



General Assembly

January Session, 2001

Raised Bill No. 793

LCO No. 2903

Referred to Committee on Banks

Introduced by:

(BA)

AN ACT CONCERNING MONEY TRANSMISSION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-3 of the general statutes is repealed and the
2 following is substituted in lieu thereof:

3 Other definitions applying to this title or to specified parts thereof
4 and the sections in which they appear are:

- 5 "Account". Sections 36a-155 and 36a-365.
6 "Advance fee". Sections 36a-510, 36a-485 and 36a-615.
7 "Advertise" or "advertisement". Sections 36a-485 and 36a-510.
8 "Agency bank". Section 36a-285.
9 "Alternative mortgage loan". Section 36a-265.
10 "Amount financed". Section 36a-690.
11 "Annual percentage rate". Section 36a-690.
12 "Annual percentage yield". Section 36a-316.
13 "Applicant". Section 36a-736.
14 "Associate". Section 36a-184.
15 "Bank". Section 36a-30.
16 "Bankers' bank". Section 36a-70.
17 "Banking business". Section 36a-425.
18 "Billing cycle". Section 36a-565.

- 19 "Bona fide nonprofit organization". Section 36a-655.
- 20 "Branch". Sections 36a-145 and 36a-410.
- 21 "Branch or agency net payment entitlement". Section 36a-428n.
- 22 "Branch or agency net payment obligation". Section 36a-428n.
- 23 "Broker". Section 36a-510.
- 24 "Business and industrial development corporation". Section 36a-
- 25 626.
- 26 "Business and property in this state". Section 36a-428n.
- 27 "Cash advance". Section 36a-564.
- 28 "Cash price". Section 36a-770.
- 29 "Certificate of organization". Section 36a-435.
- 30 "Closely related activities". Section 36a-250.
- 31 "Collective managing agency account". Section 36a-365.
- 32 "Commercial vehicle". Section 36a-770.
- 33 "Community bank". Section 36a-70.
- 34 "Community development bank". Section 36a-70.
- 35 "Connecticut holding company". Section 36a-410.
- 36 "Consumer". Sections 36a-155, 36a-676 and 36a-695.
- 37 "Consumer Credit Protection Act". Section 36a-676.
- 38 "Consumer debtor" and "debtor". Sections 36a-645 and 36a-800.
- 39 "Consumer collection agency". Section 36a-800.
- 40 "Controlling interest". Section 36a-276.
- 41 "Credit". Sections 36a-645 and 36a-676.
- 42 "Creditor". Sections 36a-676, 36a-695 and 36a-800.
- 43 "Credit card", "cardholder" and "card issuer". Section 36a-676.
- 44 "Credit clinic". Section 36a-695.
- 45 "Credit rating agency". Section 36a-695.
- 46 "Credit report". Section 36a-695.
- 47 "Credit sale". Section 36a-676.
- 48 "De novo branch". Section 36a-410.
- 49 "Debt". Section 36a-645.
- 50 "Debt adjustment". Section 36a-655.
- 51 "Debt mutual fund". Section 36a-275.
- 52 "Debt securities". Section 36a-275.
- 53 "Deliver". Section 36a-316.
- 54 "Deposit". Section 36a-316.
- 55 "Deposit account". Section 36a-316.
- 56 "Deposit account charge". Section 36a-316.
- 57 "Deposit account disclosures". Section 36a-316.
- 58 "Deposit contract". Section 36a-316.
- 59 "Deposit services". Section 36a-425.

