

Legislative History for Connecticut Act

Public Act: 01-56

Bill Number: 793

Senate Pages: 1522, 1533-1534

House Pages: 2920-2928

Committee: Banking: 9, 17, 87, 95-101

3

9

10

Page Total:

22

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

Connecticut State Library

Compiled 2013

S-456

CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
2001

VOL. 44

PART 6

1510-1798

pat

13

001522

Senate

Wednesday, May 9, 2001

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

Page 24, Calendar 140 I move to the Consent

SB 793

Calendar.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

Page 25, Calendar 152 I move to the Consent

SB 1124

Calendar.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

Madam President, at this time I would ask that the Clerk call the handful of items in sequence that I've marked Go. We'll do those bills. I do not believe them to be controversial and I will, and then we will break for a new caucus.

THE CHAIR:

Madam Clerk.

THE CLERK:

Page 2, Calendar 138, S.B. 1269 An Act Implementing the Legislative Commissioners' Recommendations for Technical Revisions to Utility Laws. Committee Report Energy and Technology.

pat

24

Senate

Wednesday, May 9, 2001

Calendar Page 5, Calendar 241, Substitute for H.B.
6609.

Calendar Page 6, Calendar 275, Substitute for S.B.
1094.

Calendar Page 8, Calendar 312, Substitute for S.B.
1286.

Calendar Page 13, Calendar 337, Substitute for S.B.
1108. Correction, that's Calendar 377, Substitute for
S.B. 1108.

Calendar Page 15, Calendar 394, Substitute for H.B.
6712.

Calendar Page 22, Calendar 59, Substitute for S.B.,
correction, Calendar Page 24, Calendar 140, Substitute
for S.B. 793.

Calendar Page 25, Calendar 152, Substitute for S.B.
1124.

Madam President, I believe that completes the First
Consent Calendar.

THE CHAIR:

Thank you, Sir. Would you once again announce a
roll call vote on the Consent Calendar. The machine
will be opened.

THE CLERK:

An immediate roll call has been ordered in the
Senate on the Consent Calendar. Will all Senators

pat

25

Senate

Wednesday, May 9, 2001

please return to the Chamber.

An immediate roll call has been ordered in the Senate on the Consent Calendar. Will all Senators please return to the Chamber.

THE CHAIR:

Have all members voted? If all members have voted, the machine will be locked. The Clerk please announce the tally.

THE CLERK:

Motion is on adoption of Consent Calendar No. 1.

Total number voting 36; necessary for passage, 19. Those voting "yea", 36; those voting "nay", 0 Those absent and not voting, 0.

THE CHAIR:

The Consent Calendar is adopted.

Senator Jepsen.

SEN. JEPSEN:

Madam President, I would ask that the Senate stand in recess at this time so that we might, each caucus might meet for further bill review.

THE CHAIR:

Thank you. At this time, without objection, the Senate will stand in recess, subject to the Call of the Chair.

H-847

CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
2001

VOL. 44
PART 9
2723-3070

kmr

5

House of Representatives

Thursday, May 17, 2001

all the efforts that are being done to help both the employees and just your town in general are really necessary. I know you did a great, and I would compliment you sir, because people have called and said you were there immediately also trying to be very helpful and so our compliments to you on the efforts you did for your folks in your town.

Are there additional announcements? If not, will the Clerk please call Calendar 493.

CLERK:

State of Connecticut House of Representatives
Calendar for Thursday, May 17, 2001. On page nineteen,
Calendar 493, substitute for SB793, AN ACT CONCERNING
MONEY TRANSMISSION. Favorable report of the Committee
on Finance.

SPEAKER LYONS:

Representative Paul Doyle.

REP. DOYLE: (28th)

Good morning Madam Speaker.

SPEAKER LYONS:

Good morning to you sir.

REP. DOYLE: (28th)

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

SPEAKER LYONS:

House of Representatives

Thursday, May 17, 2001

The question before the Chamber is on acceptance and passage, will you remark?

