
OLR Bill Analysis

sSB 911 (File 238, as amended by Senate "B")*

AN ACT CONCERNING MONEY TRANSMISSION, MORTGAGE SERVICERS AND CONSUMER COLLECTION AGENCIES.

SUMMARY:

This bill makes numerous changes to the Money Transmission Act and consumer collection agency statutes.

Among the changes to the Money Transmission Act, the bill:

1. expands licensing requirements;
2. alters bonding, investment, and net worth requirements for these businesses;
3. allows licensees to use authorized delegates, rather than agents, to conduct business;
4. changes the information applicants and licensees must provide to the banking commissioner; and
5. alters the exemptions from the act's provisions.

Among the changes to the consumer collection agency statutes, the bill:

1. subjects debt buyers to the same requirements as consumer collection agencies, with the exception of the bond requirements;
2. expands licensing requirements;
3. adds new fund management and recordkeeping requirements;
4. requires consumer collection agencies to determine a debtor's legal obligation to pay collection fees;

5. requires consumer collection agencies to advise debtors that their debt may be uncollectible due to a statute of limitations and provides the specific required disclosure language; and
6. exempts banks and certain of their subsidiaries and affiliates from the consumer collection agency statutes.

The bill also makes a clarifying change regarding exchange facilitators.

Lastly, the bill makes conforming and technical changes.

*Senate Amendment "B":

1. removes provisions in the underlying bill related to mortgage servicers;
2. makes changes to exemptions from money transmission licensing;
3. requires a money transmission licensee that is a wholly-owned subsidiary of a publicly traded company to annually provide the banking commissioner with the parent's most recent 10-K report filed with the federal Securities and Exchange Commission (SEC);
4. exempts banks and certain of their subsidiaries and affiliates from the consumer collection agency provisions;
5. exempts debt buyers from the \$25,000 bond requirement to obtain a consumer collection agency license;
6. extends licensing requirements to out-of-state debt buyers collecting on debt from consumers who reside in Connecticut;
7. provides the language and specifications of the required disclosure that a consumer collection agency must make in its initial communication with a debtor regarding the statute of limitations;

8. makes clarifying changes regarding exchange facilitators; and
9. makes minor and technical changes.

EFFECTIVE DATE: October 1, 2013

§§ 1-19 — THE MONEY TRANSMISSION ACT

Generally, the Money Transmission Act covers businesses, other than banks, that receive and transmit money. It requires these businesses to be licensed, imposes financial conditions on them, and subjects them to Banking Department oversight.

§§ 2 & 3 — *Covered Activities*

Current law requires a license for someone who is in the business of (1) issuing Connecticut payment instruments or (2) receiving money for transmission or transmitting it by any means, or issuing stored value. The bill eliminates the distinction between these two businesses and incorporates both under the term “money transmission” business. It extends the licensure requirement to anyone (1) issuing or selling payment instruments or stored value, including payment instruments that are checks or drafts, and (2) advertising or soliciting money transmission services.

The bill deems someone to be engaged in the money transmission business in Connecticut if the person:

1. has a place of business in Connecticut,
2. receives money or monetary value (a) in Connecticut or (b) from a person located in Connecticut,
3. transmits money or monetary value (a) from a location in Connecticut or (b) to a person located in Connecticut,
4. issues stored value or payment instruments that are sold in Connecticut, or
5. sells stored value or payment instruments in Connecticut.

As under current law, conducting business without a license is a class D felony, punishable by up to five years in prison, a fine of up to \$5,000, or both.

§§ 2 & 4 — Application Information

The bill changes the information license applicants must provide to the banking commissioner. As under current law, applicants must provide information on a number of topics, including (1) principal office location; (2) information, including past criminal convictions, on the applicant and any partners, directors, trustees, officers, shareholders with at least 10% of each class of securities, or members; and (3) material litigation in the last five years.

