

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001

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

Short Title: Money Transmitters Act.

(Public)

Sponsors:

Referred to:

April 5, 2001

A BILL TO BE ENTITLED

AN ACT TO REVISE THE NORTH CAROLINA MONEY TRANSMITTERS ACT,  
ARTICLE 16 OF CHAPTER 53 OF THE GENERAL STATUTES.

The General Assembly of North Carolina enacts:

**SECTION 1.** Article 16 of Chapter 53 of the General Statutes, G.S. 53-192 through G.S. 53-208, is hereby repealed.

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

"Article 16A.

"Money Transmitters Act.

**§ 53-208.1. Citation of Article.**

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

**§ 53-208.2. Definitions.**

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

- (1) Applicant. – A person filing an application for a license under this Article.
- (2) Authorized delegate. – An entity designated by the licensee under the provisions of this Article to sell or issue payment instruments or stored value or engage in the business of transmitting money on behalf of a licensee.
- (3) Commissioner. – The Commissioner of Banks of the State of North Carolina.
- (4) Control. – Ownership of, or the power to vote, ten percent (10%) or more of the outstanding voting securities of a licensee or controlling

1 person. For purposes of determining the percentage of a licensee  
2 controlled by any person, there shall be aggregated with the person's  
3 interest the interest of any other person controlled by the person or by  
4 any spouse, parent, or child of the person.

5 (5) Controlling person. – Any person in control of a licensee.

6 (6) Electronic instrument. – A card or other tangible object for the  
7 transmission or payment of money or monetary value which contains a  
8 microprocessor chip, magnetic strip, or other means for the storage of  
9 information that is prefunded and for which the value is decremented  
10 upon each use. The term does not include a card or other tangible  
11 object that is redeemable by the issuer in goods or services.

12 (7) Executive officer. – The licensee's president, chair of the executive  
13 committee, senior officer responsible for the licensee's business, chief  
14 financial officer, and any other person who performs similar functions.

15 (8) Key shareholder. – Any person, or group of persons acting in concert,  
16 who is the owner of ten percent (10%) or more of any voting class of  
17 an applicant's stock.

18 (9) Licensee. – A person licensed under this Article.

19 (10) Material litigation. – Any litigation that, according to generally  
20 accepted accounting principles, is deemed significant to an applicant's  
21 or licensee's financial health and would be required to be referenced in  
22 that entity's annual audited financial statements, report to shareholders,  
23 or similar documents.

24 (11) Monetary value. – A medium of exchange, whether or not redeemable  
25 in money.

26 (12) Monetary transmission. – The term means either of the following:

27 a. The sale or issuance of payment instruments or stored value.

28 b. The act of engaging in the business of receiving money or  
29 monetary value for transmission within the United States or to  
30 locations abroad by any and all means, including payment  
31 instrument, wire, facsimile, or electronic transfer.

32 (13) Payment instrument. – Any electronic or written check, draft, money  
33 order, traveler's check, or other electronic or written instrument or  
34 order for the transmission or payment of money or monetary value,  
35 whether or not the instrument is negotiable. The term does not include  
36 a credit card voucher, letter of credit, or any other instrument that is  
37 redeemable by the issuer in goods or services.

38 (14) Outstanding payment instrument. – Any payment instrument issued by  
39 the licensee which has been sold in the United States directly by the  
40 licensee or any payment instrument issued by the licensee which has  
41 been sold by an authorized delegate of the licensee in the United

- 1                   States, which has been reported to the licensee as having been sold and  
2                   which has not yet been paid by or for the licensee.
- 3           (15) Person. – Any individual, partnership, association, joint-stock  
4                   association, trust, or corporation.
- 5           (16) Remit. – To do one or more of the following:  
6                   a.     Make direct payment of the funds to the licensee or its  
7                             representatives authorized to receive those funds.  
8                   b.     Deposit the funds in a bank, credit union, or savings and loan  
9                             association or other similar financial institution in an account  
10                            specified by the licensee.
- 11          (17) Permissible investments. – One or more of the following:  
12                   a.     Cash.  
13                   b.     Certificates of deposit or other debt obligations of a financial  
14                             institution, either domestic or foreign.  
15                   c.     Bills of exchange or time drafts drawn on and accepted by a  
16                             commercial bank, otherwise known as bankers' acceptances,  
17                             which are eligible for purchase by member banks of the Federal  
18                             Reserve System.  
19                   d.     Any investment bearing a rating of one of the three highest  
20                             grades as defined by a nationally recognized organization that  
21                             rates securities.  
22                   e.     Investment securities that are obligations of the United States,  
23                             its agencies, or instrumentalities or obligations that are  
24                             guaranteed fully as to principal and interest of the United States  
25                             or any obligations of any state, municipality, or any political  
26                             subdivision thereof.  
27                   f.     Shares in a money market mutual fund, interest-bearing bills or  
28                             notes or bonds, debentures, or preferred stock traded on any  
29                             national securities exchange or on a national over-the-counter  
30                             market, or mutual funds primarily composed of such securities  
31                             or a fund composed of one or more permissible investments as  
32                             set forth herein.  
33                   g.     Any demand borrowing agreement or agreements made to a  
34                             corporation or a subsidiary of a corporation whose capital stock  
35                             is listed on a national exchange.  
36                   h.     Receivables due to a licensee from its authorized delegates  
37                             pursuant to a contract described in G.S. 53-208.19, which are  
38                             not past due or doubtful of collection.  
39                   i.     Any other investments or security device approved by the  
40                             Commissioner.
- 41          (18) Stored value. – Monetary value that is evidenced by an electronic  
42                   record.