REP. DOYLE: (28th)

Thank you Madam Speaker. This bill which was passed in the Senate a week or so ago is a bill that originated in the Banks Committee. It passed out of the Banks Committee unanimously, which basically seeks to modernize our Connecticut Statutes regarding money orders, traveler's checks statutes in the sense of in the past, prior to the act of faxes and the like, and the modernization of our money techniques, these statutes pretty much bring it in conformity to that.

It's a pretty straight forward bill. It's a bill that simply just modernizes our statutes for Connecticut money order and traveler checks statutes. I move its adoption.

SPEAKER LYONS:

The question before the Chamber is on adoption, will you remark on the bill that is before us?

Representative Stripp.

REP. STRIPP: (135th)

Thank you Madam Speaker. Madam Speaker, this bill moves us into the 21st century with money transfers and allows internet money transfers. It also increases the ability of a surety fund to protect people whose

kmr

7 002922

House of Representatives

Thursday, May 17, 2001

transfer does not go through. Prior to that the amount held as surety was against each individual transaction, now that amount is going to be pooled, so that if there is an issue with one transaction the person doing the transferring would have this money available as a surety to protect against the failure of the transfer.

It also increases the penalty against the licensees if they fail to move the money as contracted to do. Madam Speaker, I would hope my colleagues would support the bill. Thank you.

SPEAKER LYONS:

Thank you sir for your remarks. Will you remark further on the bill that is before us? Will you remark further on the bill that is before us? Representative Green.

REP. GREEN: (1st)

Thank you Madam Speaker. Madam Speaker a few days ago, people may recall that I had asked that we consider a bill as an amendment that talked about overdraft charging. And even though it was moved not germane, I believe this would be an appropriate time to call this amendment. So the Clerk has in his possession LCO 6885, I ask that he call and I be allowed to summarize.

SPEAKER LYONS:

The Clerk has in his possession LCO 6885 which will

kmr

8

House of Representatives

Thursday, May 17, 2001

be designated House "A." Will the Clerk please call, the gentleman has asked leave to summarize.

CLERK:

LCO 6885, House "A" offered by Representative Green.

SPEAKER LYONS:

Representative Green you have the floor sir.

REP. GREEN: (1st)

Thank you Madam Speaker. This bill prohibits Connecticut charter banks and federal banks that have their main offices in Connecticut from charging a fee, otherwise known as a deposit return fee, against tax exempt nonprofit organizations accounts for depositing a check that bounces.

Basically what happens is that if a church receives a check and that check is honored at the bank and then it's not paid because of non-sufficient funds on the bearer of the check that, that account where the church has its account at, would not be able to charge what I call a double fee.

What happens is that the person that wrote the check cannot cover the check. That person's bank charged them a fee anyway. The person that deposits the check does not receive any payment for the check that they deposited and not only do they not receive the fee

House of Representatives

Thursday, May 17, 2001

for the check that they deposited, but their bank then charges them for that. And what happens is that most banks nowadays have what we call a checking service fee, which is a fee that you pay to service your checking account.

So if the banks do charge a fee for this service and then in fact they do a double charge when charging for the overdraft. I move for its adoption.

SPEAKER LYONS:

The question before the Chamber is on adoption, will you remark? Will you remark on the amendment that is before us? Will you remark on the amendment that is before us? If not, let me try your, Representative Stripp.

REP. STRIPP: (135th)

Thank you Madam Speaker, a parliamentary inquiry as to the germaneness of the amendment.

SPEAKER LYONS:

Yes, sir your inquiry is, to the point if you would?

REP. STRIPP: (135th)

If the question of germaneness was raised, would this be considered to be germane?

SPEAKER LYONS:

In order to answer that question sir, the House

House of Representatives

Thursday, May 17, 2001

will have to stand at ease a moment. Would the House please come back to order. Thank you very much, I believe Representative Stripp you had the floor. If you would rephrase your question.

