

Legislative History for Connecticut Act

SB 1288	PA 264	1981
House 3194-3199		(6)
Senate 1057-1058, 1112-1113, 3727-3728, 3822-3823		(8)
Banks 523-528, 548, 575-585		(18)

LAW/LEGISLATIVE REFERENCE
DO NOT REMOVE FROM LIBRARY

total 22 p.

Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate
and House of Representatives Proceedings

Connecticut State Library
Compiled 2016

H-285

CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
1981

VOL. 24
PART 10
3133-3481

House of Representatives

Tuesday, April 28, 1981 62
kjn

The House of Representatives is now voting by roll. Would the members please return to the Chamber. There is a roll call vote in progress in the hall of the House. Would the members return to the Chamber immediately.

Have all the members voted. If so, the machine will be locked. The Clerk will take the tally.

Would the Clerk please announce the tally.

CLERK:

Senate Bill 59 as amended by House Amendment Schedule "B".

Total number voting	140
Necessary for passage	71
Those voting yea	79
Those voting nay	61
Those absent and not voting	11

DEPUTY SPEAKER FRANKEL:

The bill as amended is passed.

CLERK:

Calendar No. 261. Substitute for Senate Bill No. 1288.

AN ACT CONCERNING MONEY ORDER AND TRAVELERS CHECK LICENSES.

Favorable Report of the Committee on Banks.

REP. GILLIGAN: (28th)

Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

Rep. Gilligan.

House of Representatives

Tuesday, April 28, 1981 63
kjn

REP. GILLIGAN: (28th)

Mr. Speaker, I move acceptance of the Joint Committee's favorable report and passage of the bill in concurrence with the Senate.

DEPUTY SPEAKER FRANKEL:

The question is on acceptance of the Joint Committee's favorable report and passage of this bill in concurrence with the Senate. Will you remark, sir.

REP. GILLIGAN: (28th)

Yes, thank you, Mr. Speaker. Mr. Speaker, this bill in substance changes the licensing fees for money order and travelers check licenses and strengthens the integrity and solvency of those licensees by various means. The bill would provide for an increase in the surety bond requirement as well as the net worth requirements provides for annual examination reports and extends to the banking commissioner additional powers to police these licensees in view of failures that have taken place in the states of California and New York. I move passage of the bill.

DEPUTY SPEAKER FRANKEL:

Will you remark further on this bill.

REP. JAEKLE: (122nd)

Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

Rep. Jaekle.

House of Representatives

Tuesday, April 28, 1981

64
kjn

REP. JAEKLE: (122nd)

Thank you, Mr. Speaker. The Clerk has an amendment, bearing LCO No. 6063. Would the Clerk please call and read the amendment.

DEPUTY SPEAKER FRANKEL:

The Clerk has an amendment LCO No. 6063 designated House Amendment Schedule "A". Would the Clerk please call and read.

CLERK:

LCO NO. 6063 designated House Amendment Schedule "A" offered by Rep. Jaekle of the 122nd District and Rep. Belden of the 113th District. In line 450, delete the words "in his judgment".

DEPUTY SPEAKER FRANKEL:

The amendment is in your possession, sir. What is your pleasure.

REP. JAEKLE: (122nd)

I move adoption of the amendment, Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

The question is on adoption of House Amendment Schedule "A". Will you remark on its adoption.

REP. JAEKLE: (122nd)

Yes, Mr. Speaker. This amendment goes to the language of the file copy which calls for the commissioner adopting

House of Representatives

Tuesday, April 28, 1981 65
kjm

regulations in accordance with Chapter 54 of the General Statutes. Unfortunately, it contained language I have never seen in this type regulatory language under the UAPA. When the commissioner adopts regulations, I'm sure he does, indeed, exercise his judgment or her judgment as to what is necessary or appropriate to carry out the statutory intentions of this body.

But by putting in the statutes that indeed he will adopt regulations which in his judgment are necessary and appropriate, I think we may be muddying the waters as to the statutory standards which our Regulation Review Committee will be looking to to see whether the commissioner may indeed have exceeded the powers in the statute governing the conduct or what regulations are indeed necessary and appropriate to carry out the intentions of this act. It is for that reason I offered the amendment and I urge its adoption.

DEPUTY SPEAKER FRANKEL:

Will you remark further on the adoption of House
"A".

REP. GILLIGAN: (28th)

Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

Rep. Gilligan.

REP. GILLIGAN: (28th)

Mr. Speaker, I have no objection. I think the amendment

House of Representatives

Tuesday, April 28, 1981 66
kjn

is well taken.

DEPUTY SPEAKER FRANKEL:

Will you remark further on the adoption of House Amendment Schedule "A". If not, all those in favor please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER FRANKEL:

Those opposed nay.

The ayes have it. The amendment is adopted and it is ruled technical.

Will you remark further on this bill as amended by House "A". Will you remark further. If not, would staff and guests please come to the well of the House.

Would the members please take their seats. The machine will be opened. The House of Representatives is now voting by roll. Would the members please return to the Chamber. There is a roll call vote in progress in the hall of the House. Would the members return to the Chamber immediately.

Have all the members voted? The machine is still open. Have all the members voted? If so, the machine will be locked. The Clerk will take a tally.

REP. TIFFANY: (36th)

Mr. Speaker.

House of Representatives

Tuesday, April 28, 1981 67
kjn

DEPUTY SPEAKER FRANKEL:

Rep. Tiffany.

REP. TIFFANY: (36th)

Would the Clerk please cast my vote in the affirmative.

DEPUTY SPEAKER FRANKEL:

Would the Clerk please note that Rep. Tiffany casts his
vote in the affirmative.

Would the Clerk please announce the tally.

