

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001**

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**SENATE BILL 890
Judiciary II Committee Substitute Adopted 5/16/01
Finance Committee Substitute Adopted 7/30/01
House Committee Substitute Favorable 8/23/01
House Committee Substitute #2 Favorable 9/10/01
Sixth Edition Engrossed 10/1/01**

Short Title: Money Transmitters Act. (Public)

Sponsors:

Referred to:

April 5, 2001

1 A BILL TO BE ENTITLED
2 AN ACT TO REVISE THE NORTH CAROLINA MONEY TRANSMITTERS ACT,
3 ARTICLE 16 OF CHAPTER 53 OF THE GENERAL STATUTES.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. Article 16 of Chapter 53 of the General Statutes, G.S. 53-192
6 through G.S. 53-208, is hereby repealed.

7 SECTION 2. Chapter 53 of the General Statutes is amended by adding a
8 new Article to read:

9 "Article 16A.
10 "Money Transmitters Act.

11 **"§ 53-208.1. Citation of Article.**

12 This Article shall be known and cited as the 'Money Transmitters Act'.

13 **"§ 53-208.2. Definitions.**

14 (a) Unless otherwise provided in this Article, or when the context clearly
15 indicates that a different meaning is intended, the following definitions apply in this
16 Article:

- 17 (1) Applicant. – A person filing an application for a license under this
18 Article.
- 19 (2) Authorized delegate. – An entity designated by the licensee under the
20 provisions of this Article to sell or issue payment instruments or stored
21 value or engage in the business of transmitting money on behalf of a
22 licensee.
- 23 (3) Commissioner. – The Commissioner of Banks of the State of North
24 Carolina.

- 1 (4) Control. – Ownership of, or the power to vote, ten percent (10%) or
2 more of the outstanding voting securities of a licensee or controlling
3 person. For purposes of determining the percentage of a licensee
4 controlled by any person, there shall be aggregated with the person's
5 interest the interest of any other person controlled by the person or by
6 any spouse, parent, or child of the person.
- 7 (5) Controlling person. – Any person in control of a licensee.
- 8 (6) Electronic instrument. – A card or other tangible object for the
9 transmission or payment of money or monetary value which contains a
10 microprocessor chip, magnetic strip, or other means for the storage of
11 information that is prefunded and for which the value is decremented
12 upon each use. The term does not include a card or other tangible
13 object that is redeemable by the issuer in goods or services.
- 14 (7) Executive officer. – The licensee's president, chair of the executive
15 committee, senior officer responsible for the licensee's business, chief
16 financial officer, and any other person who performs similar functions.
- 17 (8) Key shareholder. – Any person, or group of persons acting in concert,
18 who is the owner of ten percent (10%) or more of any voting class of
19 an applicant's stock.
- 20 (9) Licensee. – A person licensed under this Article.
- 21 (10) Material litigation. – Any litigation that, according to generally
22 accepted accounting principles, is deemed significant to an applicant's
23 or licensee's financial health and would be required to be referenced in
24 that entity's annual audited financial statements, report to shareholders,
25 or similar documents.
- 26 (11) Monetary value. – A medium of exchange, whether or not redeemable
27 in money.
- 28 (12) Monetary transmission. – The term means either of the following:
29 a. The sale or issuance of payment instruments or stored value.
30 b. The act of engaging in the business of receiving money or
31 monetary value for transmission within the United States or to
32 locations abroad by any and all means, including payment
33 instrument, wire, facsimile, or electronic transfer.
- 34 (13) Payment instrument. – Any electronic or written check, draft, money
35 order, traveler's check, or other electronic or written instrument or
36 order for the transmission or payment of money or monetary value,
37 whether or not the instrument is negotiable. The term does not include
38 a credit card voucher, letter of credit, or any other instrument that is
39 redeemable by the issuer in goods or services.
- 40 (14) Outstanding payment instrument. – Any payment instrument issued by
41 the licensee which has been sold in the United States directly by the
42 licensee or any payment instrument issued by the licensee which has

1 been sold by an authorized delegate of the licensee in the United
2 States, which has been reported to the licensee as having been sold and
3 which has not yet been paid by or for the licensee.

4 (15) Person. – Any individual, partnership, association, joint-stock
5 association, trust, or corporation.

6 (16) Remit. – To do one or more of the following:

7 a. Make direct payment of the funds to the licensee or its
8 representatives authorized to receive those funds.

9 b. Deposit the funds in a bank, credit union, or savings and loan
10 association or other similar financial institution in an account
11 specified by the licensee.

12 (17) Permissible investments. – One or more of the following:

13 a. Cash.

14 b. Certificates of deposit or other debt obligations of a financial
15 institution, either domestic or foreign.

16 c. Bills of exchange or time drafts drawn on and accepted by a
17 commercial bank, otherwise known as bankers' acceptances,
18 which are eligible for purchase by member banks of the Federal
19 Reserve System.

20 d. Any investment bearing a rating of one of the three highest
21 grades as defined by a nationally recognized organization that
22 rates securities.