- 60 "Depositor". Section 36a-316.
- 61 "Earning period". Section 36a-316.
- 62 "Electronic payment instrument". Section 36a-596, as amended
- 63 by this act.
- 64 "Eligible account holder". Section 36a-136.
- 65 "Eligible collateral". Section 36a-330.
- 66 "Equity mutual fund". Section 36a-276.
- 67 "Executive officer". Section 36a-596, as amended by this act.
- 68 "Federal Home Mortgage Disclosure Act". Section 36a-736.
- 69 "Fiduciary". Section 36a-365.
- 70 "Filing fee". Section 36a-770.
- 71 "Finance charge". Sections 36a-690 and 36a-770.
- 72 "Financial institution". Sections 36a-41, 36a-155, 36a-316, 36a-330
- 73 and 36a-736.
- 74 "Financial records". Section 36a-41.
- 75 "First mortgage loan". Sections 36a-485, 36a-705 and 36a-715.
- 76 "Fiscal year". Section 36a-435.
- 77 "Foreign banking corporation". Section 36a-425.
- 78 "General facility". Section 36a-580.
- 79 "Global net payment entitlement". Section 36a-428n.
- 80 "Global net payment obligation". Section 36a-428n.
- 81 "Goods". Sections 36a-535 and 36a-770.
- 82 "Graduated payment mortgage loan". Section 36a-265.
- 83 "Guardian". Section 36a-365.
- 84 "Holder". Section 36a-596, as amended by this act.
- 85 "Home banking services". Section 36a-170.
- 86 "Home banking terminal". Section 36a-170.
- 87 "Home improvement loan". Section 36a-736.
- 88 "Home purchase loan". Section 36a-736.
- 89 "Home state". Section 36a-410.
- 90 "Immediate family". Section 36a-435.
- 91 "Installment loan contract". Sections 36a-535 and 36a-770.
- 92 ["Instrument". Section 36a-596.]
- 93 "Insurance bank". Section 36a-285.
- 94 "Insurance department". Section 36a-285.
- 95 "Interest". Section 36a-316.
- 96 "Interest rate". Section 36a-316.
- 97 "Lender". Sections 36a-510 and 36a-770.
- 98 "Lessor". Section 36a-676.
- 99 "License". Section 36a-626.

100 "Licensee". Sections 36a-510, 36a-596, as amended by this act,
101 and 36a-626.
102 "Limited branch". Section 36a-145.
103 "Limited facility". Section 36a-580.
104 "Loan broker". Section 36a-615.
105 "Loss". Section 36a-330.
106 "Made in this state". Section 36a-770.
107 "Managing agent". Section 36a-365.
108 "Material litigation". Section 36a-596, as amended by this act.
109 "Member". Section 36a-435.
110 "Membership share". Section 36a-435.
111 "Money order". Section 36a-596, as amended by this act.
112 "Money transmission". Section 36a-365, as amended by this act.
113 "Mortgage broker". Section 36a-485.
114 "Mortgage insurance". Section 36a-725.
115 "Mortgage lender". Sections 36a-485 and 36a-705.
116 "Mortgage loan". Sections 36a-261 and 36a-265.
117 "Mortgage rate lock-in". Section 36a-705.
118 "Mortgage servicing company". Section 36a-715.
119 "Mortgagor". Section 36a-715.
120 "Motor vehicle". Section 36a-770.
121 "Multiple common bond membership". Section 36a-435.
122 "Municipality". Section 36a-800.
123 "Net worth". Section 36a-596, as amended by this act.
124 "Network". Section 36a-155.
125 "Note account". Sections 36a-301 and 36a-445.
126 "Office". Section 36a-316.
127 "Open-end credit plan". Section 36a-676.
128 "Open-end loan". Section 36a-565.
129 "Organization". Section 36a-800.
130 "Out-of-state holding company". Section 36a-410.
131 "Outstanding". Section 36a-596, as amended by this act.
132 "Payment instrument". Section 36a-596, as amended by this act.
133 "Passbook savings account". Section 36a-316.
134 "Periodic statement". Section 36a-316.
135 "Permissible investment". Section 36a-596, as amended by this
136 act.
137 "Person". Section 36a-184.
138 "Post". Section 36a-316.
139 "Prime quality". Section 36a-596, as amended by this act.
140 "Principal amount of the loan". Section 36a-510.

- 141 "Principal officer". Section 36a-485.
- 142 "Processor". Section 36a-155.
- 143 "Public deposit". Section 36a-330.
- 144 "Purchaser". Section 36a-596, as amended by this act.
- 145 "Qualified financial contract". Section 36a-428n.
- 146 "Qualified public depository" and "depository". Section 36a-330.
- 147 "Records". Section 36a-17.
- 148 "Relocate". Section 36a-145.
- 149 "Residential property". Section 36a-485.
- 150 "Retail buyer". Sections 36a-535 and 36a-770.
- 151 "Retail credit transaction". Section 42-100b.
- 152 "Retail deposits". Section 36a-70.
- 153 "Retail installment contract". Sections 36a-535 and 36a-770.
- 154 "Retail installment sale". Sections 36a-535 and 36a-770.
- 155 "Retail seller". Sections 36a-535 and 36a-770.
- 156 "Reverse annuity mortgage loan". Section 36a-265.
- 157 "Sales finance company". Sections 36a-535 and 36a-770.
- 158 "Savings department". Section 36a-285.
- 159 "Savings deposit". Section 36a-316.
- 160 "Secondary mortgage loan". Section 36a-510.
- 161 "Security convertible into a voting security". Section 36a-184.
- 162 "Share". Section 36a-435.
- 163 "Simulated check". Sections 36a-485 and 36a-510.
- 164 "Single common bond membership". Section 36a-435.
- 165 "Social purpose investment". Section 36a-277.
- 166 "Standard mortgage loan". Section 36a-265.
- 167 "Tax and loan account". Sections 36a-301 and 36a-445.
- 168 "The Savings Bank Life Insurance Company". Section 36a-285.
- 169 "Time account". Section 36a-316.
- 170 "Transaction". Section 36a-215.
- 171 "Travelers check". Section 36a-596, as amended by this act.
- 172 "Troubled financial institution". Section 36a-215.
- 173 "Uninsured bank". Section 36a-70.
- 174 "Unsecured loan". Section 36a-615.