CLERK:

Senate Bill 1288 as amended by House Amendment Schedule
"A".

Total number voting 137

Necessary for passage 69

Those voting yea 137

Those voting nay 0

Those absent and not voting 14

DEPUTY SPEAKER FRANKEL:

The bill is passed.

CLERK:

Calendar No. 275. Substitute for Senate Bill No. 1222.AN ACT CONCERNING SUNDAY LIQUOR SALES.

Favorable Report of the Committee on General Law.

REP. ATKINS: (146th)

Mr. Speaker.

S-172

CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
1981

VOL. 24
PART 4
965-1365

Wednesday, April 8, 1981

63.

roc

Treasurer on certification of the Commissioner of Housing.

I would ask, Mr. President, if there is no objection that this bill be placed on the CONSENT CALENDAR.

THE PRESIDENT:

Hearing no objection, so ordered.

THE CLERK:

Cal. 144, File 177. Substitute for Senate Bill 1288. AN ACT CONCERNING MONEY ORDER AND TRAVELERS CHECK LICENSEES. Favorable report of the Committee on Banks.

THE PRESIDENT:

Senator Ballen.

SENATOR BALLEEN: (28th)

Thank you, Mr. President. I move acceptance of the joint committee's favorable report and passage of the bill.

THE PRESIDENT:

Will you remark?

SENATOR BALLEEN:

Yes, sir. This bill would offer additional protection against the failure of an issuer of money orders

Wednesday, April 8, 1981

64.

roc

or travelers checks. The bill would generally establish stricter standards for licensing and regulation of nonbank issuers of money orders and travelers checks. It would increase the required surety bonds from twenty-five thousand to one hundred thousand. It would also require the licensee to keep on deposit, in certain investments, amounts sufficient to cover the travelers checks. It would also raise the net worth requirement for the issuers from ten thousand to one hundred thousand on money orders and from ten thousand to a million dollars on travelers checks. It would also require more stringent reporting to the Banking Commissioner. The Banking Commissioner was strongly in favor of the bill and if there is no objection, Mr. President, I would like to move it to the CONSENT CALENDAR.

THE PRESIDENT:

Hearing no objection, so ordered.

THE CLERK:

Cal. 145, File 168. Substitute for Senate Bill 1171. AN ACT CONCERNING OFFICE SPACE AND TELEPHONES FOR THE CONNECTICUT PRISON ASSOCIATION. Favorable report of the Committee on Human Services.

Wednesday, April 8, 1981

118.

roc

the Consent Calendar. Are you ready to proceed with that call, Mr. Clerk?

THE CLERK:

The Clerk is now prepared to move on today's CONSENT CALENDAR.

Page three - Cal. 114, Cal. 115. Page four - HB 7141, 7142
 Cal. 124, Cal. 125, Cal. 126, Cal. 127. Page five - SB 125, 1141, 1252
1365
 Cal. 129 and Cal. 131. Page six - Cal. 136, Cal. 137. SB 1367, 346, 116
1160
 Page seven - Cal. 141, 142, 143 and 144. Page eight - SB 1253, 1255, 1363
1288
 Cal. 147, 150 151. Page nine - Page 154, 156, 157. SB 1371, 876, 1176
828, 1198, 1239
 Page ten - Cal. 158, 159, 161 163. Page eleven - SB 1199, 1201, 650, 817
 Cal. 166, 168 and 169. Page twelve - Cal. 170, Cal. SB 1175, 907, 647, 651
 171, Cal. 172, 175 and 176. Page thirteen - Cal. 181. SB 1222, 1296,
HB 7271, 7216, 7218
 Page twenty-three - Cals. 63 and 79. SB 1374, 1210

That concludes today's Consent Calendar.

THE PRESIDENT:

Any corrections or omissions? If not, the Clerk will make a call for the immediate roll call.

THE CLERK:

An immediate roll call has been called for in the Senate. Will all senators please take their seats. An immediate roll call has been called for in the Senate. Will all senators please be seated.

Wednesday, April 8, 1981

119.

THE PRESIDENT:

The machine is open. Please record your vote.
The machine is closed. The Clerk please tally the
vote.

Result of the vote: 35 Yeas - 0 Nays. THE
CONSENT CALENDAR IS ADOPTED.

Senator Schneller.

SENATOR SCHNELLER:

Mr. President, I am going to ask that we recess
for a technical matter. There is a bill coming over
from LCO that we do want to read into the Calendar
today. However, prior to asking for a recess, I do
want to advise the members of the circle that we will
be meeting tomorrow at two o'clock and the minimum
markup bill will be the Order of the Day.

And to give you a sense of what will be happening
in the next couple of weeks, we are going to change our
normal schedule a little in order to allow the
Appropriations Committee to meet on certain days in
order to get the budget out. So next week, we will be
meeting on Tuesday, April 14, for the session at one
o'clock. The following week we are going to meet on
Monday and Tuesday. At the present time, both sessions
have been scheduled for one o'clock.

S-179

CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
1981

VOL. 24
PART 11
3417-3827

1981 GENERAL ASSEMBLY

SENATE

THURSDAY
MAY 14, 1981

343
LFU

THE CHAIR:

Hearing no objection, so ordered.

THE CLERK:

Calendar 144, File 177, Substitute for Senate
Bill 1288, AN ACT CONCERNING MONEY ORDER AND TRAVELERS
CHECK LICENSEES, as amended by House Amendment, Schedule
A, with a Favorable Report of the Committee on Banks,
passed the Senate April 8th.

THE CHAIR:

Senator Ballen.

SENATOR BALLEEN:

Yes, thank you Mr. President. I move passage of
the Bill in accordance and as amended by House Amendment,
Schedule A.