23 e. Investment securities that are obligations of the United States,
24 its agencies, or instrumentalities or obligations that are
25 guaranteed fully as to principal and interest of the United States
26 or any obligations of any state, municipality, or any political
27 subdivision thereof.

28 f. Shares in a money market mutual fund, interest-bearing bills or
29 notes or bonds, debentures, or preferred stock traded on any
30 national securities exchange or on a national over-the-counter
31 market, or mutual funds primarily composed of such securities
32 or a fund composed of one or more permissible investments as
33 set forth herein.

34 g. Any demand borrowing agreement or agreements made to a
35 corporation or a subsidiary of a corporation whose capital stock
36 is listed on a national exchange.

37 h. Receivables due to a licensee from its authorized delegates
38 pursuant to a contract described in G.S. 53-208.19, which are
39 not past due or doubtful of collection.

40 i. Any other investments or security device approved by the
41 Commissioner.

1 (18) Stored value. – Monetary value that is evidenced by an electronic
2 record.

3 **"§ 53-208.3. License required.**

4 (a) On or after October 1, 2001, no person except those exempt pursuant to G.S.
5 53-208.4 shall engage in the business of money transmission in this State without a
6 license as provided in this Article.

7 (b) A licensee may conduct its business in this State at one or more locations,
8 directly or indirectly owned, or through one or more authorized delegates, or both,
9 pursuant to the single license granted to the licensee.

10 (c) For the purposes of this Article, a person is considered to be engaged in the
11 business of money transmission in this State if that person makes available, from a
12 location inside or outside of this State, an Internet website North Carolina citizens may
13 access in order to enter into those transactions by electronic means.

14 **"§ 53-208.4. Exemptions.**

15 (a) This Article shall not apply to any of the following:

16 (1) The United States or any department, agency, or instrumentality
17 thereof.

18 (2) The United States Postal Service.

19 (3) The State or any political subdivisions thereof.

20 (4) Banks, credit unions, savings and loan associations, savings banks, or
21 mutual banks organized under the laws of any state or the United
22 States.

23 (5) A person registered as a securities broker-dealer under federal or state
24 securities laws to the extent of its operation as a broker-dealer.

25 (6) The provision of electronic transfer of government benefits for any
26 federal, state, or county governmental agency as defined in Federal
27 Reserve Board Regulation E, by a contractor for and on behalf of the
28 United States or any department, agency, or instrumentality thereof, or
29 any state or any political subdivisions thereof.

30 (b) Authorized delegates of a licensee, acting within the scope of authority
31 conferred by a written contract as described in G.S. 53-208.19 shall not be required to
32 obtain a license pursuant to this Article.

33 **"§ 53-208.5. License qualifications.**

34 (a) Each licensee shall have at all times a net worth of not less than one hundred
35 thousand dollars (\$100,000) calculated in accordance with generally accepted
36 accounting principles. Licensees engaging in money transmission at more than one
37 location or through authorized delegates shall have an additional net worth of ten
38 thousand dollars (\$10,000) per location in this State, as applicable, to a maximum of
39 five hundred thousand dollars (\$500,000). Licensees with neither locations nor
40 authorized delegates in this State shall have an additional net worth as established by the
41 Commissioner in an amount not to exceed a maximum of five hundred thousand dollars
42 (\$500,000).

1 **(b) Every corporate applicant, at the time of filing of an application for license**
2 **under this Article and at all times after a license is issued, shall be in good standing in**
3 **the state of its incorporation and, if required by the North Carolina Business**
4 **Corporations Act, Chapter 55 of the General Statutes, shall be registered or qualified to**
5 **do business in this State. All noncorporate applicants shall, at the time of the filing of an**
6 **application for a license under this Article and at all times after a license is issued, be**
7 **registered or qualified to do business in the State as required by law.**

8 **"§ 53-208.6. Permissible investments and statutory trust.**

9 **(a) Each licensee under this Article shall possess at all times unencumbered**
10 **permissible investments having an aggregate market value, calculated in accordance**
11 **with generally accepted accounting principles, of not less than the aggregate face**
12 **amount of all outstanding payment instruments and stored value obligations issued or**
13 **sold. This requirement may be waived by the Commissioner if the dollar volume of a**
14 **licensee's outstanding payment instruments and stored value do not exceed the bond or**
15 **other security devices posted by the licensee pursuant to G.S. 53-208.8.**

16 **(b) Permissible investments, even if commingled with other assets of the**
17 **licensee, shall be deemed by operation of law to be held in trust for the benefit of the**
18 **purchasers and holders of the licensee's outstanding payment instruments and stored**
19 **value obligations in the event of the bankruptcy of the licensee.**

20 **"§ 53-208.7. License application.**

21 **(a) Each application for a license under this Article shall be made in writing,**
22 **under oath, and in a form prescribed by the Commissioner. For all applicants, each**
23 **application shall contain:**