REP. STRIPP: (135th)

Madam Speaker, under Masons 402 I question the germaneness of the amendment.

SPEAKER LYONS:

Okay, thank you sir. A question on germaneness has been raised, I did look both the bill and the underlying amendment. And at this time as I read it, the bill is about banks and about fees, excuse me, the amendment is about banks and about fees. If you read the underlying bill, the underlying bill is essentially about regulation of certain businesses who are wiring funds and exempt under this bill are most of the banks, or all of the banks who are insured by the Federal Deposit, which are all of the banks that we would be dealing with.

This bill does not pertain to those banks. It essentially pertains to both through regulation and licensure, businesses such as Western Unions in order to make sure that consumers are properly treated under those particular licensures, which is not currently happening. So seeing that they are really two distinct

House of Representatives

Thursday, May 17, 2001

concepts that we are dealing with, one being businesses in the wiring of funds, most of the banks being no regulated under this provision, I would rule that the amendment is not germane. So therefore sir, under that I would rule that your point is well taken.

REP. GREEN: (1st)

Madam Speaker, at this time I'm going to withdraw the amendment.

SPEAKER LYONS:

Thank you sir. The gentleman has asked leave of the Chamber, Representative Prelli for what purpose do you rise?

REP. PRELLI: (63rd)

Madam Speaker, a parliamentary inquiry.

SPEAKER LYONS:

Please proceed.

REP. PRELLI: (63rd)

Madam Speaker, I believe that you ruled the amendment is not germane, so therefore it's no longer properly before us, so the gentleman doesn't have to, is that correct?

SPEAKER LYONS:

Sir, I believe as I recall, Representative Stripp had said if I asked if this amendment were germane what would you say, I then put the Chamber at ease, I then

House of Representatives

Thursday, May 17, 2001

believe, and I believe we have checked on that, I then believe I went back to him and said would you like to once again ask the question about what you said, I believe he referred to Masons but I believe he did not say for a point of order.

I then explained to him what, how I would perceive it, and under that scenario I believe that Representative Green is just going along with the normal process since it was not actually a point of order or a ruling.

REP. PRELLI: (63rd)

Thank you Madam Speaker. And I just wanted to make sure I understood exactly where we were and I thank you for that explanation.

SPEAKER LYONS:

Thank you sir. And with that, I believe Representative Green had asked leave of the Chamber to withdraw his amendment and thus hearing no objections to that, the amendment will be withdrawn. Will you remark further on the bill that is before us?

If not will staff and guests come to the well, members take your seats, the machine will be open.

CLERK:

The House of Representatives is voting by roll call
members to the Chamber. The House is voting by roll

House of Representatives

Thursday, May 17, 2001

call members to the Chamber, please.

SPEAKER LYONS:

Have all the members voted? Have all the members voted? Would the members, please check the board to make sure that your vote is accurately recorded. If all the members have voted the machine will be locked and the Clerk will take a tally. The Clerk will announce the tally.

CLERK:

SB793 in concurrence with the Senate.

Total Number Voting	136
Necessary for Passage	69
Those voting Yea	135
Those voting Nay	1
Those absent and not voting	14

SPEAKER LYONS:

The bill passes. Clerk please call Calendar 316.

CLERK:

On page seven, Calendar 316, substitute for HB6636,
AN ACT CONCERNING PRIVATIZED PUBLIC RECORDS. Favorable report of the Committee on Government Administration and elections.

SPEAKER LYONS:

Representative Knopp, you have the floor sir.