THE CHAIR:

Will you remark?

SENATOR BALLEEN:

Yes, thank you sir. House Amendment A merely
deleted the words, in his judgment, when referring to the
Banking Commissioner. I believe they thought the words

1981 GENERAL ASSEMBLY

SENATE

THURSDAY
MAY 14, 1981

344
LFU

'in his judgment' were superfluous, redundant and unnecessary. It's merely a technical change and if there is no objection, Mr. President, I would move that the Bill be placed on the Consent Calendar.

THE CHAIR:

Hearing no objection, so ordered.

THE CLERK:

Moving to page 21, Calendar 188, File 227, 699, Substitute for Senate Bill 957, AN ACT CONCERNING ONE STOP APPLICATIONS FOR DEVELOPMENT, as amended by House Amendment, Schedules A and B, with a Favorable Report of the Committee on Planning and Development, passed the Senate April 9th.

THE CHAIR:

Senator Wilber Smith.

SENATOR WILBER SMITH:

Mr. President, I move acceptance and passage of the Joint Committee's Favorable Report in concurrence with House A and B.

THE CHAIR:

Will you remark?

1981 GENERAL ASSEMBLY

3822

SENATE

THURSDAY
MAY 14, 1981

438
LFU

THE CHAIR:

Consent Calendar?

SENATOR SCHNELLER:

Yes, I'm sorry. I got carried away. We still have a Consent Calendar to do and I'd ask the Clerk to do it at this time.

THE CLERK:

The Clerk would like to call the Consent Calendar at this time. Beginning on page 2, Calendar 391; on page SB1185, 3, Calendar 394; on page 4, Calendar 459, 470; on page 5, 399,747,HB5017, Calendar 482; on page 6, Calendar 487; on page 7, Calendar SB1455,44, 520, 521, 522, 523; on page 8, Calendar 533, 534, 535; on HB7276,7304,739 page 9, Calendar 537, 538, 541 and 542; page 10, Calendar 6231,SB842,116,130, 323,370,1135, 545, 546; on page 11, Calendar 551; on page 12, Calendar 1221, 38,1138,523, 554, 556, 557; on page 13, Calendar 560, 561, 562, 563; HB5325,6074,7273 moving to page 20, Calendar 138, 141, 144; page 21, 7196,7222,7342,7348, SB59,1253,1288, Calendar 188, 203, 249, 250, 282. On page 22, Calendar 957,459,185,767, 297. On page 23, Calendar 209. On page 24, Calendar 1437, 1341,1049, 419. On page 25, Calendar 511, 512, 513, 527. On page SRL7,HJR83, HJR86 26, Calendar 528, 564, 565, 566, 597. HJR82,HJR 81,HJR82,HJR88,HJR90,HJR89

On page 27, Calendar 599 and that concludes the HJR87 call of today's Consent Calendar.

1981 GENERAL ASSEMBLY

SENATE

THURSDAY
MAY 14, 1981

439
LFU

THE CHAIR:

Any corrections, omissions? Clerk please make an announcement for an immediate Roll Call.

THE CLERK:

An immediate Roll Call has been called for in the Senate. Will all Senators please take their seats. An immediate Roll Call has been called for in the Senate. Will all Senators please be seated.

THE CHAIR:

The machine is open. Please record your vote.

SENATOR SCHNELLER:

Mr. President, I would ask everyone to please remain because we're going to vote on a reconsideration.

THE CHAIR:

The machine is closed. Clerk please tally the vote.

The result of the vote:

35 YEA

0 NAY

The Consent Calendar is adopted.

JOINT
STANDING
COMMITTEE
HEARINGS

BANKS
PART 2
267-585

1981

2
khf

BANKS

March 3, 1981

COMM. GOODMAN: (continued)

the circumstances of the bill existing, and, and our recommendation. Ah, there's now a case in federal court which other people here are probably more qualified to, to discuss this morning than I am, challenging the constitutionality of the present statute on the execution of deposit accounts. Our office was asked by the attorney representing the plaintiff in that case, to take a roll to try and bring the divergent interest together and lead to consensus on how to make the present act constitutional.

There is a case in another state where similar statute apparently, I, I haven't seen the statute, I've just seen the case, was held unconstitutional. Our office without having any interest in the substance of the bill, although we do have an interest in banking, took on that function and asked the committee to raise that bill. We brought the divergent interest, that is consumer lawyers, banking lawyers, the lawyer for sheriffs, lawyers in the court system together to try and work out a consensus. We didn't even participate in those meetings. Ah, the last meeting that was held, I was advised that a consensus could not be reached. When we asked the committee to raise the bill, we also indicated we would ask that the bill be boxed if a consensus could not be reached. And, ah, this morning that's what I'm asking, that the bill be boxed.

It just may be, without being critical of anyone, it just may be that in this type of legislation, a crisis is actually necessary. That is, a finding of unconstitutionality has to come before different interests can reach a consensus position. There are other people here who will be testifying on the merits of a particular draft of the bill. We're taking no position on the merits or the contents of any, of any draft.

The third bill, which is the one that I would like to testify on in a little more detail is 1288, An Act Concerning Money Order and Travelers Check Licensees. Attached to the Memorandum which was distributed from our office, which was distributed this morning is a proposed substitute bill. The original bill was raised at our request and the proposed substitute, which is more akin to what the statement of purpose says, is attached to our memo. The reason for this

COMM. GOODMAN: (continued)

bill, we do now have a statute that regulates the issuers of money orders and travelers checks from smaller companies to American Express. A number of states have been in the process of revising their statutes. We call ours the Money Forwarder Statutes in the statute. No one knows what that means and our proposal deletes that language. Ah, a number of states have been revising their equivalence of our Money Forwarder Statute ever since 1977 when two money order issuers went bankrupt. One universal money orders company, as a result of the bankruptcy, 250,000 people nationally lost \$15 million.