- 24 **(1) The exact name of the applicant, the applicant's principal address, any**
25 **assumed or trade name used by the applicant in the conduct of its**
26 **business, and the location of the applicant's business records.**
- 27 **(2) The history of the applicant's material civil litigation for a 10-year**
28 **period prior to the date of the application and a record of any criminal**
29 **convictions.**
- 30 **(3) A description of the activities conducted by the applicant and a history**
31 **of operations.**
- 32 **(4) A description of the business activities in which the applicant seeks to**
33 **be engaged in the State.**
- 34 **(5) A list identifying the applicant's proposed authorized delegates in the**
35 **State, if any, at the time of the filing of the license application.**
- 36 **(6) A sample authorized delegate contract, if applicable.**
- 37 **(7) A sample form of payment instrument, if applicable, which bears the**
38 **name and address or telephone number of the issuer clearly printed on**
39 **the payment instrument.**
- 40 **(8) The location or locations at which the applicant and its authorized**
41 **delegates, if any, propose to conduct the licensed activities in the State.**

- 1 (9) The name and address of the clearing bank or banks on which the
2 applicant's payment instruments will be drawn or through which the
3 payment instruments will be payable.
- 4 (b) If the applicant is a corporation, the applicant shall also provide:
- 5 (1) The date of the applicant's incorporation and state of incorporation.
6 (2) A certificate of good standing from the state in which the applicant
7 was incorporated.
8 (3) A certificate of authority from the Secretary of State to conduct
9 business in this State, if required by the North Carolina Business
10 Corporations Act, Chapter 55 of the General Statutes.
11 (4) A description of the corporate structure of the applicant, including the
12 identity of any parent or subsidiary of the applicant and the disclosure
13 of whether any parent or subsidiary is publicly traded on any stock
14 exchange.
15 (5) The name, business and residence address, and employment history for
16 the past five years of the applicant's executive officers and the officers
17 or managers who will be in charge of the applicant's activities to be
18 licensed pursuant to this Article.
19 (6) The name, business and residence address, and employment history for
20 the period five years prior to the date of the application of any key
21 shareholder of the applicant.
22 (7) The history of material civil litigation for a 10-year period prior to the
23 date of the application and a record of any criminal conviction for
24 every executive officer or key shareholder.
25 (8) A copy of the applicant's most recent audited financial statement,
26 including the balance sheet, statement of income or loss, statement of
27 changes in shareholder equity, and statement of changes in financial
28 position and, if available, the applicant's audited financial statements
29 for the immediately preceding two-year period. However, if the
30 applicant is a wholly owned subsidiary of another corporation, the
31 applicant may submit either the parent corporation's consolidated
32 audited financial statements for the current year and for the
33 immediately preceding two-year period or the parent corporation's
34 Form 10K reports filed with the United States Securities and Exchange
35 Commission for the prior three years in lieu of the applicant's financial
36 statements. If the applicant is a wholly owned subsidiary of a
37 corporation having its principal place of business outside the United
38 States, similar documentation filed with the parent corporation's non-
39 United States regulator may be submitted to satisfy this provision.
40 (9) Copies of all filings, if any, made by the applicant with the United
41 States Securities and Exchange Commission, or with a similar

1 regulator in a country other than the United States, within the year
2 preceding the date of filing of the application.

3 (c) If the applicant is not a corporation, the applicant shall also provide:

4 (1) The name, business and residence address, personal financial
5 statement, and employment history, for the past five years, of each
6 principal of the applicant and the name, business and residence
7 address, and employment history for the past five years of any other
8 person or persons who will be in charge of the applicant's activities to
9 be licensed pursuant to this Article.

10 (2) The place and date of the applicant's registration or qualification to do
11 business in this State.

12 (3) The history of material civil litigation for a 10-year period prior to the
13 date of the application and a record of any criminal conviction for each
14 individual having an ownership interest in the applicant and each
15 individual who exercises supervisory responsibility with respect to the
16 applicant's activities.

17 (4) Copies of the applicant's audited financial statements, including the
18 balance sheet, statement of income or loss, and statement of changes in
19 financial position, for the current year and, if available, for the
20 immediately preceding two-year period.

21 The Commissioner is authorized, for good cause shown, to waive any requirements
22 of this section with respect to any license application or to permit a license applicant to
23 submit substituted information in its license application in lieu of the information
24 required by this section.

25 **"§ 53-208.8. Surety bond.**

26 (a) Each application shall be accompanied by a surety bond acceptable to the
27 Commissioner in the amount of one hundred fifty thousand dollars (\$150,000). If the
28 applicant proposes to engage in business under this Article at more than one location,
29 through authorized delegates or otherwise, then the amount of the security bond will be
30 increased by five thousand dollars (\$5,000) per location, up to a maximum of two
31 hundred fifty thousand dollars (\$250,000). In the case of an applicant which engages in
32 business under this Article, but has no locations or authorized delegates in this State, the
33 amount of the security bond may be increased at the Commissioner's discretion to a
34 maximum of two hundred fifty thousand dollars (\$250,000). The surety bond shall be in
35 a form satisfactory to the Commissioner and shall run to the State for the benefit of any
36 claimants against the licensee to secure the faithful performance of the obligations of
37 the licensee with respect to the receipt, handling, transmission, and payment of money
38 or monetary value in connection with the sale and issuance of payment instruments,
39 stored value, or transmission of money. The aggregate liability of the surety in no event
40 shall exceed the principal sum of the bond. Claimants against the licensee may
41 themselves bring suit directly on the security bond, or the Commissioner may bring suit
42 on behalf of claimants, either in one action or in successive actions.

