners or members thereof if the applicant is a partnership or association, and of the
129 officers, directors and principal employees if the applicant is a corporation, are such as to
130 warrant belief that the business will be operated honestly, fairly, soundly and efficiently in the
131 public interest consistent with the purposes of this chapter, the commissioner shall thereupon
132 issue the applicant a license to engage in the business of money transmission. If the
133 commissioner shall not so find or: (a) the applicant made a false statement of a material fact in
134 the application for a license; (b) an officer, director or member of the applicant business,
135 including a proposed authorized agent, has, within 10 years prior to the filing of the application,
136 been (i) convicted of or pleaded nolo contendere to a felony, or (ii) committed an act involving
137 fraud or deceit, which act is substantially related to the qualifications, functions or duties of a
138 person engaged in the business of money transmission; (c) the applicant violated any of the

139 provisions of this chapter or regulations promulgated hereunder, any similar regulatory scheme
140 of another jurisdiction, or any other law applicable to the conduct of the business sought to be
141 licensed; (d) a licensee or authorized agent of a licensee located at the address at which the
142 applicant intends to operate the business has had any license, registration or other authorization
143 issued by the commissioner suspended or revoked within 6 months of the date of the new
144 application; the commissioner shall not issue a license and shall notify the applicant of the
145 denial. Within 20 days thereafter, the commissioner shall enter upon the records a written
146 decision and findings containing the reasons supporting the denial and shall forthwith give
147 written notice thereof by registered mail to the applicant. Within 30 days after the date of such
148 notice, the applicant may appeal from such denial to the superior court for Suffolk county, sitting
149 in equity. The court shall hear all pertinent evidence and determine the facts and upon the facts
150 as so determined, review said denial and, as justice and equity may require, affirm the same or
151 order the commissioner to issue such license.

152 The commissioner may participate in a multi-state licensing system for entities
153 engaged in the business of money transmission. The commissioner may establish requirements
154 for participation by an applicant in a multi-state licensing system which may vary from the
155 provisions set out in section 5 and section 6. The applicant shall pay directly to such multi-state
156 licensing system any additional fee relating to participation in such multi-state licensing system.

157 Section 6. Each license shall contain such information and shall be displayed as may
158 be required by regulation by the commissioner.

159 Such license shall not be transferable or assignable and shall expire annually at such
160 time as determined by the commissioner. The closing of a location of the licensee at the address

161 stated on the license, including an authorized agent, or a change of location of the licensee at the
162 address stated on the license, including an authorized agent, shall require written notification to
163 the commissioner in accordance with regulations promulgated by the commissioner.

164 Notwithstanding the foregoing, if an authorized agent closes or relocates a licensed location
165 without advance notification to the licensee, the licensee shall notify the commissioner within 15
166 calendar days of being so notified by the authorized agent.

167 If there shall be any change among the officers, partners or directors of any licensee or
168 authorized agent, the licensee shall notify the commissioner of the name, address and occupation
169 of each new officer, partner, director, or authorized agent and provide such other information as
170 the commissioner may require in accordance with regulations promulgated by the commissioner.

171 Section 7. All money received for transmission by any licensee shall be forwarded to
172 the person to whom the same is directed within 7 days following receipt thereof. Receipts given
173 for deposits of money received for transmission shall contain all appropriate information relative
174 to the transaction.

175 Section 8. The commissioner may suspend or revoke a license issued pursuant to this
176 chapter if the commissioner finds that:

177 (a) the licensee or an authorized agent has violated a provision of this chapter or any
178 rule or regulation adopted hereunder or any other law applicable to the conduct of its business; or

179 (b) a fact or condition exists which, if it had existed at the time of the original
180 application for such license, would have warranted said commissioner in refusing to issue such
181 license.

182 Except as provided in subsection (b) of section 9, no license shall be revoked or
183 suspended except after notice and hearing pursuant to chapter 30A.