Its affiliate, the other company which went bankrupt, the United States Navigation, left 150,000 people in New York State with a loss of \$5.6 million. There were surety bonds that were insufficient to cover the loss, but even if they had been sufficient, they're still in litigation. Surety companies, as the various commissioners have been finding out, are not so quick to pay on their surety bond. Money orders are purchased mainly by low income people who rely on the instrument instead of bank accounts to pay their utility bills, rent, and other household expenses. After the failure in 1977 of Universal Money Orders, the State of California, this Banking Department, and other people retained by the Banking Department, did a detailed study of that industry to determine exactly, or determine in various areas, who to use as our, how it works, why there was a bankruptcy, and so on.

Their studying revealed that 42% of the people who had purchased money orders from Universal Money Orders, the one that went bankrupt were on social security, had an annual family income of about \$5100, and spent about 40% of their income on money orders. These people just don't have bank accounts. Now when a money order company fails, those money orders which have not yet been paid by the company, the ones that are, have just been purchased, those that are in transit, even those that have been accepted from payment, for payment by their utility company but not yet, ah, but for which the utility company's not yet been paid. If a company fails, all of those outstanding instruments result in a loss to that purchaser. The person on social security buys one of these instruments, pays a bill, let's say the

COMM. GOODMAN: (continued)

utility company, the utility company accepts it, the company fails, the money order company fails, the utility company doesn't get paid, it, it does not credit that bill, and the person who is on the social security who purchased the money order is the one who suffers. Money orders are not insured, they're not backed by any government agency, with few exceptions, those that are issued by federally insured banks, FDIC or FSOIC insured banks or the U.S. Post Office, are backed by the U.S. government.

In our view, more protection, significantly more protection is needed than the nominal bond we now have. The present statute has no protection at all. There's a \$25,000 bond, which is meaningless in its amount, could never cover the, the outstanding instruments of any issuer that issues in Connecticut, or sells in Connecticut. Ah, and there's no other protection in that statute. The proposed substitute bill that's attached to our memo is a composite primarily of the statutes in New York, California, and Ohio that have been enacted since the, since the failure of Universal Money Orders and its affiliate.

The reason that it didn't come, that we didn't present it to the committee until today is that we, we, well we wanted some strict regulation, we also didn't want to put money order and travelers check issuers out of business by having them have to redo their computer systems or something as a result of our bill. So we did, we did put it out to the industry, just to see if they could raise any problems that we could agree were rational. They support, totally support the bill. We, American Express and one other, reviewed it in some detail and said that they could live with it.

There's several types of protection in it. There's a, there's a very strong net worth requirement, there's a high bond requirement, in lieu of a bond the licensee can invest in bank deposits or government obligations, the most safe investments. All of the, the national, nationally the outstanding instruments of any money order, money order issuer, or travelers check issuer have to be invested in what the statute defines as permissible investments, which are safe investments. It requires annual examinations by our office, provides for annual reporting requirements, and so on. In

5
khf

BANKS

March 3, 1981

COMM. GOODMAN: (continued)

our memo we do a very brief summary of the provisions of the bill. a good bill and we would urge that the committee report favorably on it.

The last bill I would like to testify on, just very briefly, is 7271, An Act Revising the Charter of the Dime Savings Bank of Wallingford. I wouldn't, I would just note that we went through this, just to take a look at the changes and we support all of the changes, that a typical type of corporate changes that normally are done, um, on a, in a corporate level rather than in the legislature, but as the statutes would have it, this has to be done in the legislature. We couldn't see anything that couldn't be, that we couldn't support in here. Thank you.

REP. JOYCE: Thank you, Marsha. Are there any questions?

REP. PATTON: I have one, if I may.

REP. JOYCE: Representative.

REP. PATTON: On that Senate Bill 1288, the Money Order, what companies in Connecticut might be impacted by that?

COMM. GOODMAN: Well, there's, there are about ten licensees in Connecticut. Um, the ones, this would affect those outside Connecticut who sell in Connecticut. It would affect ah, American Express, it would affect all the bank holding companies that sell in Connecticut, it would not affect banks in state, or out of state, because they'd be exempt, being insured. But the holding companies are not exempt, and those that sell through their holding companies would be encompassed. There's one that's a local company that deals primarily in international money orders, forwarding money orders to Europe and so on, ah, that's about the only one.

It's, it's a local company but it has an out-of-state holding company. Ah, not a bank, it's just a regular little company with out-of-state holding company, and the out-of-state holding company has funded it, or capitalized it, um, to date.

6
khf

BANKS

March 3, 1981

REP. PATTON: Can you put a name on any of them, just so I know who, who we're talking about.

COMM. GOODMAN: The one that, that I'm referring to now, I don't know how to pronounce it, it's P-e-k-a-o, Pekao.

REP. PATTON: I never heard of that one.

COMM. GOODMAN: I don't know that you would hear of any of them, well, I think that's the only one that's local. All the others are out of state. There's American Express, Republic Money Orders, I'm not sure if I have that full name correctly. Republic is one. Bank Ameri-Corp, First Chicago Bank Corp, City Corp, those are the one's that come to mind. There are a few others. I'd be glad to give you a list, we have their license now, it's just that there's not too much help in the statutes now. They'll be glad to provide the committee with a, a list by name and address.

REP. PATTON: I just wondered who, who we're talking about when we're talking.