Instead of requiring the name and address of each branch, subsidiary, affiliate, or agent in the state engaged in the (1) business of selling or issuing Connecticut payment instruments or (2) money transmission business, the bill requires the name and address of each location and authorized delegate through which the licensee will engage in the money transmission business.

The bill also requires applicants to submit:

1. the name and address of any financial institution used for a money transmission business in the state and
2. a sample of the contract showing the proposed arrangement between the applicant and any authorized delegate.

The bill also changes the audits and financial statements that applicants must provide. Currently, they must provide an audited, unconsolidated financial statement, including a balance sheet, receipts, and disbursements for the preceding year prepared by an independent certified public accountant acceptable to the commissioner.

The bill instead requires:

1. the applicant's audited financial statement for the most recent fiscal year;

2. if the applicant is a wholly-owned subsidiary of a corporation, the (a) applicant's or parent corporation's most recent audited consolidated annual financial statements and (b) applicant's audited unconsolidated financial statement, including balance sheet, receipts, and disbursements for the preceding year;
3. if the applicant is a publicly traded entity, the applicant's most recent 10-K report filed with the SEC (an annual report on the company's performance);
4. if the applicant is a wholly-owned subsidiary of a publicly traded company, the parent company's most recent 10-K report filed with the SEC; and
5. if the applicant or parent of a wholly-owned subsidiary is publicly traded on a foreign exchange, documents similar to the 10-K report filed with the appropriate securities regulator.

Current law requires the applicant to state whether he or she will engage in issuing money orders, travelers checks, or electronic payment instruments or the money transmission business. The bill instead requires the applicant to describe the type of money transmission business he or she will conduct.

Outstanding Money Transmissions. Currently, applicants must provide the dollar amount of their outstanding payment instruments as of (1) the date of the financial statement they must file and (2) a date within 30 days of filing the application. The bill instead requires them to provide the dollar amount of any outstanding money transmissions.

It also alters when a payment instrument is considered "outstanding." Under current law, a money order, travelers check, electronic payment instrument, or stored value is considered "outstanding" if (1) it is sold or issued in the U.S.; (2) the licensee received a report of it from its agent (or authorized delegate under the bill); and (3) it has not yet been paid by the issuer. Under the bill, checks and drafts are considered outstanding under the same circumstances. The bill provides that, for other types of money

transmissions, “outstanding” means the value reported to the licensee for which the licensee or authorized delegate has received money or its equivalent from the customer for transmission, but has not completed the transmission by delivering the money or value to the person designated by the customer.

§ 4 — Notices to Commissioner

The bill requires an applicant seeking an initial or renewed license to give the commissioner notice of any change in information within 15 days of learning of it. Currently, changes must be reported promptly.

The law requires a licensee to provide written notice to the commissioner within one business day of having reason to know of certain convictions. Currently, this includes conviction of the licensee or a partner, director, trustee, principal officer, member, or shareholder owning at least 10% of each class of the licensee’s securities of a (1) misdemeanor involving money transmission or issuing Connecticut payment instruments or (2) felony. The bill also requires notice of indictments for these crimes.

Currently, an applicant must notify the commissioner of an agent’s felony conviction. The bill instead applies this notice requirement to crimes by authorized delegates and expands it to include a delegate’s (1) conviction of a misdemeanor involving money transmission and (2) indictment for one of these misdemeanors or a felony.

§ 5 — Nonrefundable Fees

The bill makes the initial license and license renewal fees nonrefundable. Current law requires the commissioner to refund the fee when an original license is denied, the commissioner refuses to renew a license, or an application is withdrawn before issuance or renewal. The license fee is \$2,250, except it is \$1,250 if paid more than a year before a license’s expiration. As under current law, applicants pay a nonrefundable \$625 investigation fee.

§ 5 — Surrendering Licenses

Currently, within 15 days of ceasing business in the state, a licensee

must surrender its license to the commissioner in person or by registered or certified mail. The bill instead requires written notice of surrender to the commissioner and no longer specifies how the licensee must surrender the license.