175 Sec. 2. Section 36a-595 of the general statutes is repealed and the
176 following is substituted in lieu thereof:

177 Sections 36a-595 to 36a-610, inclusive, as amended by this act, shall
178 be known and may be cited as the ["Money Order and Travelers Check

179 Licensees Act"] "Money Transmission Act".

180 Sec. 3. Section 36a-596 of the general statutes is repealed and the
181 following is substituted in lieu thereof:

182 As used in sections 36a-595 to 36a-610, inclusive, as amended by this
183 act:

184 (1) "Electronic payment instrument" means a card or other tangible
185 object for the transmission or payment of money which contains a
186 microprocessor chip, magnetic stripe, or other means for the storage of
187 information, that is prefunded and for which the value is decremented
188 upon each use, but does not include a card or other tangible object that
189 is redeemable by the issuer in the issuer's goods or services.

190 (2) "Executive officer" means the licensee's president, chairperson of
191 the executive committee, senior officer responsible for the licensee's
192 business, chief financial officer or any other person who performs
193 similar functions as determined by the commissioner.

194 [(2)] (3) "Holder" means a person, other than a purchaser, who is
195 either in possession of a Connecticut payment instrument and is the
196 named payee thereon or in possession of a Connecticut payment
197 instrument issued or endorsed to [him] such person or bearer or in
198 blank. "Holder" does not include any person who is in possession of a
199 lost, stolen or forged Connecticut payment instrument.

200 [(3)] "Instrument" means a money order, travelers check or electronic
201 payment instrument that evidences either an obligation for the
202 transmission or payment of money, or the purchase or the deposit of
203 funds for the purchase of such money order, travelers check or
204 electronic payment instrument. An instrument is a "Connecticut
205 instrument" if it is sold in this state.]

206 (4) "Licensee" means any person licensed pursuant to sections 36a-
207 595 to 36a-610, inclusive, as amended by this act.

208 (5) "Material litigation" means any litigation that, according to
209 generally accepted accounting principles, is deemed significant to a
210 person's financial health and would be required to be referenced in an
211 entity's annual audited financial statements, report to shareholders or
212 similar documents.

213 [(5)] (6) "Money order" means any check, draft, money order or
214 other payment instrument. [for the transmission or payment of
215 money.] "Money order" does not include a travelers check or electronic
216 payment instrument.

217 (7) "Money transmission" means engaging in the business of
218 receiving money for transmission or the business of transmitting
219 money within the United States or to locations outside the United
220 States by any and all means including, but not limited to, payment
221 instrument, wire, facsimile or electronic transfer.

222 [(6)] (8) "Net worth" means the excess of assets over liabilities as
223 determined by generally accepted accounting principles.

224 [(7) A money order, travelers check or electronic payment
225 instrument is "outstanding" if:]

226 (9) "Outstanding" means, in the case of a money order, travelers
227 check or electronic payment instrument, that: (A) It is sold in the
228 United States; (B) a report of it has been received by a licensee from its
229 agents or subagents; and (C) it has not yet been paid by the issuer.

230 (10) "Payment instrument" means a money order, travelers check or
231 electronic payment instrument that evidences either an obligation for
232 the transmission or payment of money, or the purchase or the deposit
233 of funds for the purchase of such money order, travelers check or
234 electronic payment instrument. A payment instrument is a
235 "Connecticut payment instrument" if it is sold in this state.

