

## HOUSE REPUBLICAN STAFF ANALYSIS

Bill:	House File 675	House Commerce:	<b>PASSED 2/21/23 (23-0)</b>
Committee:	Commerce	House Ways & Means:	<b>PASSED 3/16/23 (24-0)</b>
Floor Manager:	Rep. Shannon Lundgren	House Floor:	<b>PASSED 4/11/23 (93-4)</b>
Date:	April 11, 2023	Senate Floor:	
Staff:	Natalie Ginty (5-2063)	Governor:	

### Model Money Transmission Modernization Act

- This bill comes from the Iowa Division of Banking to update the existing Uniform Money Services Act. This update includes bringing online and mobile payment companies (like Venmo and PayPal) into the regulations. This bill comes from the Conference of State Bank Supervisors to have a new model state law that provides for more efficient and consistent regulation across the states and reduces regulatory burden.
- 10 states have enacted the majority of the model act, and 11 states have the bill in process this year.

### Section by Section Analysis

#### Section 1 (Iowa Code 533A.2)

Conforming change

#### Section 2 (Iowa Code 533C.101)

Amends the title of the act to "Uniform Money Transmission Modernization Act".

#### Section 3 (Iowa Code 533C.102)

Strikes definitions for "applicant", "bank", "compensation", "conducting the business", "credit union", "currency exchange", "executive officer", "location", "outstanding", "proceeds", "property", "record", "responsible individual", "state", "transaction", and "unsafe or unsound practice".

Adds definitions for "acting in concert", "average daily money transmission liability", "Bank Secrecy Act", "Closed Loop stored value", "Eligible rating", "Eligible rating service", "federally insured depository financial institution", "in this state", "individual", "key individual", "material litigation", "money services businesses accredited state", "multistate licensing process", "nationwide multistate licensing system", "outstanding money transmission obligations", "passive investor", "payroll processing services", "receipt", "receiving money for transmission", "remit", "tangible net worth", and "In the United States".

Changes the definition for "control", "money", "money transmission", "payment instrument", "person", and "stored-value".

#### Section 4 (Iowa Code 533C.103)

Amends certain existing exemptions and adds new exemptions from licensing in order to harmonize scope of licensing requirements across states.

Section 5 (Iowa Code 533C.201)

Strike after of the current section regarding implementation. The new section authorizes the superintendent to utilize other regulator systems and processes. This section also clarifies what licensees are covered by Iowa law and details how “outstanding money transmission obligations” are created and extinguished.

Section 6 (Iowa Code 533C.202)

Establishes confidentiality provisions for examination and supervisory information relating to licensees.

Section 7 (Iowa Code 533C.203)

Establishes general parameters for supervision of licensees, including investigations and licensees paying reasonable costs of examinations.

Section 8 (Iowa Code 533C.204)

Adopts the principles of “networked supervision” among the states.

Section 9 (Iowa Code 533C.205)

Federal law governs in the event of a conflict with state law.

Section 10 (Iowa Code 533C.301)

Revises the current requirement that a license is required to conduct money transmission by removing references to “currency exchange” and clarifying that the requirement does not apply to authorized delegates and those exempted in section 4 of the bill.

Section 11 (Iowa Code 533C.302)

Allows for multistate licensing arrangements.

Section 12 (Iowa Code 533C.303)

Establishes application requirements. Maintains existing fee structure, but does add a \$100 fee for a person to request written confirmation that a license is not required.

Section 13 (Iowa Code 533C.304)

Specifies the information certain individuals must provide to the superintendent of banking, including those not located in the United States. Includes a criminal background check.

Section 14 – New Section (Iowa Code 533C.305)

Provides that an application is automatically approved 120 days after completion unless the superintendent has approved or denied it sooner, or can extend the period for good cause.

Section 15 – New Section (Iowa Code 533C.306)

Governs renewal of existing licenses and requirements for renewal application.

Section 16 – New Section (Iowa Code 533C.307)

Authorizes the superintendent to suspend or revoke a license if the licensee fails to meet the requirements of the license.

Section 17 (Iowa Code 533C.401)

Provides the process for change of control of a licensee and exempt “passive investors”.

Section 18 (Iowa Code 533C.402)

Provides the requirements if key individuals change for a licensee.

Section 19 (Iowa Code 533C.501)

Addresses the relationship between licensees and authorized delegates. This is an example of having a Western Union located inside a Hy-Vee or Walmart.

Section 20 (Iowa Code 533C.502)

Prohibits any person from performing money transmission on behalf of a person not licensed under this bill.

Section 21 (Iowa Code 533C.601)

Amends existing reporting requirements for licensees.

Section 22 (Iowa Code 533C.602)

Requires licensees to provide audited financial statements each year.

Section 23 – New Section (Iowa Code 533C.603)

Requires licensees to submit annual reports of its authorized delegates and specifies certain information that must be included for each authorized delegate.

Section 24 – New Section (Iowa Code 533C.604)

Revises and relocates existing requirement for licensees to report certain significant events, such as filing for bankruptcy, receivership, dissolution, or the commencement of a license suspension or revocation proceeding by a regulator in another state or country. Also reporting a felony charge or conviction.

Section 25 – New Section (Iowa Code 533C.605)

Retains requirements for banks to file a federal report related to money laundering.

Section 26 – New Section (Iowa Code 533C.606)

Revises existing requirements for licensees to maintain records and specifies certain records that must be maintained.

Section 27 – New Section (Iowa Code 533C.607)

Addresses the superintendent of banking's ability to disclose licensee records.

Section 28 (Iowa Code 533C.701)

Requires timely transmission of money received for transmission according to the terms of the agreement with the sender unless the licensee has a reasonable belief that the sender is a victim of fraud or that the transaction may have violated an applicable law or constitutes a crime.

Section 29 (Iowa Code 533C.702)

Addresses the requirements for providing refunds.

Section 30 (Iowa Code 533C.703)

Includes requirements that licensees must provide receipts to senders.

Section 31 (Iowa Code 533C.704)

Requires payroll processing services disclosures that report to clients in advance of funds being deducted and make pay stubs available to workers.

Section 32 (Iowa Code 533C.801)

Amends existing net worth requirements for licensees which must be shown at initial application.

Section 33 (Iowa Code 533C.802)

Requires licensee maintain a surety bond in an amount equal to the greater of (1) \$100,000 or (2) 100% of the licensee's average daily money transmission in Iowa over the most recent three months (not to exceed \$500,000).

Section 34 (Iowa Code 533C.803)

Revises requirements that licensees must at all times maintain permissible investments equal to at least the amount of its outstanding money transmission obligations.

Section 35 (Iowa Code 533C.804)

Revises the types of investments that qualify as permissible investments.

Section 36 – Repeal

Repeals existing laws that are replaced by this Act.

Section 37 – Code Editor Directive

Changes the titles of the certain sections in the code chapter.