184 A licensee may surrender a license by delivering to the commissioner written notice
185 that it hereby surrenders such license; provided, however, that such surrender shall not affect the
186 civil or criminal liability of such licensee for acts committed before such surrender.

187 No revocation, suspension or surrender of a license shall impair or affect the
188 obligation of any preexisting lawful contract between the licensee, either directly or through an
189 authorized agent, and any person.

190 In lieu of suspension or revocation of a license issued hereunder, the commissioner
191 may fine a licensee up to a maximum of \$500 per day for each violation.

192 Section 9. (a) If the commissioner determines, after giving notice of and opportunity
193 for a hearing, that a licensee has engaged in or is about to engage in an act or practice
194 constituting a violation of a provision of this chapter or a rule, regulation or order adopted
195 hereunder, said commissioner may order such licensee to cease and desist from such unlawful
196 act or practice and take such affirmative action as in the commissioner's judgment will effect the
197 purposes of this chapter.

198 (b) If the commissioner makes written findings of fact that the public interest will be
199 irreparably harmed by a delay in issuing an order under subsection (a) the commissioner may
200 issue a temporary cease and desist order. Upon the entry of a temporary cease and desist order,
201 the commissioner shall promptly notify, in writing, the licensee affected thereby that such order
202 has been so entered, the reasons therefor, and that within 20 days after the receipt of a written
203 request for a hearing from such licensee, the matter will be scheduled for such hearing to

204 determine whether or not such temporary order shall become permanent and final. If no such
205 hearing is requested and none is ordered by the commissioner, the order shall remain in effect
206 until it is modified or vacated by the commissioner. If a hearing is requested or ordered, the
207 commissioner, after giving notice of and opportunity for a hearing to the licensee subject to such
208 order, shall, by written finding of facts and conclusions of law, vacate, modify or issue a
209 permanent cease and desist order.

210 (c) No order under this section, except an order issued pursuant to subsection (b), may
211 be entered without prior notice and opportunity for a hearing. The commissioner may vacate or
212 modify an order under this section upon a finding that the conditions which required such order
213 have changed and that it is in the public interest to vacate or modify such order.

214 An order issued pursuant to this section shall be subject to review as provided in
215 chapter 30A.

216 Section 10. A licensee shall, when directed by the commissioner, permit the
217 commissioner or a duly authorized representative to inspect its records and evidence of
218 compliance with this chapter or any rule and regulation issued thereunder and with any other
219 law, rule and regulation applicable to the conduct of its business. The commissioner shall
220 preserve a full record of each such examination of a licensee including a statement of its
221 condition. All records of investigations and reports of examinations by the commissioner,
222 including workpapers, information derived from such reports or responses to such reports, and
223 any copies thereof in the possession of any licensee under the supervision of the commissioner,
224 shall be confidential and privileged communications, shall not be subject to subpoena and shall
225 not be a public record under clause twenty-sixth of section 7 of chapter 4. For the purpose of this

226 paragraph, records of investigation and reports of examinations shall include records of
227 investigation and reports of examinations conducted by a financial regulatory agency of the
228 federal government and any other state, and of any foreign government which are considered
229 confidential by such agency or foreign government and which are in possession of the
230 commissioner. In any proceeding before a court, the court may issue a protective order to seal the
231 record protecting the confidentiality of any such record, and other than any such record on file
232 with the court or filed in connection with the court proceeding, and the court may exclude the
233 public from any portion of a proceeding at which any such record may be disclosed. Copies of
234 such reports of examination shall be furnished to a licensee for its use only and shall not be
235 exhibited to any other person, organization or agency without prior written approval by the
236 commissioner. The commissioner may furnish to regulatory agencies of the federal government,
237 of other states, or of foreign countries, and any law enforcement agency, such information,
238 reports, inspections and statements relating to the licensees under supervision of the division.

239 The commissioner, or an examiner or such others of the commissioner's assistants as
240 may be designated by the commissioner, may summon the directors, officers or agents of a
241 licensee, or any other witnesses, and examine them relative to the affairs, transactions and
242 condition of the licensee, and, for that purpose, may administer oaths. Whoever, without
243 justifiable cause, refuses to appear and testify when so required or obstructs the person making
244 such examination in the performance of such duties, shall be punished by a fine of not more than
245 \$1,000 or by imprisonment for not more than 1 year.