236 [(8)] (11) "Permissible investment" means: (A) Cash in United States
237 currency; (B) time deposits, as defined in subdivision (63) of section

238 36a-2, or other debt instruments of a bank; (C) bills of exchange or
239 bankers acceptances which are eligible for purchase by member banks
240 of the Federal Reserve System; (D) commercial paper of prime quality;
241 (E) interest-bearing bills, notes, bonds, debentures or other obligations
242 issued or guaranteed by: (i) The United States or any of its agencies or
243 instrumentalities, or (ii) any state, or any agency, instrumentality,
244 political subdivision, school district or legally constituted authority of
245 any state if such investment is of prime quality; (F) interest-bearing
246 bills or notes, or bonds, debentures or preferred stocks, traded on any
247 national securities exchange or on a national over-the-counter market,
248 if such debt or equity investments are of prime quality; (G) receivables
249 due from selling agents consisting of the proceeds of the sale of
250 payment instruments which are not past due or doubtful of collection;
251 (H) gold; and (I) any other investments approved by the
252 commissioner. Notwithstanding the provisions of this subdivision, if
253 the commissioner at any time finds that an investment of a licensee is
254 unsatisfactory for investment purposes, the investment shall not
255 qualify as a permissible investment.

256 [(9) An investment is of "prime quality" if]

257 (12) "Prime quality" of an investment means that it is within the top
258 four rating categories in any rating service recognized by the
259 commissioner unless the commissioner determines for any licensee
260 that only those investments in the top three rating categories qualify as
261 "prime quality".

262 [(10)] (13) "Purchaser" means a person who buys or has bought a
263 Connecticut payment instrument.

264 [(11)] (14) "Travelers check" means [an] a payment instrument for
265 the payment of money that contains a provision for a specimen
266 signature of the purchaser to be completed at the time of a purchase of
267 the instrument and a provision for a countersignature of the purchaser
268 to be completed at the time of negotiation.

269 Sec. 4. Section 36a-597 of the general statutes is repealed and the
270 following is substituted in lieu thereof:

271 No person shall engage in the business of issuing Connecticut
272 payment instruments, or engage in the business of [receiving money
273 for transmitting the same] money transmission, without first obtaining
274 a license from the commissioner as provided in section 36a-600, as
275 amended by this act. No person shall engage in such business or in the
276 business of selling Connecticut payment instruments as an agent or
277 subagent, except as an agent or subagent of a licensee as provided in
278 section 36a-607, as amended by this act.

279 Sec. 5. Section 36a-598 of the general statutes is repealed and the
280 following is substituted in lieu thereof:

281 Each application for an original or renewal license required under
282 sections 36a-595 to 36a-610, inclusive, as amended by this act. shall be
283 made in writing and under oath to the commissioner in such form as
284 the commissioner may prescribe. The application shall [state] include:

285 (1) The exact name of the applicant and, if incorporated, the date of
286 incorporation and the state where incorporated;

287 (2) The complete address of the principal office from which the
288 business is to be conducted, and of the office where the books and
289 records of the applicant are maintained and to be maintained,
290 including the street and number, if any, and the municipality and
291 county of such offices;

292 (3) The complete name and address of each of the applicant's
293 branches, subsidiaries, affiliates and agents and subagents, if any,
294 engaging in this state in the business of selling or issuing Connecticut
295 payment instruments, or [of receiving money for transmitting the
296 same] engaging in the business of money transmission;

297 (4) The name, title, address and telephone number of the person to
298 whom notice of the commissioner's approval or disapproval of the

299 application shall be sent and to whom any inquiries by the
300 commissioner concerning the application shall be directed;

301 (5) The name and residence address of (A) [of] the [applicant, if]
302 individual, if the applicant is an individual; (B) [if a partnership, of its
303 partners] the partners, if the applicant is a partnership; or (C) [if a
304 corporation or association, of its] the directors, trustees, principal
305 officers, and any shareholder owning [twenty] ten per cent or more of
306 each class of its [stock] securities, and sufficient information, in a form
307 acceptable to the commissioner, on such partners, directors, trustees,
308 principal officers, and any shareholder owning ten per cent or more of
309 each class of its securities, as the commissioner deems necessary to
310 make the findings under section 36a-600, as amended by this act;

311 (6) The most recently audited unconsolidated financial statement of
312 the applicant, including its balance sheet and receipts and
313 disbursements for the preceding year, prepared by an independent
314 certified public accountant acceptable to the commissioner;

315 (7) A list of the applicant's permissible investments, the book and
316 market values of such investments, and the dollar amount of the
317 applicant's aggregate outstanding payment instruments (A) as of the
318 date of the financial statement filed in accordance with [subsection]
319 subdivision (6) of this section; and (B) as of a date no earlier than thirty
320 business days prior to the filing of the application;

321 (8) The history of material litigation and criminal convictions for the
322 five-year period prior to the date of the application (A) of the
323 applicant, if an individual; (B) if a partnership, of its partners; or (C) if
324 a corporation or association, of its directors, trustees, principal officers,
325 and any shareholder owning ten per cent or more of each class of its
326 securities.