COMM. GOODMAN: Interestingly enough, the one that went bankrupt ah, was not a tiny little company. Obviously from the figures. It was, there were two that went bankrupt. The two that were affiliates. They were, ah, fairly large companies, they were national companies. One of them was primarily New York State, the other was, did its business in California, Ohio, Pennsylvania, New Jersey, New York, Texas, and a few other states so it didn't, Connecticut interest, I think to touch the out-of-state ones as well as the instate.

REP. PATTON: Thank you.

REP. JOYCE: Thank you. Actually, Marsha, there are, many banks here issue their own, um, ah, have their own, I know like a savings bank might have, or at least in the past, would have a, ah, money order from a commercial bank, wouldn't it that they would sell?

COMM. GOODMAN: Yeh, I think it's more customary (interruption) I think it's more customary for the banks in Connecticut to be sellers than issuers. Ah, they're agents for other issuers.

7
khf

BANKS

March 3, 1981

COMM. GOODMAN: (continued)

Ah, I don't know. Because they're exempt from licensing, I really don't know how many are issuers. We don't keep track of those. They're insured so we don't really care too much about them.

REP. JOYCE: But many of our commercial banks do issue money orders, don't they um, through ah

COMM. GOODMAN: They could tell you that better than I can. I really don't know

REP. JOYCE: They might be affected by this tool, obviously, I guess.

COMM. GOODMAN: They would not be. They would stay exempt.

REP. JOYCE: I see.

COMM. GOODMAN: Because they're federally insured. The FDIC and the Federal Savings and Loan Insurance Corporation, ah, consider money orders which have been purchased as deposits, and they insure them as such.

REP. JOYCE: I see. So they wouldn't be affected by this legislature.

COMM. GOODMAN: They continue to remain exempt. Western Union would continue to remain exempt because it transmits funds immediately, and the U.S. Post Office would continue to remain exempt because the U.S. government backs it.

REP. JOYCE: Thank you, Marsha. Any other questions?

COMM. GOODMAN: Thank you.

REP. JOYCE: Thank you, Marsha. We've been joined by Rep. Patton, Rep. Roberti, Rep. Hofmeister. The next speaker will be Gail Bogossian-Roy.

: It's already crowded today, this must be the only (inaudible).

27
khf

BANKS

March 3, 1981

MS. CALLERY: In fact, it was a medical bill because of the disability suffered by Mrs., Mrs. Natale suffers from angina incurred many medical expenses which, I think, all of you are well aware of people without good medical insurance are very often unable to pay and this is how this came about.

REP. GILLIGAN: Thank you, Miss, Miss Callery. Next speaker is Mr. James Irving.

MR. JAMES IRVING: Thank you, Mr. Chairman. My name is James Irving, I'm an attorney here in Hartford and here this morning on behalf of American Express Company to register our support, ah, subject to 1288, 1288, dealing with money forwarders travelers' checks.

American Express is the largest issuer of travelers checks and it understands the problems that Commissioners' Councils so well outlined for you and the need to assure the purchasers of money orders and travelers checks in Connecticut that they'll have some adequate protection for those funds. Some people in our office who are more familiar with these statutes than I am, they review the proposal contained in the substitute 1288, and I am here today, briefly, just to indicate the American Express supports which the bank commissioner is attempting to deal with these problems. Thank you.

REP. GILLIGAN: Thank you, Mr. Irving. Any questions? It's refreshing to hear some comments of support for a change. Mr. Larry Green.

MR. LAWRENCE GREEN: Good morning, Mr. Chairman. My name is Lawrence Green. I'm President of the Savings and Loan we have, but just briefly, um, I'd like a suggestion with respect to proposed bill number 1260, An Act Concerning Exemption From Usury Laws. Ah, the way the bill is drafted, it would exempt subsidiaries of commercial banks who use the laws, and I'd like to suggest that it, ah, the exception be extended to the subsidiaries of all financial institutions which could be accomplished merely by improving the language, ah, the new language down to line 26, it starts on line 23½.



STATE OF CONNECTICUT

13

OFFICE OF THE

575

BANKING COMMISSIONER

STATE OFFICE BUILDING • HARTFORD 06115

BANKS COMMITTEE HEARING, 3/3/81

Memorandum re:

Proposed Substitute Bill No. 1288
An Act Concerning Money Order and Travelers Check Licensees

From: David H. Neiditz, Banking Commissioner

Present Law:

There is now a licensing statute for issuers of money orders and travelers checks. A nominal surety bond (\$25,000) must be posted by each licensee purportedly to protect the holders of outstanding money orders and travelers checks. The statutes provide no other protection for such holders.

Necessity for Revised Law:

In 1977, Universal Money Orders Company, an issuer of money orders, failed; as a result, 250,000 people nationally lost \$15 million. At the same time, its affiliate -- United States Navigation -- failed, leaving 150,000 people in New York State with a loss of \$5.6 million. The surety bonds covering these companies were not only insufficient to pay more than a fraction of each dollar lost; also bonds posted to protect holders of these instruments are still in litigation.

Money orders are purchased mainly by low-income people, who rely on these instruments instead of bank accounts to pay utility bills, rent and other household expenses. A detailed study of the money order industry in California in 1977/78 revealed that 42% of the people who purchased money orders from Universal Money Orders were on Social Security, had an annual family income of about \$5,100, and spent about 40% of their income on money orders. When a money order company fails, the money orders which are still outstanding, including those in transit, become worthless pieces of paper; and the low-income purchasers of these instruments suffer the loss.

Money orders are not insured or backed by any government agencies unless issued by an insured banking institution or the U. S. Post Office. More protection is needed than a nominal bond.

My Proposal for Substitute Bill No. 1288:

Attached is my proposal for Substitute Bill No. 1288. It offers various protection against failure of an issuer of money orders or travelers checks. The following is a section-by-section description:

Section 1. Short Title.