REP. KNOPP: (137th)

JOINT
STANDING
COMMITTEE
HEARINGS

BANKS
1-310

2001
INDEX

PRESIDING CHAIRMEN:

Senator McDermott
Representative Doyle

COMMITTEE MEMBERS PRESENT:

SENATORS:

Bozek, Smith

REPRESENTATIVES:

Green, Stripp,
DeMarinis, Fedele,
Graziani, Heagney,
Janowski, Michele,
O'Rourke,
Pawelkiewicz, Prelli,
Scribner

SENATOR MCDERMOTT: Moving to our next part of the public hearing, the first hour is for legislator's staff and Commissioners. Our first speaker is Commissioner John Burke.

COMMISSIONER JOHN BURKE: Good afternoon Senator, thank you. Co-chairs. I have, and I hope you have, all received copies of our proposal. We have many things today. There are six bills that we have. For those members who haven't had an opportunity to deal with the Department, just to remind you what as you look at it what we try to do is obviously with the position of having the bill itself is an overview of existing legislation and any changes that we are going to make or are proposing to make with our bill we have a chance to look at it and then the rationale from the department's point of view as to why we did it.

I will try not to be redundant in my remarks and I will, with the permission of the Chairs, go through the bills in the sequence in which subject matter was presented and kind of give you a brief overview from my perspective and then answer any questions that the Committee may have. If that's acceptable? Thank you.

The first bill is H.B. 6130 which is AN ACT

know. We had that case this year where we found out after the fact that one of our banks had converted. So we are just asking that you please let us know. We have no control over that but we need to know about it. So that would be helpful.

I think that is all I need to add to that comment let me just see, oh, there is conversion, there is conversion in here, permission to convert from a state chartered institution insured by FDIC to a state chartered institution not insured by the FDIC. There was no way anybody could do this in the state, there was just an absence of permission, if you will, or legislation to do that.

So we're adding, putting this in and this happens a lot in legislation, we have an institution that really wants to do this and it makes sense for them to do this, but they had no way to do it so we need, that's one of the reasons, one of the factors in this bill and you will see it in here for conversion to a non-insured financial institution state-chartered.

And the last bill to discuss S.B. 793 AN ACT CONCERNING MONEY TRANSMISSION. We do regulate money transmitters and they are licensed within the department. Much to our chagrin, we have not, we have never done anything like this before during my seven years here. And we did discover that our current statutes are really obsolete. They were probably done twenty-five or thirty years ago or more and the money transfer business has changed quite significantly with electronics and whatever else is happening.

We were held up as an example of antiquated regulation and legislation. So what we attempted to do is to bring ourselves into the twenty-first century with this and that is essentially what the bill does. I don't think I need to add anymore on that at this point of time. Any questions?

SEN. MCDERMOTT: Thank you Commissioner. I have a few questions on some of the more controversial ones that you have in the package, not that there's anything of that great controversy in here but I



January 25, 2001

The Honorable Brian McDermott
The Honorable Paul Doyle
Co-Chairmen, Joint Committee on Banks
Legislative Office Building, Room 2400
Hartford, Connecticut 06106

Dear Senator McDermott, Representative Doyle and Members of the Committee:

HB 6131

There are a number of bills being heard by the Banks Committee on January 25, 2001 which impact or are of interest to Connecticut credit unions and the Connecticut Credit Union Association (CCUA). I would like to take this opportunity to respectfully state our positions on the following bills:

HB 6132

SB 791 – AAC Community Reinvestment by Community Credit Unions

CCUA will supply public testimony on SB 791. A copy of that testimony has been provided to the Committee Clerk.

SB 793 – AAC Money Transmissions

CCUA does not object to SB 793 which updates the Connecticut money order and travelers check statutes to take into account modern forms of money transmissions in order to safeguard the public from default in the payment of those instruments of transmissions. It has been the philosophy of CCUA to encourage reasonable consumer safeguards where appropriate in the operations of Connecticut financial institutions.