246 Section 11. The commissioner, if there is reason to believe that a person other than a
247 licensee has violated any of the provisions of this chapter, shall be authorized to make such

248 investigations as the commissioner shall deem necessary and may examine such other person and
249 shall compel the production of all relevant books, records, accounts and documents.

250 Section 12. Each licensee shall annually, on or before a date to be determined by the
251 commissioner, file a report with the commissioner containing such information as said
252 commissioner may require concerning the business and operations during the preceding calendar
253 year. A licensee neglecting to file such report or failing to amend the same within 15 days of
254 notice from said commissioner directing the same shall, unless such neglect or failure is due to
255 justifiable cause and not due to willful neglect, pay to the commonwealth \$50 for each day
256 during which such neglect or failure continues.

257 A licensee shall keep and use such business records in such form and at such location
258 as said commissioner shall, by regulation, determine, which shall enable said commissioner to
259 determine whether such licensee is complying with the provisions of this chapter and any rules
260 or regulations promulgated hereunder by said commissioner and any other law, rule or regulation
261 applicable to the conduct of the business for which it is licensed under this chapter. Such
262 regulations may contain provisions for the suspension or revocation of licenses for violations
263 hereof and for such records to be recorded, copied or reproduced by photographic, photostatic,
264 microfilm, microcard, miniature photographic, electronic, including, but not limited to, optical
265 imaging, or other process which accurately reproduces or forms a durable medium for
266 reproducing the original record or document or in any other form or manner authorized by the
267 commissioner; provided, however, that nothing in this section shall be construed to permit any
268 such licensee to destroy original records or documents. Each such licensee shall preserve all such
269 business records for as long a period as the commissioner shall prescribe by regulation.
270 Notwithstanding the provisions of any general or special law or the Massachusetts Rules of Civil

271 Procedure to the contrary, service of a subpoena for business records upon a licensee, delivered
272 to an office of such licensee located within the commonwealth shall be deemed to have been
273 served at the location, whether within or outside the commonwealth, where the original business
274 records or documents are kept or maintained.

275 Section 13. The commissioner or an aggrieved party may enforce the provisions of
276 this chapter, or restrain any violations thereof, by filing a civil action in a court of competent
277 jurisdiction. A violation of this chapter or a rule or regulation adopted hereunder, shall constitute
278 a violation of chapter 93A.

279 Section 14. Whoever violates any provision of this chapter or any rule or regulation
280 made thereunder by the commissioner shall be punished by a fine of not more than \$5,000 or by
281 imprisonment in state prison for not more than 5 years, or both. Each day a violation continues
282 shall be deemed a separate offense. The penalty provision of this section shall be in addition to,
283 and not in lieu of, any other provision of law applicable to a licensee or other person for violating
284 section 2 or any rule or regulation made thereunder.

285 Section 15. (a) Whenever the commissioner finds that any licensee or exempt person
286 under section 2 has violated any provision of this chapter or any rule or regulation adopted
287 thereunder, or any other law of the commonwealth applicable to the conduct of the business of
288 money transmission, the commissioner may, by order, in addition to any other action authorized
289 under this chapter or any rule or regulation made thereunder, impose a penalty upon such person
290 which shall not exceed \$5,000 for each violation, up to a maximum of \$100,000 for such
291 violation plus the costs of investigation. The commissioner may impose a penalty which shall not

292 exceed \$5,000 for each violation of this chapter, or any rule or regulation adopted thereunder, by
293 a person other than a licensee or exempt person under section 2, plus the costs of investigation.

294 (b) Nothing in this section shall limit the right of any individual or entity who has
295 been injured as a result of any violation of this chapter by a licensee, or any person other than a
296 licensee or exempt person under section 2, to bring an action to recover damages or restitution in
297 a court of competent jurisdiction.