Section 2. Definitions.

- Section 3. Would require a license to issue money orders on travelers checks in Connecticut. (Similar to present law.)
- Section 4. Application form.
- Section 6. Standards for issuance of license by commissioner.
- Section 7. Procedure for renewing license.
- Section 8. Would require a bond of \$100,000 + \$5,000 for each location in Connecticut at which the licensee or its agents will sell money orders or travelers checks up to \$300,000. In lieu of this bond, the licensee may invest such sums in bank deposits and government obligations.
- Section 9. Would require each licensee to maintain an amount equal to its outstanding money orders and travelers checks invested in certain specified safe investments.
- Section 10. Would require issuers of money orders in Connecticut to have a net worth (excess of assets over liabilities) of at least \$100,000, and issuers of travelers checks in Connecticut to have a net worth of at least \$1,000,000.
- Section 11. Would require annual examinations by the banking commissioner.
- Section 12. Annual reporting requirements by licensees.
- Section 13. Provisions that would govern agents of licensees.
- Section 14. Would authorize the commissioner to adopt regulations.
- Section 15. Enforcement provisions.
- Section 16. Exemptions.

Banking Commissioner's Position:

Bill No. 1288 was raised by the Banks Committee at my request, and I urge a favorable report on my proposal for a substitute bill no. 1288.



15

STATE OF CONNECTICUT
OFFICE OF THE
BANKING COMMISSIONER

STATE OFFICE BUILDING • HARTFORD 06115

PROPOSED SUBSTITUTE BILL NO. 1288

AN ACT CONCERNING MONEY ORDER AND TRAVELERS CHECK LICENSEES

(New) Section 1. This act shall be known and may be cited as "The Money Order and Travelers Check Licensees Act".

(New) Section 2. As used in this act:

- (a) "Commissioner" means the banking commissioner.
- (b) "Financial institution" means a state bank and trust company, national bank, savings bank, federal savings bank, savings and loan association and federal savings and loan association.
- (c) "Holder" means a person, other than a purchaser, who is either in possession of a Connecticut instrument and is the named payee thereon, or in possession of a Connecticut instrument issued or endorsed to him or bearer or in blank. "Holder" does not include any person who is in possession of a lost, stolen or forged Connecticut instrument.
- (d) "Instrument" means a money order or travelers check that evidences either an obligation for the transmission or payment of money, or the purchase or the deposit of funds for the purchase of such money order or travelers check. An instrument is a "Connecticut instrument" if it is sold in this State.
- (e) "Licensee" means any person licensed pursuant to this act.
- (f) "Money order" means any check, draft, money order, or other instrument for the transmission or payment of money. "Money order" does not include a travelers check.
- (g) "Net worth" means the excess of assets over liabilities as determined by generally accepted accounting principles.
- (h) A money order or travelers check is "outstanding" if:
 - (1) it is sold in the United States;
 - (2) a report of it has been received by a licensee from its agents or subagents; and
 - (3) it has not yet been paid.

- (i) (1) "Permissible investment" means:
 - (A) Cash in United States currency;
 - (B) Time deposits, as defined in section 36-2(e) of the general statutes, or other debt instruments of a financial institution;
 - (C) Bills of exchange or bankers acceptances which are eligible for purchase by member banks of the federal reserve system;
 - (D) Commercial paper of prime quality;
 - (E) Interest-bearing bills, notes, bonds, debentures, or other obligations issued or guaranteed by:
 - (i) The United States or any of its agencies or instrumentalities, or
 - (ii) Any state, or any agency, instrumentality, political subdivision, school district or legally constituted authority of any state if such investment is of prime quality;
 - (F) Interest-bearing bills or notes, or bonds, debentures or preferred stocks, traded on any national securities exchange or on a national over-the-counter market, if such debt or equity investments are of prime quality;
 - (G) Receivables due from selling agents consisting of the proceeds of the sale of instruments which are not past due or doubtful of collection;
 - (H) Gold; and
 - (I) Any other investments approved by the commissioner.
- (2) Notwithstanding the provisions of subdivision (1) of this subsection, if the commissioner at any time finds that an investment of a licensee is unsatisfactory for investment purposes, the investment shall not qualify as a permissible investment.
- (j) "Person" means any individual, partnership, corporation or other legal entity.
- (k) An investment is of "prime quality" if it is within the top four rating categories in any rating service recognized by the commissioner unless the commissioner determines for any licensee that only those investments in the top three rating categories qualify as "prime quality".
- (l) "Purchaser" means a person who buys or has bought a Connecticut instrument.
- (m) "Travelers check" means an instrument for the payment of money that contains a provision for a specimen signature of the purchaser to be completed at the time of a purchase of the instrument and a provision for a countersignature of the purchaser to be completed at the time of negotiation.

(New) Section 3. No person shall engage in the business of issuing Connecticut instruments, or engage in the business of receiving money for transmitting the same, without first obtaining a license from the commissioner as provided in this act. No person shall engage in such business or in the business of selling Connecticut instruments as an agent or subagent, except as an agent or subagent of a licensee as provided in section 13 of this act.