327 [(8)] (9) (A) The surety bond required by subsection (a) of section
328 36a-602, as amended by this act, if applicable;

329 (B) A list of the investments maintained in accordance with
330 subsection (b) of section 36a-602, as amended by this act, if applicable,
331 and the book and market values of any such investments (i) as of the
332 date of the financial statement filed in accordance with subdivision (6)
333 of this section; and (ii) as of a date no earlier than thirty business days
334 prior to the filing of the application;

335 (C) The commissioner may defer compliance with the provisions of
336 this [subsection] subdivision until after the commissioner rules on the
337 application, but the commissioner shall not issue a license until an
338 applicant complies with the provisions of this subdivision;

339 [(9)] (10) A statement of whether the applicant will engage in the
340 [money order, travelers check or electronic payment instrument
341 business, or any two or all of such businesses,] business of issuing
342 money orders, travelers checks, electronic payment instruments or
343 engage in the business of money transmission in this state;

344 [(10)] (11) Any other information the commissioner may require.

345 Sec. 6. Section 36a-599 of the general statutes is repealed and the
346 following is substituted in lieu thereof:

347 (a) Each application for an original or renewal license shall be
348 accompanied by a nonrefundable investigation fee of five hundred
349 dollars and a license fee of one thousand dollars. Each application for a
350 renewal license shall be accompanied by a license fee of one thousand
351 dollars. The license fee shall be refunded if the application for an
352 original license is denied, [or] the commissioner refuses to issue a
353 renewal license or an application for a licenses or renewal license is
354 withdrawn prior to issuance of a license or renewal license by the
355 commissioner.

356 (b) A license issued pursuant to sections 36a-595 to 36a-610,
357 inclusive, as amended by this act, shall remain in full force and effect
358 through the thirtieth day of June following its date of issuance, unless

359 earlier surrendered, suspended or revoked pursuant to said sections.

360 Sec. 7. Section 36a-600 of the general statutes is repealed and the
361 following is substituted in lieu thereof:

362 (a) Upon the filing of an application for an original license, and the
363 payment of the fees for investigation and license, the commissioner
364 shall investigate the financial condition and responsibility, financial
365 and business experience, character and general fitness of the applicant.
366 The commissioner shall approve conditionally any application, if the
367 commissioner finds that:

368 (1) The applicant's financial condition is sound;

369 (2) The applicant's business will be conducted honestly, fairly,
370 equitably, carefully and efficiently within the purposes and intent of
371 sections 36a-595 to 36a-610, inclusive, as amended by this act, and in a
372 manner commanding the confidence and trust of the community;

373 (3) (A) If the applicant is an individual, such individual is in all
374 respects properly qualified and of good character, (B) if the applicant is
375 a partnership, each partner is in all respects properly qualified and of
376 good character, (C) if the applicant is a corporation, each executive
377 officer, director and each shareholder owning ten per cent or more of
378 each class of the securities of such corporation is in all respects
379 properly qualified and of good character;

380 ~~[(3)]~~ (4) The applicant is in compliance with the provisions of
381 sections 36a-603, as amended by this act, and 36a-604, as amended by
382 this act;

383 ~~[(4)]~~ (5) No person on behalf of the applicant knowingly has made
384 any incorrect statement of a material fact in the application, or in any
385 report or statement made pursuant to sections 36a-595 to 36a-610,
386 inclusive, as amended by this act;

387 ~~[(5)]~~ (6) No person on behalf of the applicant knowingly has omitted

388 to state any material fact necessary to give the commissioner any
389 information lawfully required by the commissioner.

390 (b) If the commissioner conditionally approves an application, the
391 applicant shall have thirty days, which the commissioner may extend
392 for cause, to comply with the requirements of section 36a-602, as
393 amended by this act. Upon such compliance, the commissioner's
394 conditional approval shall become final, and the commissioner shall
395 issue a license to the applicant. The commissioner shall not issue a
396 license to any applicant unless the applicant is in compliance with all
397 the requirements of subsection (a) of this section and section 36a-602,
398 as amended by this act.