298 (c) Any findings or order issued by the commissioner pursuant to this section shall be
299 subject to review as provided in chapter 30A.

300 Section 16. (a) Whenever the commissioner determines that any person has, directly
301 or indirectly, violated any section of this chapter or any rule or regulation adopted thereunder,
302 applicable to the conduct of the business of money transmission, or any order issued by the
303 commissioner under this chapter or any written agreement entered between such licensee and the
304 commissioner, the commissioner may serve upon such person a written notice of intention:

305 (i) to prohibit such person from performing in the capacity of a principal employee on
306 behalf of any licensee for such period of time that the commissioner deems necessary;

307 (ii) to prohibit the person from applying for or obtaining a license from the
308 commissioner for a period up to 36 months following the effective date of an order issued under
309 subsection (b) or (c); or

310 (iii) to prohibit such person from any further participation, in any manner, in the
311 conduct of the business of money transmission in Massachusetts or to prohibit such person from

312 being employed by, an authorized agent of, or operating on behalf of a licensee under this
313 chapter or any other business which requires a license from the commissioner.

314 (b) A written notice issued under subsection (a) shall contain a written statement of
315 the facts that support the prohibition and shall give notice of an opportunity for a hearing to be
316 held thereon. Such hearing shall be fixed for a date not more than 30 days after the date of
317 service upon the commissioner of such request for a hearing. If such person fails to submit a
318 request for a hearing within 20 days of service of notice under subsection (a), or otherwise fails
319 to appear in person or by a duly authorized representative, such party shall be deemed to have
320 consented to the issuance of an order of such prohibition in accordance with the notice.

321 (c) In the event of such consent under subsection (b), or if after a hearing the
322 commissioner finds that any of the grounds specified in such notice have been established, the
323 commissioner may issue an order of prohibition in accordance with subsection (a) as the
324 commissioner finds appropriate.

325 (d) An order issued under subsection (b) or (c) shall be effective upon service upon the
326 person. The commissioner shall also serve a copy of the order upon the licensee of which the
327 person is an employee or on whose behalf the person is performing. The order shall remain in
328 effect and enforceable until it is modified, terminated, suspended, or set aside by the
329 commissioner or a court of competent jurisdiction.

330 (e) Except as consented to in writing by the commissioner, any person who, pursuant
331 to an order issued under subsection (b) or (c), has been prohibited from participating in whole or
332 in part in the conduct of the business of money transmission in the commonwealth shall not,
333 while such order is in effect, continue or commence to perform in the capacity of a principal

334 employee, or otherwise participate in any manner, if so prohibited by order of the commissioner,
335 in the conduct of the affairs of:

336 (i) any licensee under this chapter;

337 (ii) any other business which requires a license from the commissioner; or

338 (iii) any bank, as defined under section 1 of chapter 167, or any subsidiary thereof.

339 Section 17. (a) Except as otherwise provided in subsection (b), a surety bond, letter of
340 credit, or other similar security acceptable to the commissioner in the amount of \$50,000 plus
341 \$10,000 per location, not exceeding a total addition of \$450,000, shall accompany an application
342 for a license.

343 (b) Security shall be in a form satisfactory to the commissioner, payable to the
344 commonwealth, and delivered to the state treasurer for the benefit of any claimant against the
345 licensee to secure the faithful performance of the obligations of the licensee with respect to
346 money transmission. The securities deposited with the state treasurer as herein provided and the
347 money which in case of breach of the bond shall be paid by any licensee or surety thereon, shall
348 constitute a trust fund for the benefit of such persons as shall deposit money with the licensee or
349 authorized agent for transmission and such beneficiaries shall be entitled to an absolute
350 preference as to such money or securities over all general creditors of the licensee.

351 (c) The aggregate liability on a surety bond may not exceed the principal sum of the
352 bond. A claimant against a licensee may maintain an action on the bond, or the commissioner
353 may maintain an action on behalf of the claimant.