HB 6130 – AAC The Connecticut Uniform Securities Act and Notices Issued by the Department of Banking

CCUA does not object to HB 6130 which would conform the definitions of broker-dealers and investment advisors to reflect the federal securities law, requiring banks and holding companies to register as such under the Gramm Leach Bliley Financial Modernization Act of 1999. CCUA feels that the strengthening of the powers granted to the Commissioner of Banking to protect consumers in this area is reasonable and appropriate.



STATE OF CONNECTICUT
DEPARTMENT OF BANKING

260 CONSTITUTION PLAZA • HARTFORD, CT 06103-1800



John P. Burke
Commissioner

BANKS COMMITTEE PUBLIC HEARING, JANUARY 25, 2001

MEMORANDUM RE: An Act Concerning Money Transmission
(S.B. 793)

STATEMENT OF PURPOSE: To update the statutory scheme governing the licensing and supervision of issuers of Connecticut payment instruments and money transmitters in order to take into account modern forms of money transmission.

FROM: John P. Burke, Banking Commissioner

PRESENT LAW:

Section 36a-3 contains cross-references to terms that are defined in various provisions of Title 36a.

Section 36a-595 provides a short title for Sections 36a-595 to 36a-610, inclusive ("the Act").

Section 36a-596 contains definitions used in the Act.

Section 36a-597 prohibits any person from engaging in the business of issuing Connecticut instruments or engaging in the business of receiving money for transmitting the same without first obtaining a license from the Banking Commissioner.

Section 36a-598 provides the application requirements for a license.

Section 36a-599 provides the nonrefundable investigation fees and license fees.

Section 36a-600 provides that the Commissioner shall approve conditionally any application for a license if the Commissioner finds the factors set forth in this section.

Section 36a-601 provides that no investigation fee shall be payable to the Commissioner in connection with a renewal application.

Section 36a-602 provides that the proceeds of the bond shall constitute a trust fund for the exclusive benefit of the purchasers and holders of Connecticut instruments issued by a licensee and that any investment made, in lieu of a bond, shall be maintained in trust for the exclusive benefit of such purchasers and holders.

Section 36a-603 requires each licensee at all times to maintain permissible investments having a value at least equal to the aggregate amount of its outstanding instruments.

Section 36a-604 establishes net worth requirements for licensees.

Section 36a-605 provides that at least once each year, the Commissioner shall visit each licensee and examine its books and records to ascertain whether it is in sound financial condition and whether its business has been and is being carried on pursuant to law. This section also provides that in lieu of or in addition to any examination, the Commissioner may require a licensee to file a report certified by an independent certified public accountant.

Section 36a-606 requires each licensee to file certain specified information with the Commissioner, including the dollar amount of the licensee's aggregate outstanding Connecticut instruments.

Section 36a-607 authorizes a licensee to conduct its business at one or more locations within this state subject to certain conditions.

Section 36a-608 requires that the Commissioner investigate to determine whether any licensee or other person has violated any provision of the Act; authorizes the Commissioner to suspend or revoke a license in accordance with Section 36a-51 for any wilful violation of the Act; to impose civil penalties in accordance with Section 36a-50; and to order a licensee to terminate its agency relationship with any agent who refuses to allow an examination of its books and records.

Section 36a-609 provides an exemption from the Act for certain entities, including any bank the insurable deposits of which are insured by the Federal Deposit Insurance Corporation, except in its capacity as an agent of a licensee, and, the receipt of money by an incorporated telegraph or cable company for immediate transmission by telegraph or cable.

Section 36a-610 authorizes the Commissioner to adopt regulations which are necessary or appropriate for the enforcement of the Act.