The bill requires the notice to (1) identify the location where the licensee's records will be stored and (2) provide the name, address, and phone number of an individual authorized to give access to the records. The bill specifies that surrendering the license does not reduce or eliminate the licensee's civil or criminal liability for acts or omissions before the surrender, including administrative actions by the commissioner to (1) revoke or suspend a license, (2) assess a civil penalty, (3) order restitution, or (4) exercise other authority.

§ 6 — *Application Approval*

Currently, the commissioner must conditionally approve a license application after making certain findings and give the applicant 30 days, which the commissioner can extend for cause, to meet the law's bonding or investment requirements and achieve final approval for a license. The bill eliminates the conditional approval process and requires an applicant to meet all of these requirements before the commissioner can issue a license.

§ 6 — *Application Denial for Specially Designated Nationals*

The bill allows the commissioner to deny an application if the applicant or any of its partners, directors, trustees, principal officers, major shareholders (at least 10% owners), or members is listed on the specially designated nationals and blocked persons list prepared by the U.S. Treasury Department (see BACKGROUND).

§ 7 — *License Suspension for Unpaid Fee*

The bill requires the commissioner to automatically suspend an issued but not yet effective license renewal if the required investigation or license fee is paid by ACH (automated clearing house, an electronic network for financial transactions) and returned. The law already requires this suspension when a fee is paid by a dishonored check.

§ 8 — Bond Requirements

The bill changes bonding requirements for licensees. As under current law, the bond must be in favor of the commissioner. Under the bill, the bond runs concurrently with the license instead of being in force for the license period and two years after the license is surrendered, revoked, suspended, or expires.

The bill specifies that the bond is conditioned on the licensee's and its authorized delegates' (1) faithful performance of their obligations related to the money transmission business in the state and (2) conducting business in the state consistent with the laws.

The bill alters the bond requirements, as shown in Table 1.

Table 1: Bond Requirements for Licenses Under Current Law and the Bill

Amount of Bond	When Required Under Current Law	When Required Under the Bill
\$300,000	Licensee has: <ul style="list-style-type: none"> • average daily balance of outstanding Connecticut payment instruments during the two previous reporting quarters of up to \$300,000 or • average weekly amount of money or monetary value received or transmitted (the greater of them) during the two previous reporting quarters of up to \$150,000 	For last year ending June 30, licensee has under \$300,000 average weekly amount of: <ul style="list-style-type: none"> • money received or transmitted in the state and • stored value and payment instruments issued or sold in the state
\$500,000	Licensee has: <ul style="list-style-type: none"> • average daily balance of outstanding Connecticut payment instruments during the two previous reporting quarters of more than \$300,000 but less than \$500,000 or • average weekly amount of money or monetary value received or transmitted (the greater of them) during the two previous reporting quarters of more than \$150,000 but less than \$250,000 	For last year ending June 30, licensee has between \$300,000 and \$500,000 average weekly amount of: <ul style="list-style-type: none"> • money received or transmitted in the state and • stored value and payment instruments issued or sold in the state
\$1 million	Licensee has: <ul style="list-style-type: none"> • average daily balance of outstanding Connecticut payment instruments during the two previous reporting quarters of \$500,000 or more or • average weekly amount of money 	For last year ending June 30, licensee has over \$500,000 average weekly amount of: <ul style="list-style-type: none"> • money received or transmitted in the state and • stored value and payment instruments issued or sold in the state

	or monetary value received or transmitted (the greater of them) during the two previous reporting quarters of \$250,000 or more	
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The law deems the licensee's bond proceeds held in trust for the benefit of claimants against the licensee's faithful performance of its obligations. The bill alters the scope of the licensee's obligations to match the bill's expansion of the money transmission business and also makes the bond subject to an authorized delegate's obligations. (The bill also makes these changes regarding the investments a licensee may make in place of some or all of the bond requirement.)

