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## **OLR Bill Analysis**

### **SB 1078**

#### ***AN ACT ENHANCING COMMUNITY BANK COMPETITIVENESS AND FRAUD PREVENTION ON CERTAIN PRODUCTS.***

#### **SUMMARY:**

This bill prohibits a “general-use prepaid card” from including an expiration date for the underlying funds redeemable through its use, but allows an expiration date for the general-use prepaid card if certain requirements are met.

A “general-use prepaid card” is a card, code, or other device issued to a consumer in exchange for payment, on a prepaid basis and in a specific amount, primarily for personal, family, or household purposes. It is redeemable when presented at multiple, unaffiliated merchants for goods or services, or usable at automated teller machines.

The bill also excludes general-use prepaid cards from the definition of “gift certificate.”

EFFECTIVE DATE: October 1, 2011

#### **EXPIRATION DATE REQUIREMENTS**

Under the bill, a general-use prepaid card can include an expiration date if it provides the following information:

1. that the underlying funds do not expire and a consumer can obtain a replacement general-use prepaid card from the issuer and
2. a toll-free telephone number and an Internet website address, if one is available, that a holder of a general-use prepaid card can use to replace it after it expires.

This information must be in writing, equally prominent, and in

close proximity to the expiration date on the general-use prepaid card. An issuer can satisfy this requirement by providing disclosures consistent with federal regulation (see BACKGROUND).

The bill prohibits a general-use prepaid card from including an expiration date if a fee or charge is imposed on the holder for replacing it or providing the holder with its remaining balance, so long as it has not been lost or stolen. It also requires the seller of the general-use prepaid card with an expiration date to have policies and procedures to provide consumers with a reasonable opportunity to purchase a general-use prepaid card with at least five years remaining until it expires.

## **BACKGROUND**

### ***Related Federal Law***

Federal regulations define and establish requirements for selling or issuing a general-use prepaid card with an expiration date (12 CFR 205.20). In general, they prohibit such sale or issuance unless:

1. there are policies or procedures to provide consumers with a reasonable opportunity to purchase a general-use prepaid card with at least five years remaining until its expiration date;
2. the expiration date for the underlying funds is at least the later of (a) the general-use prepaid card's expiration date or (b) five years after the date it was issued or the date on which funds were last added to it;
3. certain disclosures are made concerning the expiration date of the underlying funds and obtaining a replacement card; and
4. there is no fee or charge on the holder of the general-use prepaid card for replacing it or providing the holder with its remaining balance, unless it has been lost or stolen.

### ***Gift Certificate***

State law defines "gift certificate" as a record evidencing a promise, made for consideration, by the seller or issuer of the record that goods

or services will be provided to the owner of the record to the value shown in the record. It includes:

1. a prefunded record containing a microprocessor chip, magnetic strip, or other means to store information and for which an amount is deducted from the stored value upon each use;
2. a gift card or electronic gift card;
3. a stored-value card or certificate;
4. a store card; or
5. a similar record or card.

It does not include prepaid calling cards or prepaid commercial mobile radio services (CGS § 3-56a(5)).

**COMMITTEE ACTION**

Banks Committee

Joint Favorable

Yea 17 Nay 0 (03/15/2011)