1 **(b)** In lieu of a surety bond, the licensee may deposit with the Commissioner, or
2 with any bank in this State designated by the licensee and approved by the
3 Commissioner, to an aggregate amount, based upon principal amount or market value,
4 whichever is lower, of not less than the amount of the surety bond or portion thereof, the
5 following:

6 **(1)** Unencumbered cash.

7 **(2)** Unencumbered interest-bearing bonds.

8 **(3)** Unencumbered notes.

9 **(4)** Unencumbered debentures.

10 **(5)** Unencumbered obligations of the United States or any agency or
11 instrumentality thereof, or guaranteed by the United States.

12 **(6)** Unencumbered obligations of this State or of any political subdivision
13 of the State, or guaranteed by this State.

14 The securities or cash shall be deposited as aforesaid and held to secure the same
15 obligations as would the surety bond, but the depositor shall be entitled to receive all
16 interest and dividends thereon, shall have the right, with the approval of the
17 Commissioner, to substitute other securities for those deposited, and shall be required to
18 do so on written order of the Commissioner made for good cause shown.

19 **(c)** The surety bond shall remain in effect until cancellation, which may occur
20 only after 90 days' written notice to the Commissioner. Cancellation shall not affect any
21 liability incurred or accrued during that period.

22 **(d)** The surety bond shall remain in place for no longer than five years after the
23 licensee ceases money transmission operations in the State. However, notwithstanding
24 this provision, the Commissioner may permit the surety bond to be reduced or
25 eliminated prior to that time to the extent that the amount of the licensee's outstanding
26 payment instruments, stored value obligations, and money transmitted in this State is
27 reduced.

28 **(e)** The surety bond proceeds and any cash or other collateral posted as security
29 by a licensee shall be deemed by operation of law to be held in trust for the benefit of
30 the purchasers and holders of the licensee's outstanding payment instruments, stored
31 value obligations, and money transmissions in the event of the bankruptcy of the
32 licensee.

33 **"§ 53-208.9. Fees.**

34 **(a)** Investigation and License Fees. – Each application for a license shall be
35 accompanied by a nonrefundable investigation fee of five hundred dollars (\$500.00),
36 together with the initial license fee of one thousand dollars (\$1,000) plus ten dollars
37 (\$10.00) per location within this State at which a money transmission business is to be
38 conducted by the applicant or an authorized delegate.

39 **(b)** Annual License Fee. – On or before December 31 of each year, each licensee
40 under this Article shall pay to the Commissioner a license fee in the amount of one
41 thousand dollars (\$1,000) plus ten dollars (\$10.00) per location in this State at which the
42 licensee or an authorized delegate is conducting a money transmitter business.

1 (c) Location Fee. – Notwithstanding the number of locations within this State at
2 which a licensee or authorized delegate conducts a money transmitter business, the per
3 location fee provided in subsections (a) and (b) of this section shall not exceed five
4 thousand dollars (\$5,000) per licensee per year. The per year location fee shall be based
5 on the number of locations set forth in the annual report required by G.S. 53–208.11.

6 **"§ 53-208.10. Issuance of license.**

7 (a) Upon the filing of a complete application, the Commissioner shall investigate
8 the financial condition and responsibility, financial and business experience, and the
9 character and general fitness of the applicant. The Commissioner may conduct an on-
10 site investigation of the applicant, the reasonable cost of which shall be borne by the
11 applicant. If the Commissioner finds that the applicant's business will be conducted
12 honestly, fairly, and in a manner commanding the confidence and trust of the
13 community and that the applicant has fulfilled the requirements imposed by this Article
14 and has paid the required license fee, the Commissioner shall issue a license to the
15 applicant authorizing the applicant to engage in the licensed activities in this State. If
16 these requirements have not been met, the Commissioner shall deny the application in a
17 written statement setting forth the reasons for the denial.

18 (b) The Commissioner shall approve or deny every application for an original
19 license within 120 days from the date a complete application is submitted, which period
20 may be extended by the written consent of the applicant. The Commissioner shall notify
21 the applicant of the date when the application is deemed complete. In the absence of
22 approval or denial of the application, or consent to the extension of the 120-day period,
23 the application is deemed approved and the Commissioner shall issue the license
24 effective as of the first day after the 120-day or extended period has elapsed.

25 (c) No license shall be denied except on 10 days' notice to the applicant. Any
26 applicant aggrieved by a denial issued by the Commissioner under this section may at
27 any time within five days from the date of receipt of written notice of the denial, contest
28 the denial by serving a written demand for a hearing on the Commissioner. The serving
29 of a written demand on the Commissioner shall automatically stay the denial until a
30 ruling is issued. The Commissioner shall set a date for a hearing not later than 30 days
31 after service of the response, unless a later date is set with the consent of the applicant.
32 The hearing authorized by this subsection shall be an informal hearing.