399 Sec. 8. Section 36a-601 of the general statutes is repealed and the
400 following is substituted in lieu thereof:

401 A license may be renewed for the ensuing twelve-month period
402 upon the filing of an application containing all information required by
403 section 36a-598, as amended by this act, including the information
404 required by subdivisions (6), (7), [and] (8) and (9) of said section if not
405 previously filed with the commissioner. Such renewal application shall
406 be filed no later than a date specified each year by the commissioner in
407 writing to the licensee. [No investigation fee shall be payable to the
408 commissioner in connection with such renewal application.] If an
409 application for a renewal license has been filed with the commissioner
410 on or before the date the commissioner has specified, the license
411 sought to be renewed shall continue in full force and effect until the
412 issuance by the commissioner of the renewal license applied for or
413 until the commissioner has notified the licensee in writing of the
414 commissioner's refusal to issue such renewal license together with the
415 grounds upon which such refusal is based. The commissioner may
416 refuse to issue a renewal license on any ground on which the
417 commissioner might refuse to issue an original license.

418 Sec. 9. Section 36a-602 of the general statutes is repealed and the
419 following is substituted in lieu thereof:

420 (a) As a condition for the issuance and retention of the license,
421 applicants for a license and licensees shall file with the commissioner a
422 corporate surety bond in a form satisfactory to the commissioner and
423 issued by a bonding company or insurance company authorized to do
424 business in this state. The bond shall be in favor of the commissioner,
425 shall remain in place for two years after such licensee ceases to engage
426 in business in this state, and shall be in the principal sum of (1) three
427 hundred thousand dollars for any applicant and any licensee that
428 engages in the business of issuing Connecticut payment instruments
429 with an average daily balance of outstanding Connecticut payment
430 instruments during the two previous reporting quarters of three
431 hundred thousand dollars or less or any licensee that engages in the
432 business of [receiving money for transmitting the same] money
433 transmission with an average weekly amount of money or equivalent
434 thereof transmitted during the two previous reporting quarters of one
435 hundred fifty thousand dollars or less; (2) five hundred thousand
436 dollars for any licensee that engages in the business of issuing
437 Connecticut payment instruments with an average daily balance of
438 outstanding Connecticut payment instruments during the two
439 previous reporting quarters of greater than three hundred thousand
440 dollars but less than five hundred thousand dollars or any licensee that
441 engages in the business of [receiving money for transmitting the same]
442 money transmission with an average weekly amount of money
443 equivalent thereof transmitted during the two previous reporting
444 quarters of greater than one hundred fifty thousand dollars but less
445 than two hundred fifty thousand dollars; and (3) one million dollars
446 for any licensee that engages in the business of issuing Connecticut
447 payment instruments with an average daily balance of outstanding
448 Connecticut payment instruments during the two previous reporting
449 quarters equal to or greater than five hundred thousand dollars or any
450 licensee that engages in the business of [receiving money for
451 transmitting the same] money transmission with an average weekly
452 amount of money or equivalent thereof transmitted during the two
453 previous reporting quarters of two hundred fifty thousand dollars or

454 greater. The proceeds of the bond, [shall constitute a trust fund for the
455 exclusive benefit of the purchasers and holders of Connecticut
456 instruments issued by such licensee] even if comingled with other
457 assets of the licensee, shall be deemed by operation of law to be held in
458 trust for the benefit of any claimants against the licensee to serve the
459 faithful performance of the obligations of the licensee with respect to
460 the receipt, handling, transmission or payment of money in connection
461 with the sale and issuance of payment instruments or transmission of
462 money in the event of the bankruptcy of the licensee, and shall be
463 immune from attachment by creditors or judgment holders.

464 (b) In lieu of all or part of the principal sum of such corporate surety
465 bonds, applicants for a license and licensees may invest such sum as
466 provided in this subsection. The book or market value, whichever is
467 lower, of such investments shall be equal to the amount of the bond
468 required by subsection (a) of this section less the amount of the bond
469 filed with the commissioner by the applicant or licensee. Such
470 investments may be:

471 (1) Deposits with such banks as such applicants or licensees may
472 designate and the commissioner may approve, and in accordance with
473 such regulations as the commissioner may adopt; or

474 (2) Interest-bearing bills, notes, bonds, debentures or other
475 obligations issued or guaranteed by (A) the United States or any of its
476 agencies or instrumentalities, or (B) any state, or any agency,
477 instrumentality, political subdivision, school district or legally
478 constituted authority of any state if such investment is of prime
479 quality.

480 (c) The investments provided for in subsection (b) of this section
481 shall secure the same obligation as would a corporate surety bond filed
482 under this section. As long as a licensee continues business in the
483 ordinary course, it shall be permitted to collect interest on such
484 investments and at any time to exchange, examine, and compare such
485 investments. The investments made pursuant to this section, [shall be

486 maintained in trust for the exclusive benefit of the purchasers and
487 holders of Connecticut instruments issued by such licensee] even if
488 comingled with other assets of the licensee, shall be deemed by
489 operation of law to be held in trust for the benefit of any claimants
490 against the licensee to serve the faithful performance of the obligations
491 of the licensee with respect to the receipt, handling, transmission or
492 payment of money in connection with the sale and issuance of
493 payment instruments or transmission of money in the event of the
494 bankruptcy of the licensee, and shall be immune from attachment by
495 creditors or judgment holders.