(New) Section 4. Each application for an original or renewal license required under this act shall be made in writing and under oath to the commissioner in such form as he may prescribe. The application shall state:

- (a) The exact name of the applicant and, if incorporated, the date of incorporation and the state where incorporated;
- (b) The complete address of the principal office from which the business is to be conducted, and of the office where the books and records of the applicant are maintained and to be maintained, including the street and number, if any, and the municipality and county of such offices;
- (c) The complete name and address of each of the applicant's branches, subsidiaries, affiliates and agents and subagents, if any, engaging in this state in the business of selling or issuing Connecticut instruments, or of receiving money for transmitting the same;
- (d) The name, title, address and telephone number of the person to whom notice of the commissioner's approval or disapproval of the application shall be sent and to whom any inquiries by the commissioner concerning the application shall be directed.
- (e) The name and residence address:
 - (1) of the applicant, if an individual;
 - (2) if a partnership, of its partners; or
 - (3) if a corporation or association, of its directors, trustees, principal officers, and any stockholder owning twenty per cent or more of each class of its stock;
- (f) The most recently audited unconsolidated financial statement of the applicant, including its balance sheet and receipts and disbursements for the preceding year, prepared by an independent certified public accountant acceptable to the commissioner;
- (g) A list of the applicant's permissible investments, the book and market values of such investments, and the dollar amount of the applicant's aggregate outstanding instruments:
 - (1) as of the date of the financial statement filed in accordance with subsection (f) of this section; and
 - (2) as of a date no earlier than 30 business days prior to the filing of the application.

- (h) (1) The surety bond required by subsection (a) of section 8 of this act, if applicable; and
- (2) A list of the investments maintained in accordance with subsection (b) of section 8 of this act, if applicable, and the book and market values of any such investments:
 - (A) as of the date of the financial statement filed in accordance with subsection (f) of this section; and
 - (B) as of a date no earlier than 30 business days prior to the filing of the application.
- (3) The commissioner may defer compliance with the provisions of this subsection until after he rules on the application, but the commissioner shall not issue a license until an applicant complies with the provisions of this subsection.
- (i) A statement of whether the applicant will engage in the money order or traveler check business, or both, in this State.
- (j) Any other information the commissioner may require.

(New) Section 5.

- (a) Each application for an original license shall be accompanied by a non-refundable investigation fee of two hundred and fifty dollars. Each application for an original or renewal license shall be accompanied by a license fee of two hundred and fifty dollars. The licensee fee shall be refunded if the application is denied or is withdrawn prior to issuance of a license by the commissioner.
- (b) A license issued pursuant to this act shall remain in full force and effect through the thirtieth day of June following its date of issuance, unless earlier surrendered, suspended, or revoked pursuant to this act.
- (c) Notwithstanding any provision to the contrary in chapter 648 of the general statutes and in this act:
 - (1) Any license issued in accordance with chapter 648 of the general statutes which is in force on June 30, 1981 shall automatically be extended until September 30, 1981. Such extension shall not entail any additional licensing fee but otherwise shall be subject to the provisions of chapter 648 of the general statutes.
 - (2) Any license which is issued under this act for the period ending June 30, 1982 shall be for the period from October 1, 1981 to June 30, 1982 and shall be accompanied by a license fee of two hundred and fifty dollars.

(New) Section 6.

- (a) Upon the filing of an application for an original license, and the payment of the fees for investigation and license, the commissioner

shall investigate the financial condition and responsibility, financial and business experience, character and general fitness of the applicant. The commissioner shall approve conditionally any application, if he finds that:

- (1) The applicant's financial condition is sound;
 - (2) The applicant's business will be conducted honestly, fairly, equitably, carefully, and efficiently within the purposes and intent of this act, and in a manner commanding the confidence and trust of the community;
 - (3) The applicant is in compliance with the provisions of sections 9 and 10 of this act;
 - (4) No person on behalf of the applicant knowingly has made any incorrect statement of a material fact in the application, or in any report or statement made pursuant to this act;
 - (5) No person on behalf of the applicant knowingly has omitted to state any material fact necessary to give the commissioner any information lawfully required by him;
- (b) If the commissioner conditionally approves an application, the applicant shall have thirty days, which the commissioner may extend for cause, to comply with the requirements of section 8 of this act. Upon such compliance, the commissioner's conditional approval shall become final, and he shall issue a license to the applicant. The commissioner shall not issue a license to any applicant unless the applicant is in compliance with all the requirements of section 8 and subsection (a) of this section.

(New) Section 7. A license may be renewed for the ensuing twelve-month period upon the filing of an application containing all information required by section 4 of this act, including the information required by subsections (f), (g) and (h) if not previously filed with the commissioner. Such renewal application shall be filed no later than a date specified each year by the commissioner in writing to the licensee. No investigation fee shall be payable to the commissioner in connection with such renewal application. If an application for a renewal license has been filed with the commissioner on or before the date he has specified, the license sought to be renewed shall continue in full force and effect until the issuance by the commissioner of the renewal license applied for or until the commissioner has notified the licensee in writing of his refusal to issue such renewal license together with the grounds upon which such refusal is based. The commissioner may refuse to issue a renewal license on any ground on which he might refuse to issue an original license.

(New) Section 8.

- (a) As a condition for the issuance and retention of the license, applicants for a license and licensees shall file with the commissioner a corporate surety bond in form satisfactory to him and issued by a bonding company or insurance company authorized to do business in this State. The bond shall be in favor of the commissioner and in

the principal sum of one hundred thousand dollars and an additional principal sum of five thousand dollars for each location, in excess of one, at which the applicant proposes to sell Connecticut instruments, whether directly or through agents or subagents, but in no case shall the bond exceed three hundred thousand dollars. The proceeds of the bond shall constitute a trust fund for the exclusive benefit of the purchasers and holders of Connecticut instruments issued by such licensee.