The law allows the commissioner to proceed on the bond against the principal, surety, or both, to collect a civil penalty in Banking Department enforcement proceedings. The bill allows (1) the commissioner to collect restitution and unpaid costs of examining the licensee on the bond and (2) a person who may be damaged by the licensee's or authorized delegate's failure to perform their obligations in Connecticut to proceed against the bond to recover damages. The bill limits claims on the bond to those made within two years of the act, error, or omission that allegedly caused or resulted in damage.

The bill eliminates the commissioner's authority to lower the amount required on a bond based on a licensee's level of business and outstanding Connecticut payment instruments after a license is surrendered, revoked, suspended, or expires.

The bill:

1. allows the commissioner to require a new bond when there is an action on a bond;
2. requires a licensee to file a new bond immediately when there is a recovery on a bond; and
3. allows the commissioner to require additional bonds if the licensee's financial condition requires it, based on (a) a reduction of tangible net worth, (b) financial losses, or (c) potential losses due to statutory violations (the licensee must file such bonds

within 10 days of receiving written notice from the commissioner requiring them).

§ 9 — Investments

Current law requires a licensee to maintain permissible investments with a value, using generally accepted accounting principles, of at least the aggregate amount of its outstanding Connecticut payment instruments and stored value. The bill instead requires the investment to at least equal all outstanding money transmissions in the state. The bill specifies that the value of receivables due from authorized delegates' proceeds from selling payment instruments that are not past due or doubtful of collection cannot exceed 30% of the permissible investments. It prohibits receivables due from one person from exceeding 10% of the permissible investments.

Under current law, these investments are held in trust for the licensee's faithful performance of his or her obligations. The bill alters the scope of the licensee's obligations to match the bill's definition of the money transmission business and also makes the investments subject to an authorized delegate's obligations.

§ 10 — Net Worth Requirements

The bill changes the different net worth requirements set in current law for licensees. It (1) subjects those who sell payment instruments to the net worth requirements and (2) requires that calculations be based on tangible assets, which excludes intangible assets such as intellectual property rights.

Currently, licensees issuing Connecticut money orders must maintain a minimum \$100,000 net worth. The bill also applies this requirement to licensees issuing or selling checks or drafts.

Currently, a licensee who issues stored value must maintain a minimum \$500,000 net worth. The bill increases the net worth requirement to \$1 million and retains the commissioner's authority to require a higher amount under generally accepted accounting principles.

The bill requires licensees that issue or sell other forms of money transmission to have a net worth of \$500,000, the requirement under current law for those issuing them.

§ 12 — Annual Information From Licensees

The bill changes the information that licensees must provide to the commissioner each year.

Currently, they must provide the most recently audited unconsolidated financial statement, including balance sheets, receipts, and disbursements for the preceding year, prepared by an independent certified public accountant acceptable to the commissioner. Instead, the bill requires:

1. the licensee's audited financial statement for the most recent fiscal year;
2. if the licensee is a wholly-owned subsidiary of a corporation, the (a) parent corporation's or licensee's most recently audited consolidated annual financial statements and (b) licensee's most recently audited unconsolidated financial statement, including balance sheets, receipts, and disbursements for the preceding year;
3. if the licensee is a publicly traded entity, the licensee's most recent 10-K report filed with the SEC;
4. if the licensee is a wholly-owned subsidiary of a publicly traded company, the parent company's most recent 10-K report filed with the SEC; and
5. if the licensee or parent of a wholly-owned subsidiary is publicly traded on a foreign exchange, documents similar to the 10-K report filed with the appropriate securities regulator.

The bill also makes conforming changes to reflect the bill's changes to the definition of the money transmission business.