354 (d) A surety bond shall cover claims for so long as the commissioner specifies, but for
355 at least 5 years after the licensee ceases to provide money services in the commonwealth;
356 provided, . however, that the commissioner may permit the amount of security to be reduced or
357 eliminated before the expiration of that time to the extent the amount of the licensee's payment
358 instruments or prepaid access obligations outstanding in the commonwealth is reduced. The
359 commissioner may permit a licensee to substitute another form of security acceptable to the
360 commissioner for the security effective at the time the licensee ceases to provide money services
361 in the commonwealth.

362 (e) In lieu of the security prescribed in this section, an applicant for a license or a
363 licensee may provide security in a form prescribed by the commissioner.

364 (f) The commissioner may increase the amount of security required if the financial
365 condition of a licensee so requires, as evidenced by reduction of net worth, financial losses, or
366 other relevant criteria.

367 Section 18. (a) A licensee engaged in the business of money transmission who intends
368 to conduct licensed activities through the use of authorized agents shall submit the names and
369 addresses of such persons listed in the original application to the commissioner for his approval.
370 Upon the commissioner's approval, a licensee may authorize any such authorized agent to
371 conduct business as the agent for said licensee at the address approved by the commissioner;
372 provided, however, that an authorized agent that engages solely in the sale or issuance of prepaid
373 access or travelers' checks and is not engaged in any other form of money transmission on behalf
374 of a licensee shall not require the approval of the commissioner. There shall be an express
375 written contract between the parties detailing the duties and responsibilities of such authorized

376 agent. Additional authorized agents shall not be appointed without the prior written approval of
377 the commissioner, and a licensee shall notify the commissioner within 5 business days after the
378 termination of any authorized agent by the licensee.

379 (b) A contract between a licensee and an authorized agent shall require the authorized
380 agent to operate in full compliance with this chapter. The licensee shall furnish in a record to
381 each authorized agent policies and procedures sufficient to permit compliance with this chapter.

382 (c) An authorized agent shall remit all money owing to the licensee in accordance with
383 the terms of the contract between the licensee and the authorized agent.

384 (d) An authorized agent may not provide money transmission services outside the
385 scope of activity permissible under the contract between the authorized agent and the licensee.

386 Section 19. (a) Except to the extent otherwise limited by the commissioner pursuant to
387 section 17, the following shall be considered permissible investments:

388 (i) cash, a certificate of deposit, or senior debt obligation of an insured depository
389 institution, as defined in section 3 of the Federal Deposit Insurance Act 12 U.S.C. Section 1813
390 (1994 & Supp. V. 1999);

391 (ii) banker's acceptance or bill of exchange that is eligible for purchase upon
392 endorsement by a member bank of the Federal Reserve System and is eligible for purchase by a
393 Federal Reserve Bank;

394 (iii) an investment bearing a rating of one of the three highest grades as defined by a
395 nationally recognized organization that rates securities;

396 (iv) an investment security that is an obligation of the United States or a department,
397 agency, or instrumentality thereof; an investment in an obligation that is guaranteed fully as to
398 principal and interest by the United States; or an investment in an obligation of a State or a
399 governmental subdivision, agency, or instrumentality thereof;

400 (v) receivables that are payable to a licensee from its authorized agents, in the ordinary
401 course of business, pursuant to contracts which are not past due or doubtful of collection if the
402 aggregate amount of receivables under this paragraph does not exceed 20 percent of the total
403 permissible investments of a licensee and the licensee does not hold at one time receivables
404 under this paragraph in any one person aggregating more than 10 percent of the licensee's total
405 permissible investments; and;

406 (vi) a share or a certificate issued by an open-end management investment company
407 that is registered with the United States Securities and Exchange Commission under the
408 Investment Companies Act of 1940 15 U.S.C. Section 80a-1-64 (1994 & Supp. V 1999), and
409 whose portfolio is restricted by the management company's investment policy to investments
410 specified in clauses (i) through (iv).