33 **"§ 53-208.11. Renewal of license and annual report.**

34 (a) The annual license fee shall be accompanied by a report, in a form prescribed
35 by the Commissioner, to be filed by the licensee on or before December 31 of each year.
36 The licensee shall include all of the following in its annual renewal report:

- 37 (1) A copy of its most recent audited consolidated annual financial
38 statement, including balance sheet, statement of income or loss,
39 statement of changes in shareholder's equity, and statement of changes
40 in financial position, or, in the case of a licensee that is a wholly
41 owned subsidiary of another corporation, the consolidated audited

1 annual financial statement of the parent corporation may be filed in
2 lieu of the licensee's audited financial statement.

3 (2) For the most recent quarter for which data is available prior to the date
4 of the filing of the renewal application, but in no event more than 120
5 days prior to the renewal date, the licensee shall provide the number of
6 payment instruments sold by the licensee in the State, the dollar
7 amount of those instruments, and the dollar amount of those
8 instruments currently outstanding.

9 (3) Any material changes to any of the information submitted by the
10 licensee on its original application which have not previously been
11 reported to the Commissioner on any other report required to be filed
12 under this Article.

13 (4) A list of the licensee's permissible investments.

14 (5) A list of the locations within this State at which business regulated by
15 this Article is being conducted by either the licensee or its authorized
16 delegates, except for entities exempt under G.S. 53-208.4.

17 (b) A licensee that has not filed a renewal report or paid its annual license fee by
18 the renewal filing deadline and has not been granted an extension of time to do so by the
19 Commissioner shall be notified by the Commission, in writing, that a hearing will be
20 scheduled at which time the licensee will be required to show cause why its license
21 should not be suspended pending compliance with these requirements.

22 **"§ 53-208.12. Quarterly reports.**

23 A licensee shall file for each calendar quarter, no later than 60 days after the quarter
24 has ended, a report which contains the total number of authorized delegates in this State.

25 **"§ 53-208.13. Extraordinary reporting requirements.**

26 (a) Within 15 days of the occurrence of any one of the events listed below, a
27 licensee shall file a written report with the Commissioner describing the event and its
28 expected impact on the licensee's activities in the State:

29 (1) The filing for bankruptcy or reorganization by the licensee.

30 (2) The institution of revocation or suspension proceedings against the
31 licensee by any State or governmental authority with regard to the
32 licensee's money transmission activities.

33 (3) Any felony indictment of the licensee or any of its key officers or
34 directors related to money transmission activities.

35 (4) Any felony conviction of the licensee or any of its key officers or
36 directors related to money transmission activities.

37 (b) A licensee shall update information contained in the original application filed
38 with the Commissioner. If the information contained in the application is or becomes
39 inaccurate in any material respect, the licensee shall file a corrected amendment as soon
40 as practicable, but in no event later than 30 days after the effective date of the material
41 changes.

42 **"§ 53-208.14. Changes in control of a license.**

1 Within 15 days of a change or acquisition of control of a licensee, the licensee shall
2 provide notice of the event to the Commissioner in writing and in a form prescribed by
3 the Commissioner. The notice shall be accompanied by any information, data, and
4 records required by the Commissioner. Notwithstanding the foregoing, the
5 Commissioner may waive this notification requirement if, in the Commissioner's
6 discretion, the change in control does not pose any risk to the interests of the public.

7 **"§ 53-208.15. Examinations.**

8 (a) The Commissioner may conduct an annual on-site examination of a licensee.
9 Should the Commissioner conclude that an on-site examination of a licensee is
10 necessary, the licensee shall pay all reasonably incurred costs of the examination. If the
11 Commissioner determines, based on the licensee's financial statements and past history
12 of operations in the State, that an on-site examination is unnecessary, then the on-site
13 examination may be waived by the Commissioner. An on-site examination may be
14 conducted in conjunction with examinations to be performed by representatives of
15 agencies of another state or states. The Commissioner, in lieu of an on-site examination,
16 may accept the examination report of an agency of another state, or a report prepared by
17 an independent accounting firm, and reports so accepted are considered for all purposes
18 as an official report of the Commissioner. The Commissioner may examine a licensee
19 without prior notice if the Commissioner has a reasonable basis to believe that the
20 licensee is not in compliance with this Article.

21 (b) If the Commissioner has a reasonable basis to believe that the licensee or
22 authorized delegate is not in compliance with this Article, the Commissioner may (i)
23 request financial data from a licensee in addition to that required under G.S. 53-208.11,
24 or (ii) conduct an on-site examination of any authorized delegate or of any location of a
25 licensee within this State without prior notice to the authorized delegate or licensee.
26 When the Commissioner examines an authorized delegate's operations, the authorized
27 delegate shall pay all reasonably incurred costs of the examination. When the
28 Commissioner examines a licensee's location within the State, the licensee shall pay all
29 reasonably incurred costs of the examination.