496 Sec. 10. Section 36a-603 of the general statutes is repealed and the
497 following is substituted in lieu thereof:

498 (a) Each licensee shall at all times maintain permissible investments
499 having a value, computed in accordance with generally accepted
500 accounting principles, at least equal to the aggregate amount of its
501 outstanding payment instruments.

502 (b) As used in subsection (a) of this section, "value" means the lower
503 of book or market value, except that with regard to debt obligations
504 which the licensee as a matter of policy retains until maturity, "value"
505 means the greater of book or market value unless the commissioner
506 orders that for some or all investments of a particular licensee, "value"
507 means the lower of book or market value.

508 (c) Permissible investments, even if comingled with other assets of
509 the licensee, shall be deemed by operation of law to be held in trust for
510 the benefit of any claimants against the licensee to serve the faithful
511 performance of the obligations of the licensee with respect to the
512 receipt, handling, transmission or payment of money in connection
513 with the sale and issuance of payment instruments or transmission of
514 money in the event of the bankruptcy of the licensee, and shall be
515 immune from attachment by creditors or judgment holders.

516 Sec. 11. Section 36a-604 of the general statutes is repealed and the

517 following is substituted in lieu thereof:

518 (a) Each licensee which issues Connecticut payment instruments
519 which are money orders shall at all times have a net worth of at least
520 one hundred thousand dollars.

521 (b) Each licensee which issues Connecticut payment instruments
522 which are travelers checks or electronic payment instruments shall at
523 all times have a net worth of at least one million dollars.

524 (c) Each licensee that engages in the business of [receiving money
525 for transmitting the same] money transmission shall at all times have a
526 net worth of at least five hundred thousand dollars.

527 Sec. 12. Section 36a-605 of the general statutes is repealed and the
528 following is substituted in lieu thereof:

529 [At least once each year, the commissioner shall visit each licensee
530 and examine its books, accounts, records, files and other papers to
531 ascertain whether it is in sound financial condition and whether its
532 business has been and is being carried on pursuant to law. In lieu of or
533 in addition to any examination required by this section, the
534 commissioner may require a licensee to file a report certified to by an
535 independent certified public accountant containing such information
536 and in such form as the commissioner may require.]

537 (a) In connection with the examination of a licensee under section
538 36a-17, the commissioner may also examine the agents and subagents
539 of such licensee. The commissioner, in lieu of conducting an
540 examination, may accept the report of examination of any other state
541 or federal supervisory agency or any organization affiliated with or
542 representing such supervisory agency with respect to the examination
543 or other supervision of any person subject to the provisions of sections
544 36a-595 to 36a-610, inclusive, as amended by this act, or a report
545 prepared by an independent accounting firm, and reports so accepted
546 are considered for purposes of sections 36a-595 to 36a-610, inclusive, as

547 amended by this act, as an official examination report of the
548 commissioner.

549 (b) The commissioner may enter into cooperative, coordinating and
550 information sharing agreements with any other state or federal
551 supervisory agency or any organization affiliated with or representing
552 such supervisory agency with respect to the examination, examination
553 fees or other supervision of any person subject to the provisions of
554 sections 36a-595 to 36a-610, inclusive, as amended by this act.

555 Sec. 13. Section 36a-606 of the general statutes is repealed and the
556 following is substituted in lieu thereof:

557 (a) On or before the thirtieth day of April each year, each licensee
558 shall file with the commissioner:

559 (1) Its most recently audited unconsolidated financial statement,
560 including its balance sheet and receipts and disbursements for the
561 preceding year, prepared by an independent certified public
562 accountant acceptable to the commissioner;

563 (2) A list of permissible investments, the book and market value of
564 such investments, and the dollar amount of the licensee's aggregate
565 outstanding payment instruments; and

566 (3) A list of investments maintained in accordance with subsection
567 (b) of section 36a-602, as amended by this act, if applicable, the book
568 and market values of such investments and the dollar amount of the
569 licensee's aggregate outstanding Connecticut payment instruments.

570 (b) The lists and other information filed as provided in subdivisions
571 (2) and (3) of subsection (a) of this section shall be as of the same date
572 as the financial statement filed in accordance with subdivision (1) of
573 subsection (a) of this section.