EFFECT OF S.B. 793:

- Section 1. This section amends Section 36a-3 to add cross-references to the definitions of "executive officer", "material litigation", "money transmission" and "payment instrument".
- Section 2. This section amends Section 36a-595 to provide a new short title for the Act.
- Section 3. This section amends Section 36a-596 to add definitions for the terms "executive officer", "material litigation", "money transmission" and "payment instrument". It also deletes other definitions and makes conforming changes to others.
- Section 4. This section amends Section 36a-597 to make conforming changes to incorporate terms added by the amendments to Section 36a-596.
- Section 5. This section amends Section 36a-598 to require that the application include the identity of any shareholder owning 10 percent or more of each class of securities, and sufficient information, in a form acceptable to the Commissioner, on the partners, directors, trustees, principal officers and 10 percent shareholders, as the Commissioner deems necessary to make the findings required for his approval of the application.
- This section also amends Section 36a-598 to require that each application include the history of material litigation and criminal convictions for the five-year period prior to the date of the application of (A) the individual, if the applicant is an individual, (B) the partners, if the applicant is a partnership, or (C) the directors, trustees, principal officers and any shareholders owning 10 percent or more of each class of securities.
- This section further amends Section 36a-598 to require that each application contain a statement of whether the applicant will engage in the business of issuing money orders, travelers checks, electronic payment instruments or engage in the business of money transmission in this state.
- Section 6. This section amends Section 36a-599 to eliminate the requirement that each application for a renewal license be accompanied by a nonrefundable investigation fee of \$500, and to add that the applicable license fee shall be refundable if the application for an original license is denied, if the Commissioner refuses to issue a renewal license or if an application for a license or renewal license is withdrawn prior to issuance of a license or renewal license by the Commissioner.

- Section 7. This section amends Section 36a-600 to add the requirement that the Commissioner find, before issuing a conditional approval of a license, that the applicant is in all respects properly qualified and of good character; if the applicant is a partnership, each partner is in all respects properly qualified and of good character; and if the applicant is a corporation, each executive officer, director, and each shareholder owning 10 percent or more of each class of the securities of such corporation is in all respects properly qualified and of good character.
- Section 8. This section amends Section 36a-601 to require that an application for renewal of a license contain the surety bond required by Section 36a-602.
- Section 9. This section amends Section 36a-602 to provide that the proceeds of the bond required by this section or the proceeds of investments made in lieu of such bond shall be deemed to be held in a statutory trust for the benefit of any claimants against a licensee.
- Section 10. This section amends Section 36a-603 to provide that permissible investments shall be deemed to be held in a statutory trust for the benefit of any claimants against a licensee.
- Section 11. This section amends Section 36a-604 to make conforming changes to incorporate terms added by the amendments to Section 36a-596.
- Section 12. This section amends Section 36a-605 to provide that in connection with an examination of a licensee under the Commissioner's general examination authority contained in Section 36a-17, the Commissioner may also examine the agents and subagents of such licensee. The section also provides that the Commissioner, in lieu of conducting an examination, may accept the report of examination of any other state or federal supervisory agency or other organization affiliated with or representing such supervisory agency with respect to the examination or other supervision of any person subject to the Act, or a report prepared by an independent accounting firm, and reports so accepted are considered for purposes of the Act as an official examination report of the Commissioner.
- This section also amends Section 36a-604 to authorize the Commissioner to enter into cooperative, coordinating and information sharing agreements with any other state or federal supervisory agency or organization affiliated with or representing such supervisory agency with respect to the examination, examination fees, or other supervision of persons subject to the provisions of the Act.
- Section 13. This section amends Section 36a-606 to make conforming changes to terms added by the amendments to Section 36a-596.