30 **"§ 53-208.16. Maintenance of records and certificate of authority.**

31 (a) Each licensee shall make, keep, and preserve the following books, accounts,
32 and other records for a period of three years:

- 33 (1) A record or records of each payment instrument sold.
- 34 (2) A general ledger containing all assets, liability, capital, income, and
35 expense accounts, which general ledger shall be posted at least
36 monthly.
- 37 (3) Settlement sheets received from authorized delegates.
- 38 (4) Bank statements and bank reconciliation records.
- 39 (5) Records of outstanding payment instruments and stored value.
- 40 (6) Records of each payment instrument paid within the three-year period.
- 41 (7) A list of the names and addresses of all of the licensee's authorized
42 delegates, if any.

1 **(b)** Maintenance of the documents required by this section in a photographic,
2 electronic, or other similar form shall constitute compliance with this section.

3 **(c)** Records may be maintained at a location other than within this State so long
4 as they are made accessible to the Commissioner on seven days' written notice.

5 **"§ 53-208.17. Confidentiality of data submitted to the Commissioner.**

6 **(a)** Notwithstanding any other provision of law, all information or reports
7 obtained by the Commissioner from an applicant, licensee, or authorized delegate,
8 whether obtained through reports, applications, examination, audits, investigation, or
9 otherwise, including (i) all information contained in or related to examination,
10 investigation, operating, or condition reports prepared by, on behalf of, or for the use of
11 the Commissioner; and (ii) financial statements, balance sheets, or authorized delegate
12 information are confidential and may not be disclosed by the Commissioner or any
13 officer or employee of the Commissioner. The Commissioner, however, may provide
14 for the release of information to representatives of State or federal agencies who state in
15 writing under oath that they will maintain the confidentiality of the information if: (i)
16 the licensee provides consent prior to the release; or (ii) the Commissioner finds that the
17 release is reasonably necessary for the protection of the public or in the interests of
18 justice.

19 **(b)** Nothing in this section shall prohibit the Commissioner from releasing to the
20 public a list of persons licensed under this Article or aggregated financial data on those
21 licenses.

22 **"§ 53-208.18. Suspension or revocation of licenses.**

23 After notice and hearing, the Commissioner may suspend or revoke a license issued
24 under this Article if the Commissioner finds any of the following:

- 25 **(1)** Any fact or condition exists that, if it had existed at the time when the
26 licensee applied for its license, would have been grounds for denying
27 the application.
- 28 **(2)** The licensee's net worth becomes inadequate and the licensee, after 10
29 days' written notice from the Commissioner, fails to take such steps as
30 the Commissioner deems necessary to remedy the deficiency.
- 31 **(3)** The licensee knowingly violates any material provision of this Article
32 or any rule or order validly adopted by the Commissioner under
33 authority of this title.
- 34 **(4)** The licensee is conducting its business in an unsafe or unsound
35 manner.
- 36 **(5)** The licensee is insolvent.
- 37 **(6)** The licensee has suspended payment of its obligations, has made an
38 assignment for the benefit of its creditors, or has admitted in writing its
39 inability to pay its debts as they become due.
- 40 **(7)** The licensee has applied for an adjudication for bankruptcy,
41 reorganization, arrangement, or other relief under any bankruptcy.

1 (8) The licensee refuses to permit the Commissioner to make any
2 examination authorized by this Article.

3 (9) The licensee willfully fails to make any report required by this Article.

4 **"§ 53-208.19. Authorized delegate contracts.**

5 Licensees desiring to conduct licensed activities through authorized delegates in this
6 State shall authorize each delegate to operate pursuant to an express written contract,
7 which shall provide the following:

8 (1) That the licensee appoints the person as its delegate with authority to
9 engage in money transmission on behalf of the licensee.

10 (2) That neither a licensee nor an authorized delegate may authorize
11 subdelegates without the written consent of the Commissioner.

12 (3) That licensees are subject to supervision and regulation by the
13 Commissioner.

14 (4) A licensee shall issue a certificate of authority for each location at
15 which it conducts licensed activities in this State through authorized
16 delegates. The certificate shall be posted in public view at each
17 location and shall state as follows: "Money transmission on behalf of
18 (licensee) is conducted at this location pursuant to the Money
19 Transmitters Act."

20 **"§ 53-208.20. Authorized delegate conduct.**

21 (a) An authorized delegate shall not make any fraudulent or false statement or
22 misrepresentation to a licensee or to the Commissioner.

23 (b) All money transmission or sale or issuance of payment instrument activities
24 conducted by authorized delegates shall be strictly in accordance with the licensee's
25 written procedures provided to the authorized delegates.

26 (c) An authorized delegate shall remit all money owing to the licensee in
27 accordance with the terms of the contract between the licensee and the authorized
28 delegate. The failure of an authorized delegate to remit all money owing to a licensee
29 within the time presented shall result in liability of the authorized delegates to the
30 licensee for three times the licensee's actual damages. The Commissioner may set, by
31 regulation, the maximum remittance time.