§ 13 — Compliance with Federal Reporting Law

The law requires licensees to comply with the federal Currency and Foreign Transactions Reporting Act (which requires reporting to combat money laundering and other criminal activities) and any regulations under it. The bill requires a licensee, at the commissioner's request, to provide proof of compliance with the federal law. The bill makes a violation of the federal law or its regulations also a violation of the Money Transmission Act and a basis for an enforcement action by the commissioner.

§§ 2, 3, 11, 14-15, & 19 — Authorized Delegates

Instead of allowing licensees to conduct business through agents, the bill allows them to do so through authorized delegates. The bill defines an authorized delegate as a person designated by a licensee to provide money transmission services on the licensee's behalf. It requires delegates to work only with licensed entities. It prohibits them from working with an entity exempt from licensing, which current law allows for an agent.

The bill requires licensees to notify the commissioner of all their authorized delegates. Under current law, agents cannot engage in business for a licensee through subagents. The bill only allows authorized delegates to engage in business through other authorized delegates of the same licensee. Currently, the licensee and agent must notify the commissioner in writing if they terminate their contract. The bill requires only the licensee to provide this notice if a licensee-authorized delegate contract is terminated.

The bill applies many of the rules that currently apply to agents to authorized delegates, including that:

1. they do not need a license, but must have a contract with a licensee and provide services only within the contract's scope;
2. they hold proceeds in trust for licensees and must remit money under the contract's terms;
3. licensees are liable for any loss to a purchaser or holder of a payment instrument or stored value sold in Connecticut due to

- an authorized delegate's failure to forward the amount due;
4. their contracts are ineffective when a licensee's license is suspended;
 5. licensees must provide delegates with policies and procedures to ensure compliance with the law;
 6. the commissioner can examine them; and
 7. the commissioner can terminate the relationship between the delegate and licensee.

Under current law, one of the reasons for which the commissioner can order a licensee to terminate its relationship with an agent is the agent's refusal to allow an examination of its books and records. The bill instead applies this to authorized delegates when the delegate fails to cooperate with an examination or investigation by the commissioner. It also allows the commissioner to terminate the relationship when an authorized delegate is convicted of an act involving fraud or dishonesty.

Notice of Changes. The bill requires a licensee to notify the commissioner in writing within 15 days of any change in the licensee's list of authorized delegates or locations where the licensee or its authorized delegates engage in the money transmission business in Connecticut. The notice must state the name of each delegate and its location.

§§ 15 & 18 — Records Requirements

The bill requires licensees to maintain and prepare records that enable the commissioner to determine whether the licensee and its authorized delegates are complying with the law. The records must be at the office named in the license. At the commissioner's request, the licensee must make the records available at that office or send them to the commissioner within five business days by (1) registered or certified mail, return receipt requested or (2) express delivery carrier that provides a dated delivery receipt. The commissioner can grant

additional time on request.

The bill requires licensees to maintain for at least five years:

1. a record of each payment instrument or stored value obligation sold in Connecticut;
2. a general ledger posted at least monthly with all asset, liability, capital, income, and expense accounts;
3. bank statements and reconciliation records;
4. records of outstanding money transmissions in Connecticut;
5. records of each payment instrument and stored value obligation paid in the last five years;
6. the last known names and addresses of all authorized delegates; and
7. other records the commissioner requires.

As with other violations of the Money Transmission Act, the bill makes violations of these provisions grounds to suspend, refuse to renew, or revoke a license.

§ 16 — Exclusions From Act's Provisions

Under current law, the Money Transmission Act's provisions generally do not apply to federally insured federal banks, out-of-state banks, federal credit unions, and out-of-state credit unions unless they act through an agent that is not (1) one of these entities, (2) a Connecticut bank, or (3) a Connecticut credit union.

The bill instead exempts these entities unless they act through someone who is not (1) any federally insured bank or any credit union, (2) licensed under the Money Transmission Act or one of their authorized delegates, or (3) exempt from licensure.

Under current law, Connecticut banks and credit unions are generally exempt from the act. The bill exempts them under the same

conditions as the other entities listed above.