574 (c) The commissioner may require of any licensee such additional
575 reports, under oath, certified, or otherwise, concerning such licensee's

576 business in this state as the commissioner may consider necessary for
577 the enforcement of sections 36a-595 to 36a-610, inclusive, as amended
578 by this act.

579 Sec. 14. Section 36a-607 of the general statutes is repealed and the
580 following is substituted in lieu thereof:

581 A licensee may conduct its business at one or more locations within
582 this state as follows:

583 (1) The business may be conducted by the licensee or through or by
584 means of such agents and subagents as the licensee may periodically
585 designate or appoint.

586 (2) No license under sections 36a-595 to 36a-610, inclusive, as
587 amended by this act, shall be required of any agent or subagent of a
588 licensee.

589 (3) Each agent and subagent shall, from the moment of receipt, hold
590 the proceeds of a sale or delivery of a licensee's Connecticut payment
591 instruments in trust for the benefit of such licensee or of an agent of the
592 licensee on behalf of such licensee.

593 (4) A licensee shall be liable for the loss caused to any purchaser or
594 holder of the licensee's Connecticut payment instruments by the failure
595 of an agent or subagent of the licensee to forward to the licensee the
596 amount due from the proceeds of a sale or delivery of the licensee's
597 Connecticut payment instruments, or money received for transmission.

598 Sec. 15. Section 36a-608 of the general statutes is repealed and the
599 following is substituted in lieu thereof:

600 (a) The commissioner shall make such investigations and conduct
601 such hearings as the commissioner considers necessary to determine
602 whether any licensee or any other person has violated or is about to
603 violate any of the provisions of sections 36a-595 to 36a-610, inclusive,
604 as amended by this act, or whether any licensee has acted in such

605 manner as otherwise would justify the suspension or revocation of the
606 license. The provisions of section 36a-17 shall apply to such
607 investigation.

608 (b) The commissioner may suspend or revoke a license, in
609 accordance with section 36a-51, on any ground on which the
610 commissioner might refuse to issue an original license, for any [wilful]
611 violation of sections 36a-595 to 36a-610, inclusive, as amended by this
612 act, or of any regulation adopted under said sections, for
613 noncompliance with an order which the commissioner may issue
614 under said sections to a licensee, or for failure of the licensee to pay a
615 judgment ordered by any court within or outside this state within
616 thirty days after the judgment becomes final or within thirty days after
617 expiration or termination of a stay of execution of the judgment.

618 (c) Whenever it appears to the commissioner that any person has
619 violated, is violating or is about to violate any provision of sections
620 36a-595 to 36a-610, inclusive, as amended by this act, or any regulation
621 adopted under said sections, the commissioner may take action against
622 such person in accordance with section 36a-50.

623 (d) The commissioner may order a licensee to terminate its agency
624 relationship with any agent or subagent who refuses to allow an
625 examination of its books and records regarding the business of such
626 licensee as provided in section 36a-605, as amended by this act.

627 Sec. 16. Section 36a-609 of the general statutes is repealed and the
628 following is substituted in lieu thereof:

629 The provisions of sections 36a-595 to 36a-610, inclusive, as amended
630 by this act, shall not apply to:

631 (1) Except in its capacity as an agent of a licensee, any [bank the
632 insurable deposits in which are insured by the Federal Deposit
633 Insurance Corporation] federally insured bank, out-of-state bank,
634 Connecticut credit union, federal credit union or out-of-state credit

635 union, provided that such institution does not issue or sell Connecticut
636 payment instruments or transmit money through an agent or subagent
637 which is not a federally insured bank, out-of-state bank, Connecticut
638 credit union, federal credit union or out-of-state credit union;

639 (2) The United States Postal Service; and

640 [(3) The receipt of money by an incorporated telegraph or cable
641 company at any office or agency of such company for immediate
642 transmission by telegraph or cable.]

643 (3) A person whose activity is limited to the electronic funds transfer
644 of governmental benefits for a federal, state or governmental agency
645 by a contractor on behalf of the United States or a department, agency
646 or instrumentality thereof, or a state or governmental subdivision,
647 agency or instrumentality thereof.

648 Sec. 17. Section 36a-610 of the general statutes is repealed and the
649 following is substituted in lieu thereof:

650 The commissioner may adopt regulations in accordance with
651 chapter 54 which are necessary or appropriate for the [enforcement]
652 administration of sections 36a-595 to 36a-609, inclusive, as amended by
653 this act.

Statement of Purpose:

To update the statutory scheme governing the licensing and supervision of issuers of Connecticut payment instruments and money transmitters in order to take into account modern forms of money transmission.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]