32 (d) An authorized delegate is deemed to consent to the Commissioner's
33 inspection, with or without prior notice to the licensee or authorized delegate, of the
34 books and records of the authorized delegate of the licensee when the Commissioner
35 has a reasonable basis to believe that the licensee or authorized delegate is not in
36 compliance with this Article.

37 (e) An authorized delegate is under a duty to act only as authorized under the
38 contract with the licensee. An authorized delegate who exceeds its authority is subject to
39 cancellation of its contract and further disciplinary action by the Commissioner.

40 (f) All funds, less fees, received by an authorized delegate of a licensee from the
41 sale or delivery of a payment instrument or stored value issued by a licensee or received
42 by an authorized delegate for transmission shall constitute trust funds owned by and

1 belonging to the licensee from the time the funds are received by the authorized
2 delegate until the time when the funds or an equivalent amount are remitted by the
3 authorized delegate to the licensee. If an authorized delegate commingles any funds
4 with any other funds or property owned or controlled by the authorized delegate, all
5 commingled proceeds and other property shall be impressed with a trust in favor of the
6 licensee in an amount equal to the amount of the proceeds due the licensee.

7 (g) An authorized delegate shall report to the licensee the theft or loss of payment
8 instruments within 24 hours from the time it knew or should have known of the theft or
9 loss.

10 (h) An authorized delegate shall prominently post the certificate of authority
11 specified in G.S. 53-208.19 at each location at which it conducts licensed activities in
12 this State.

13 **"§ 53-208.21. Revocation or suspension of authorized delegates.**

14 (a) If, after notice and a hearing, the Commissioner finds that any authorized
15 delegate of a licensee or any director, officer, employee, or controlling person of the
16 authorized delegate: (i) has violated any provision of this Article or of any rule or
17 regulation or order issued under this Article; (ii) has engaged or participated in any
18 unsafe or unsound act with respect to the business of selling or issuing payment
19 instruments of the licensee or the business of money transmission; or (iii) has made or
20 caused to be made in any application or report filed with the Commissioner or in any
21 proceeding before the Commissioner, any statement which was at the time and in the
22 circumstances under which it was made, false or misleading with respect to any material
23 fact, or has omitted to state in any application or report any material fact which is
24 required to be stated therein, the Commissioner may issue an order suspending or
25 barring the authorized delegate from continuing to be or becoming an authorized
26 delegate of any licensee during the period for which the order is in effect. Upon
27 issuance of the order, the licensee shall terminate its relationship with the authorized
28 delegate according to the terms of the order.

29 (b) Any authorized delegate to whom an order is issued under this section may
30 apply to the Commissioner to modify or rescind the order. The Commissioner shall not
31 grant the application unless the Commissioner finds that (i) it is in the public interest to
32 do so, and (ii) it is reasonable to believe that the person will comply with all applicable
33 provisions of this Article and of any regulation and order issued under this Article if and
34 when that person is permitted to resume being an authorized delegate of a licensee. The
35 right of any authorized delegate to whom an order is issued under this section to petition
36 for judicial review of the order shall not be affected by the failure of the person to apply
37 to the Commissioner to modify or rescind the order.

38 **"§ 53-208.22. Licensee liability.**

39 A licensee's responsibility to any person for a money transmission conducted on that
40 person's behalf by the licensee or the licensee's authorized delegate shall be limited to
41 the amount of money transmitted or the face amount of the payment instrument
42 purchased.

1 **"§ 53-208.23. Hearings; procedures.**

2 Except as provided by G.S. 53-208.10(c), hearings conducted pursuant to this
3 Article shall proceed in accordance with Article 3A of Chapter 150B of the General
4 Statutes.

5 **"§ 53-208.24. Civil penalties.**

6 (a) If, after notice and hearing, the Commissioner finds that a person has
7 intentionally violated this Article or a rule adopted under this Article, the Commissioner
8 may order the person to pay to the Commissioner a civil penalty in an amount specified
9 by the Commissioner, not to exceed one thousand dollars (\$1,000) for each violation or,
10 in the case of a continuing violation, one thousand dollars (\$1,000) for each day that the
11 violation continues. No proceeding shall be initiated and no penalty shall be assessed
12 pursuant to this section until after the person has been notified in writing of the nature of
13 the violation and has been afforded a reasonable period of time, as set forth in the
14 notice, to correct the violation and has failed to do so.

15 (b) The Commissioner, in the exercise of the Commissioner's reasonable
16 judgment, may compromise, settle, and collect civil penalties with any person for
17 violations of any provision of this Article, or of any rule, regulation, or order issued or
18 promulgated to this Article.

19 **"§ 53-208.25. Enforcement.**

20 (a) If it appears to the Commissioner that any person has committed or is about
21 to commit a violation of any provision of this Article or of any rule or order of the
22 Commissioner, the Commissioner may apply to the Wake County Superior Court for an
23 order enjoining the person from violating or continuing to violate this Article or any
24 rule, regulation, or order and for injunctive or such other relief as the nature of the case
25 may require.