411 (b) The following investments shall be permissible, but only to the extent specified in
412 this subsection:

413 (i) an interest-bearing bill, note, bond, or debenture of a person whose equity shares
414 are traded on a national securities exchange or on a national over-the-counter market, if the
415 aggregate of investments under this paragraph does not exceed 20 percent of the total permissible
416 investments of a licensee and the licensee does not at one time hold investments under this

417 paragraph in any one person aggregating more than 10 percent of the licensee's total permissible
418 investments;

419 (ii) a share of a person traded on a national securities exchange or a national over-the-
420 counter market or a share or a certificate issued by an open-end management investment
421 company that is registered with the United States Securities and Exchange Commission under
422 the Investment Companies Act of 1940 15 U.S.C. Section 80a-1-64 (1994 & Supp. V 1999), and
423 whose portfolio is restricted by the management company's investment policy to shares of a
424 person traded on a national securities exchange or a national over-the-counter market, if the
425 aggregate of investments under this paragraph does not exceed 20 percent of the total permissible
426 investments of a licensee and the licensee does not at one time hold investments in any one
427 person aggregating more than 10 percent of the licensee's total permissible investments;

428 (iii) a demand-borrowing agreement made to a corporation or a subsidiary of a
429 corporation whose securities are traded on a national securities exchange if the aggregate of the
430 amount of principal and interest outstanding under demand-borrowing agreements under this
431 paragraph does not exceed 20 percent of the total permissible investments of a licensee and the
432 licensee does not at one time hold principal and interest outstanding under demand-borrowing
433 agreements under this paragraph with any one person aggregating more than 10 percent of the
434 licensee's total permissible investments; and

435 (iv) any other investment the commissioner designates, to the extent specified by the
436 commissioner.

437 (c) The aggregate of investments under subsection (b) may not exceed 50 percent of
438 the total permissible investments of a licensee calculated in accordance with section 17.

439 Section 20. (a) A licensee shall maintain at all times permissible investments that have
440 a market value computed in accordance with generally accepted accounting principles of not less
441 than the aggregate amount of all of its outstanding payment instruments issued or sold and
442 money transmitted by the licensee or its authorized agents.

443 (b) The commissioner, with respect to any licensees, may limit the extent to which a
444 type of investment within a class of permissible investments may be considered a permissible
445 investment, except for money and certificates of deposit issued by a bank. The commissioner by
446 rule may prescribe or by order allow other types of investments that the commissioner
447 determines to have a safety standard substantially equivalent to other permissible investments.

448 (c) Permissible investments, even if commingled with other assets of the licensee, are
449 held in trust for the benefit of the purchasers and holders of the licensee's outstanding payment
450 instruments in the event of bankruptcy or receivership of the licensee.

451 SECTION 4. Section 4 of chapter 169B of the General Laws, as inserted by section 3,
452 shall take effect upon passage. Section 1 and the remainder of section 3 shall take effect 9
453 months after the date of its passage.

454 SECTION 5. (a) A license issued pursuant to chapter 169 of the General Laws or
455 section 4 of chapter 167F of the General Laws, including all authorized agent location
456 designations, that is in effect immediately before the effective date of this act shall remain in
457 force as a license under said chapter 169. Such licensees shall file a renewal application in
458 accordance with section 12 of chapter 169B of the General Laws.

459 (b) Any person that was not required to obtain a license pursuant to chapter 169 of the
460 General Laws or pursuant to section 4 of chapter 167F of the General Laws, but that is now

461 required to obtain a license under chapter 169B shall file an application for a license within 6
462 months of the effective date of this act in order to continue conducting money transmission in the
463 commonwealth directly or through authorized agents. If such application is timely filed and
464 pending with the commissioner, that person may continue to conduct money transmission in this
465 commonwealth, until such time as the application has been approved, withdrawn or denied.

466 (c) All authorized agent designations under section 4 of chapter 167F of the General
467 Laws shall be deemed in compliance with this chapter so long as within 6 months of the effective
468 date of this act, such authorized agents are submitted for approval with the commissioner.