- (b) In lieu of all or part of the principal sum of such corporate surety bonds, applicants for a license and licensees may invest such sum as provided in this subsection. The book or market value, whichever is lower, of such investments shall be equal to the amount of the bond required by subsection (a) of this section less the amount of the bond filed with the commissioner by the applicant or licensee. Such investments may be:
- (1) Deposits with such financial institutions having a main office in this State as such applicants or licensees may designate and the commissioner may approve, and in accordance with such regulations as the commissioner may adopt; or
 - (2) Interest-bearing bills, notes, bonds, debentures, or other obligations issued or guaranteed by:
 - (A) the United States or any of its agencies or instrumentalities, or
 - (B) any state, or any agency, instrumentality, political subdivision, school district, or legally constituted authority of any state if such investment is of prime quality.
- (c) The investments provided for in subsection (b) of this section shall secure the same obligation as would a corporate surety bond filed under this section. As long as a licensee continues business in the ordinary course, it shall be permitted to collect interest on such investments and at any time to exchange, examine, and compare such investments. The investments made pursuant to this section shall be maintained in trust for the exclusive benefit of the purchasers and holders of Connecticut instruments issued by such licensee.

(New) Section 9.

- (a) Each licensee shall at all times maintain permissible investments having a value, computed in accordance with generally accepted accounting principles, at least equal to the aggregate amount of its outstanding instruments.
- (b) As used in subsection (a) of this section, "value" means the lower of book or market value, except that with regard to debt obligations which the licensee as a matter of policy retains until maturity, "value" means the greater of book or market value unless the commissioner orders that for some or all investments of a particular licensee, "value" means the lower of book or market value.

(New) Section 10.

- (a) Each licensee which issues Connecticut instruments which are money orders shall at all times have a net worth of at least one hundred thousand dollars.
- (b) Each licensee which issues Connecticut instruments which are travelers checks shall at all times have a net worth of at least one million dollars.

(New) Section 11. At least once each year, the commissioner or any authorized employee of the banking department shall visit each licensee and examine its books, accounts, records, files and other papers to ascertain whether it is in sound financial condition and whether its business has been and is being carried on pursuant to law. Any employees, agents, subagents and representatives of a licensee may also be visited and examined with regard to the business of such licensee. In lieu of or in addition to any examination required by this section, the commissioner may require a licensee to file a report certified to by an independent certified public accountant containing such information and in such form as the commissioner may require. Each licensee shall pay to the commissioner the cost of each examination regarding its business.

(New) Section 12.

- (a) On or before the thirtieth day of April each year, each licensee shall file with the commissioner:
 - (1) its most recently audited unconsolidated financial statement, including its balance sheet and receipts and disbursements for the preceding year, prepared by an independent certified public accountant acceptable to the commissioner;
 - (2) a list of permissible investments, the book and market value of such investments, and the dollar amount of the licensee's aggregate outstanding instruments; and
 - (3) a list of investments maintained in accordance with subsection (b) of section 8 of this act, if applicable, the book and market values of such investments and the dollar amount of the licensee's aggregate outstanding Connecticut instruments.
- (b) The lists and other information filed as provided in subdivisions (2) and (3) of subsection (a) of this section shall be as of the same date as the financial statement filed in accordance with subdivision (1) of subsection (a) of this section.
- (c) The commissioner may require of any licensee such additional reports, under oath, certified, or otherwise, concerning such licensee's business in this State as he may consider necessary for the enforcement of this act.

(New) Section 13. A licensee may conduct its business at one or more locations within this state as follows:

- (a) The business may be conducted by the licensee or through or by means of such agents and subagents as the licensee may periodically designate or appoint.
- (b) No license under this act shall be required of any agent or subagent of a licensee.
- (c) Each agent and subagent shall, from the moment of receipt, hold the proceeds of a sale or delivery of a licensee's Connecticut instruments in trust for the benefit of such licensee or of an agent of the licensee on behalf of such licensee.
- (d) A licensee shall be liable for the loss caused to any purchaser or holder of the licensee's Connecticut instruments by the failure of an agent or subagent of the licensee to forward to the licensee the amount due from the proceeds of a sale or delivery of the licensee's Connecticut instruments.

(New) Section 14. The commissioner may adopt regulations which in his judgment are necessary or appropriate for the enforcement of this act.

(New) Section 15.

- (a) The commissioner shall make such investigations and conduct such hearings as he considers necessary to determine whether any licensee or any other person has violated any of the provisions of this act, or whether any licensee has conducted himself in such manner as otherwise would justify the suspension or revocation of his license. The provisions of section 36-21 of the general statutes shall apply to such investigation.
- (b) The commissioner may suspend or revoke a license on any ground on which he might refuse to issue an original license, for any willful violation of this act or of any regulation adopted under this act, for non-compliance with an order which the commissioner may issue under this act to a licensee, or for failure of the licensee to pay a judgment ordered by any court within or outside this State within thirty days after the judgment becomes final or within thirty days after expiration or termination of a stay of execution of the judgment. No license shall be suspended or revoked except in accordance with chapter 54 of the general statutes.
- (c) The commissioner may, through the attorney general, seek an injunction in any court of competent jurisdiction against any person from violating the provisions of section 3 or section 13 of this act.
- (d) The commissioner may order a licensee to terminate its agency relationship with any agent who refuses to allow an examination of its books and records regarding the business of such licensee as provided in section 11 of this act.

(New) Section 16. The provisions of this act shall not apply to:

- (a) except in its capacity as an agent of a licensee, any financial institution the insurable deposits in which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation;
- (b) the United States Postal Service; and
- (c) the receipt of money by an incorporated telegraph or cable company at any office or agency of such company for immediate transmission by telegraph or cable.

Section 17. Chapter 648 of the general statutes is repealed.

Section 18. This act shall take effect on October 1, 1981, except that subdivision (1) of subsection (c) of section 5 shall take effect on passage.

Statement of Purpose: To regulate comprehensively money order and travelers check licensees to protect purchasers and holders of these instruments.