26 (b) The Commissioner may enter into consent orders at any time with any person
27 to resolve any matter arising under this Article. A consent order shall be signed by the
28 person to whom it is issued or a duly authorized representative and shall indicate
29 agreement to the terms contained therein. A consent order need not constitute an
30 admission by any person that any provision of this Article, or any rule, regulation, or
31 order promulgated or issued thereunder has been violated, nor need it constitute a
32 finding by the Commissioner that the person has violated any provision of this Article
33 or any rule, regulation, or order promulgated or issued thereunder.

34 (c) Notwithstanding the issuance of a consent order, the Commissioner may seek
35 civil or criminal penalties or compromise civil penalties concerning matters
36 encompassed by the consent order, unless the consent order by its terms expressly
37 precludes the Commissioner from so doing.

38 **"§ 53-208.26. Criminal penalties.**

39 (a) Any person who knowingly and willfully violates any provision of this
40 Article for which a penalty is not specifically provided is guilty of a Class 1
41 misdemeanor.

1 **(b) Any person who knowingly and willfully makes a material, false statement in**
2 **any document filed or required to be filed under this Article with the intent to deceive**
3 **the recipient of the document is guilty of a Class 1 misdemeanor.**

4 **(c) Any person who knowingly and willfully engages in the business of money**
5 **transmission without a license as provided herein shall be guilty of a Class 1**
6 **misdemeanor.**

7 **"§ 53-208.27. Rules.**

8 **(a) The Banking Commission may adopt rules necessary to implement this**
9 **Article.**

10 **(b) The Banking Commission may review any rule, regulation, order, or act of**
11 **the Commissioner done pursuant to or with respect to the provisions of this Article; and**
12 **any person aggrieved by any such rule, regulation, order, or act may appeal to the**
13 **Commission for review upon providing notice in writing within 20 days after any rule,**
14 **regulation, order, or act complained of is adopted, issued, or done. Notwithstanding any**
15 **other provision of law, any aggrieved party to a decision of the Banking Commission**
16 **shall be entitled to an appeal pursuant to G.S. 53-92.**

17 **"§ 53-208.28. Severability.**

18 **Should any provision, sentence, clause, section, or part of this Article for any reason**
19 **be held unconstitutional, illegal, or invalid, such unconstitutionality, illegality, or**
20 **invalidity shall not affect or impair any of the remaining provisions, sentences, clauses,**
21 **sections, or part of this Article.**

22 **"§ 53-208.29. Appointment of Secretary of State as agent for service of process.**

23 **(a) Any licensee, authorized delegate, or other person who knowingly engages in**
24 **business activities that are regulated under this Article, with or without filing an**
25 **application, is deemed to have done both of the following:**

26 **(1) Consented to the jurisdiction of the courts of this State for all actions**
27 **arising under this Article; and**

28 **(2) Appointed the Secretary of State as such person's agent for the purpose**
29 **of accepting service of process in any action, suit, or proceeding that**
30 **may arise under this Article.**

31 **(b) Within three business days after service of process upon the Secretary of**
32 **State, the Secretary shall transmit by certified mail copies of all lawful process accepted**
33 **by the Secretary as an agent of that person at its last known address. Service of process**
34 **shall be considered complete three business days after the Commissioner deposits**
35 **copies of the documents in the United States mail.**

36 **"§ 53-208.30. Transition.**

37 **Any person who holds in good standing a money transmitters license issued by the**
38 **Commissioner of Banks on November 1, 2001 may continue to engage in such business**
39 **subject to the renewal requirements of G.S. 53-208.11, and upon renewal, proof that the**
40 **licensee meets the net worth requirements of G.S. 53-208.5(a), and the bonding or other**
41 **security requirements of G.S. 53-208.8."**

42 **SECTION 3. G.S. 53-99(b)(7a) reads as rewritten:**

1 "(7a) Records of examinations and investigations of licensees under the ~~Sale~~
2 ~~of Checks Act, Article 16~~ Money Transmitters Act, Article 16A of this
3 Chapter;"

4 **SECTION 4.** G.S. 53-277 reads as rewritten:

5 "**§ 53-277. Exemptions.**

6 (a) This Article shall not apply to:

7 (1) A bank, savings institution, credit union, or farm credit system
8 organized under the laws of the United States or any state; and

9 (2) Any person or entity principally engaged in the bona fide retail sale of
10 goods or services, who either as an incident to or independently of a
11 retail sale or service and not holding itself out to be a check-cashing
12 service, from time to time cashes checks, drafts, or money orders for a
13 fee or other consideration, where not more than two dollars (\$2.00) is
14 charged for the service.

15 (b) A person licensed under Article ~~16~~16A of this Chapter (Money Transmitters
16 Act) is exempt from G.S. 53-276, 53-278, 53-279, and 53-284, but is deemed a licensee
17 for purposes of the remaining provisions of this Article. This exemption does not apply
18 to an ~~agent~~authorized agent of a person licensed under Article ~~16~~16A of this Chapter."

19 **SECTION 5.** This act becomes effective November 1, 2001, and applies to
20 contracts entered into on or after that date.

21