

Date of Hearing: June 20, 2022

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Timothy Grayson, Chair

SB 1498 (Committee on Banking and Financial Institutions) – As Introduced March 21, 2022

SENATE VOTE: 33-0

SUBJECT: Financial institutions: Department of Financial Protection and Innovation: money transmissions

SUMMARY: Makes assorted technical and clarifying changes to reflect the newly renamed Department of Financial Protection and Innovation (DFPI) and to clarify the scope of the Money Transmission Act (MTA).

Specifically, **this bill:**

- 1) Updates references by replacing “Department of Business Oversight” with “Department of Financial Protection and Innovation” throughout various codes.
- 2) Specifies that the definition of “money transmission” in the MTA applies when a person engages in specified money transmission activities with a person located in California.

EXISTING LAW:

- 1) Establishes the MTA (Financial Code Section 2000 et seq.), which prohibits a person from engaging in the business of money transmission in this state, or advertising, soliciting, or holding itself out as providing money transmission in this state, unless the person is licensed or exempt. It also defines “money transmission” as any of the following:
 - a) Selling or issuing payment instruments;
 - b) Selling or issuing stored value.
 - c) Receiving money for transmission,
- 2) Establishes in state government a Department of Financial Protection and Innovation, charged with executing laws related to financial services. (Financial Code Section 300).

FISCAL EFFECT: Unknown. This bill is keyed Fiscal by Legislative Counsel.

COMMENTS:

1) **DFPI.**

In 2020 the Legislature passed and Governor Newsom signed AB 1864 (Limón), Chapter 157, Statutes of 2020, which expanded the authority and resources of California’s financial services regulator. In addition to providing broader authority, the bill changed the name of the regulator from Department of Business Oversight to Department of Financial Protection and Innovation.

This bill corrects references throughout state law that refer to the previous name of the department and the commissioner of the department.

2) Money transmitters and the MTA.

The MTA requires any entity issuing or selling payment instruments (such as a check or money order), stored value, or money to become a licensed money transmitter. Through its Money Transmitter Division, DFPI licenses and regulates approximately 110 entities, and these licensees range from brick and mortar businesses offering money transfer services, such as Intermex Wire Transfer, to online or mobile payment companies, such as Square, Inc or Apple Cash. As part of the licensure process, a money transmitter must submit an audited financial statement, an Anti-Money Laundering or Bank Secrecy Act policy that details, sample documents such as receipts for transactions, organizational charts and a business plan, and a surety bond between \$250,000 and \$7 million. Money transmitters must also comply with a number of disclosure and transparency requirements. For example, a licensee must include a receipt with specified information informing the customer of their right to a refund and how to contact DFPI to make a complaint.

The MTA does not explicitly whether licensure is required for engaging in money transmission with a person located in a place other than California. DFPI has interpreted the law to apply only when such a person is located in this state, and this bill codifies that interpretation, clarifying the applicability of the MTA.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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