The law also generally exempts the U.S. Postal Service from the Money Transmission Act's provisions. The bill exempts contractors who engage in the business of money transmission in Connecticut on the service's behalf.

As under current law, entities are exempt if their only activity is electronic funds transfers of government benefits for or on behalf of a federal, state, other government, or quasi-governmental agency or government-sponsored enterprise.

While current law exempts these entities from most of the act's provisions, it requires them to follow provisions on agents, including (1) authorizing them to conduct business through agents, (2) making them liable for losses, (3) establishing agents' duties to hold and remit money, and (4) contract requirements. The bill provides that exempt entities are not required to follow these provisions as applied to authorized delegates under the bill.

§ 17 — Regulations

The bill extends the commissioner's authority to adopt regulations to cover new provisions added by the bill.

§§ 22-27 — CONSUMER COLLECTION AGENCIES

§ 22 — Definition

The bill brings debt buyers under the jurisdiction of the consumer collection agency statutes by amending the definition of "consumer collection agency" to include any person who buys debt that is delinquent or in default and then engages in the business of collecting on such debt. Under current law, a consumer collection agency is generally any person engaged in the business of collecting or receiving (1) payment for others of any account, bill, or other indebtedness from a consumer or (2) payment for property tax from a property tax debtor on behalf of a municipality.

Under current law, a consumer collection agency does not include:

1. an individual employed by a licensed consumer collection agency or license-exempt creditor, when attempting to collect on the consumer collection agency's behalf;
2. persons not primarily engaged in the collection of consumer debts that receive funds in escrow for subsequent distribution to others, such as real estate brokers and lenders holding funds of borrowers for payment of taxes or insurance;
3. any public officer or a person acting under the order of any court,
4. any member of the Connecticut bar; and
5. persons who service current or delinquent loans or accounts for debt owners when the arrangement includes providing other services such as receipt of payment, accounting, record-keeping, data processing services, and remitting.

The bill also excludes (1) Connecticut and out-of-state banks, (2) subsidiaries or affiliates of such banks that are not primarily engaged in the business of purchasing and collecting delinquent debt, and (3) persons engaged in the business of collecting or receiving payment for debt secured by real property.

§ 23 — *Licensure Requirements*

By law, a person acting as a consumer collection agency in Connecticut must obtain a license from the Banking Department. The bill requires a person to obtain a license for both the main office and each branch office where such business is conducted.

Current law allows the commissioner to issue a license if (1) he is satisfied that the applicant is properly qualified and trustworthy in all respects and (2) granting the license is not against the public interest. The bill instead allows the commissioner to issue a license only if:

1. applicants, partners, members, officers, directors, and principal employees (i.e., related persons) demonstrate financial

responsibility, character, reputation, integrity, and general fitness to warrant the belief that the applicant will operate soundly, efficiently, in the public interest, and consistent with the law's purposes and

2. the applicant is financially solvent (e.g., not involved in bankruptcy or receivership proceedings).

The bill requires the commissioner to deny a license if he fails to make such findings and requires him to notify an applicant of the reasons for such a denial.

The bill requires consumer collection agencies that are located out-of-state who collect on their own debt from consumers who reside in Connecticut to obtain a license. Under current law, out-of-state collection agencies are required to obtain a license only if they are collecting debt on behalf of a third party in-state creditor from consumers who reside in Connecticut.

The bill also makes a conforming change.

§ 24 — *Records Retention*

The bill requires each consumer collection agency to maintain its consumer debtor and creditor records for at least two years after (1) the final entry date or (2) if the agency collects child support, the last payment date.

The records must clearly identify all consumer debtors' payment amounts and dates and remittances made to creditors. Agencies collecting child support must also keep originals or copies of the agreements they entered into with creditors owed the child support. These records must follow generally accepted accounting practices and be made available to the Banking Commissioner.