- Section 14. This section amends Section 36a-607 to make conforming changes to terms added by amendments to Section 36a-596.
- Section 15. This section amends Section 36a-608 to require the Commissioner to make such investigations and conduct such hearings as the Commissioner considers necessary to determine whether any licensee or any other person is about to violate any provision of the Act, to remove the requirement that a violation of the Act be wilful before the Commissioner may suspend or revoke a license issued under the Act, and to authorize the Commissioner to order a licensee to terminate its agency relationship with a subagent who refuses to allow an examination of its books.
- Section 16. This section amends Section 36a-609 to provide exemptions from the Act for any federally insured bank, out-of-state bank, Connecticut credit union, federal credit union or out-of-state credit union, except in its capacity as an agent of a licensee, provided such institution does not issue or sell Connecticut payment instruments or transmit money through an agent or subagent who is not such an entity. The section also exempts a person whose activity is limited to the electronic funds transfer of governmental benefits for a federal, state or governmental agency by a contractor on behalf of the United States or a department, agency or instrumentality thereof, or a state or governmental subdivision, agency or instrumentality thereof.
- Section 17. This section amends Section 36a-610 to broaden the Commissioner's authority to adopt regulations which are necessary or appropriate for the administration of the Act.

- SUGGESTED AMENDMENTS:
1. In line 306, before "and" insert "if the applicant is a corporation or association,".
 2. In line 306, after "information" but before the comma, insert "pertaining to the name and address".
 3. Strike lines 321 through 326, and insert in lieu thereof: "(8) The history of material litigation and criminal convictions for the five-year period prior to the date of the application of (A) the individual, if the applicant is an individual; (B) the partners, if the applicant is a partnership; or (C) the directors, trustees, principal officers, and any shareholder owning ten per cent or more of each class of its securities, if the applicant is a corporation or association, and sufficient information pertaining to the history of material litigation and criminal convictions, in a form acceptable to the commissioner, on such partners, directors, trustees, principal officers, and any shareholder owning ten per cent or more of each class of its securities."
 4. In line 644, after "for" insert "or on behalf of".
 5. In line 644, after "or" insert "other" and insert a comma at the end of the line.
 6. Strike lines 645 through 647, and insert in lieu thereof: "quasi-governmental agency or government sponsored enterprise."

**BANKING COMMISSIONER'S
POSITION:**

This is a Department of Banking proposal. This proposal is necessary to update the Connecticut money order and travelers check statutes to take into account modern forms of money transmission in order to safeguard the Connecticut public from default in the payment of these instruments or transmissions.

The requirement that a corporation or association provide the identity of any 10 percent shareholder is necessary because such a shareholder could have significant influence over a licensee. The requirement that all applications include the history of material litigation and criminal convictions is necessary to determine if persons who may have a significant influence over a licensee are in all respects properly qualified and of good character, which is a requirement added by this proposal.

The statutory trust language is being added in response to the industry's concern that the present language would not totally protect customers of a failed licensee. The proposal to allow the Commissioner to accept the examination reports of another state or federal supervisory agency or other organization affiliated with or representing such supervisory agency and to enter into cooperative, coordinating and information sharing agreements follows the trend to provide an efficient mechanism to adequately supervise the multistate activity of licensees.

The addition of authority to examine agents and subagents of licensees, the ability to take enforcement action without having to find a wilful violation of the Act and to order termination of agency relationships with subagents who impede the examination function are appropriate and necessary enforcement tools. The exemption from licensing for out-of-state banks and credit unions is consistent with the philosophy that such entities' activities are adequately supervised by their primary regulators, and is also the basis for the proposed addition of an exemption for persons whose activity is limited to the electronic funds transfer of governmental benefits.

**EFFECT OF SUGGESTED
AMENDMENTS:**

The amendments to Section 5 clarify that the requirement that an application include the identity of shareholders owning 10 percent or more of each class of securities, history of material litigation and criminal convictions for directors, trustees, principal officers and shareholders owning 10 percent or more of each class of securities and other sufficient information on such persons or class of persons applies if the applicant is a corporation or association.

The amendments to Section 16 eliminate the requirement that a person be acting as a contractor on behalf of the United States or a department, agency or instrumentality thereof, or a state or

governmental subdivision, agency or instrumentality thereof in order to be exempt from licensure when engaged in the electronic funds transfer of governmental benefits. The amendments also exempt a person whose activity is limited to the electronic funds transfer for or on behalf of a quasi-governmental agency or government sponsored enterprise.