The bill also requires each third party consumer collection agency to deposit funds it collects on behalf of others in one or more trust accounts in a Connecticut financial institution (e.g., bank or credit union). The accounts must be reconciled monthly and cannot be

comingled with the agency's funds or used by the agency to conduct business. The bill specifies that these accounts may be used only to: (1) deposit funds received from consumer debtors (using generally accepted accounting practices), (2) pay these funds to creditors, (3) refund overpayments to consumer debtors, and (4) pay consumer collection agency fees monthly. The bill requires any withdrawal from the account, other than for these specified reasons, to be reimbursed by the consumer collection agency within 30 days after the withdrawal.

§ 26 — Prohibited Practices

The bill removes the current prohibition on consumer collection agencies from (1) purchasing claims for the purpose of collection or filing a lawsuit and (2) comingling money collected for a creditor, claimant, or forwarder with their own funds or using the money to conduct business.

The law prohibits a consumer collection agency from charging a consumer a fee when collecting a debt, unless the consumer is legally liable for the fee. In this case, the fee cannot exceed 15% of the total amount collected and accepted as full payment of the debt. The bill requires the agency to obtain from the creditor a copy of any contract or agreement between the consumer and creditor to determine if the consumer is legally liable for the fee. It also allows the agency to charge the consumer a fee for court costs, which is not subject to the 15% limit.

The bill prohibits a consumer collection agency from failing to inform a consumer in its initial communication that it is collecting a debt that is beyond the statute of limitation. Specifically, the agency must provide the applicable disclosure below in at least ten-point font.

1. If the debt is not past the time limit under federal law (see BACKGROUND):

“The law limits how long you can be sued on a debt. Because of the age of your debt, (INSERT OWNER NAME) will not sue you for it. If you do not pay the debt, (INSERT OWNER NAME) may report or

continue to report it to the credit reporting agencies as unpaid.”

2. If the debt is past the time limit under federal law:

“The law limits how long you can be sued on a debt. Because of the age of your debt, (INSERT OWNER NAME) will not sue you for it and (INSERT OWNER NAME) will not report it to any credit reporting agencies.”

§§ 25 & 27 — Enforcement

The bill requires each consumer collection agency to comply with the federal Fair Debt Collection Practices Act. It allows the banking commissioner to take certain enforcement actions against an agency that fails to do so, including license suspension, revocation, and non-renewal.

The bill also allows the commissioner to issue a cease and desist order to a consumer collection agency he believes is engaging in unfair or deceptive practices. The law already allows him to impose a civil penalty for such a violation.

§ 28 — EXCHANGE FACILITATORS

sHB 6339, which has passed both chambers, requires an exchange facilitator to, at all times, (1) maintain a minimum \$250,000 errors and omissions insurance policy executed by a Connecticut authorized insurer, (2) deposit an unspecified amount of cash or securities, or (3) provide at least \$250,000 in irrevocable letters of credit. The bill specifies that the deposit of cash or securities must also be \$250,000.

BACKGROUND

Specially Designated Nationals

The Treasury Department’s Office of Foreign Assets Control publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers. Collectively, such individuals and companies are called “specially designated nationals.” Their assets are blocked and U.S. persons are

generally prohibited from dealing with them.

Information Excluded from Consumer Reports

The federal Fair Credit Reporting Act prohibits a consumer reporting agency from reporting accounts that have been (1) charged off (i.e., the original creditor deems it uncollectable); (2) placed for collection; (3) or subject to similar action (e.g., delinquent debts) that are more than seven years old, unless it involves a credit transaction of \$150,000 or more. The seven-year period starts 180 days from the date of the original delinquency (15 USC § 1681c(i)).

Related Bills

sHB 6173 (File 282), reported favorably by the Banks Committee, expands the definition of “creditor” to include “debt buyers,” making them subject to the statutory requirements applicable to creditors.

COMMITTEE ACTION

Banks Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/15/2013)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 50 Nay 0 (05/14/2013)