**"§ 53-208.3. License required.**

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

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

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

**"§ 53-208.4. Exemptions.**

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

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

(2) The United States Post Office.

(3) The State or any political subdivisions thereof.

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

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

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

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

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

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

(b) Every corporate applicant, at the time of filing of an application for license under this Article and at all times after a license is issued, shall be in good standing in

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

6 **"§ 53-208.6. Permissible investments and statutory trust.**

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

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

18 **"§ 53-208.7. License application.**

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

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

- 1       **(b)**   If the applicant is a corporation, the applicant shall also provide:
- 2           **(1)**   The date of the applicant's incorporation and state of incorporation.
- 3           **(2)**   A certificate of good standing from the state in which the applicant  
4           was incorporated.
- 5           **(3)**   A certificate of authority from the Secretary of State to conduct  
6           business in this State, if required by the North Carolina Business  
7           Corporations Act, Chapter 55 of the General Statutes.
- 8           **(4)**   A description of the corporate structure of the applicant, including the  
9           identity of any parent or subsidiary of the applicant and the disclosure  
10          of whether any parent or subsidiary is publicly traded on any stock  
11          exchange.
- 12          **(5)**   The name, business and residence address, and employment history for  
13          the past five years of the applicant's executive officers and the officers  
14          or managers who will be in charge of the applicant's activities to be  
15          licensed pursuant to this Article.
- 16          **(6)**   The name, business and residence address, and employment history for  
17          the period five years prior to the date of the application of any key  
18          shareholder of the applicant.
- 19          **(7)**   The history of material civil litigation for a 10-year period prior to the  
20          date of the application and a record of any criminal conviction for  
21          every executive officer or key shareholder.
- 22          **(8)**   A copy of the applicant's most recent audited financial statement,  
23          including the balance sheet, statement of income or loss, statement of  
24          changes in shareholder equity, and statement of changes in financial  
25          position and, if available, the applicant's audited financial statements  
26          for the immediately preceding two-year period. However, if the  
27          applicant is a wholly owned subsidiary of another corporation, the  
28          applicant may submit either the parent corporation's consolidated  
29          audited financial statements for the current year and for the  
30          immediately preceding two-year period or the parent corporation's  
31          Form 10K reports filed with the United States Securities and Exchange  
32          Commission for the prior three years in lieu of the applicant's financial  
33          statements. If the applicant is a wholly owned subsidiary of a  
34          corporation having its principal place of business outside the United  
35          States, similar documentation filed with the parent corporation's non-  
36          United States regulator may be submitted to satisfy this provision.
- 37          **(9)**   Copies of all filings, if any, made by the applicant with the United  
38          States Securities and Exchange Commission, or with a similar  
39          regulator in a country other than the United States, within the year  
40          preceding the date of filing of the application.
- 41       **(c)**   If the applicant is not a corporation, the applicant shall also provide:

- 1           (1) The name, business and residence address, personal financial  
2 statement, and employment history, for the past five years, of each  
3 principal of the applicant and the name, business and residence  
4 address, and employment history for the past five years of any other  
5 person or persons who will be in charge of the applicant's activities to  
6 be licensed pursuant to this Article.
- 7           (2) The place and date of the applicant's registration or qualification to do  
8 business in this State.
- 9           (3) The history of material civil litigation for a 10-year period prior to the  
10 date of the application and a record of any criminal conviction for each  
11 individual having an ownership interest in the applicant and each  
12 individual who exercises supervisory responsibility with respect to the  
13 applicant's activities.
- 14           (4) Copies of the applicant's audited financial statements, including the  
15 balance sheet, statement of income or loss, and statement of changes in  
16 financial position, for the current year and, if available, for the  
17 immediately preceding two-year period.

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

22 **"§ 53-208.8. Surety bond.**

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

40       (b) In lieu of a surety bond, the licensee may deposit with the Commissioner, or  
41 with any bank in this State designated by the licensee and approved by the  
42 Commissioner, to an aggregate amount, based upon principal amount or market value,

1 whichever is lower, of not less than the amount of the surety bond or portion thereof, the  
2 following:

- 3 (1) Unencumbered cash.
- 4 (2) Unencumbered interest-bearing bonds.
- 5 (3) Unencumbered notes.
- 6 (4) Unencumbered debentures.
- 7 (5) Unencumbered obligations of the United States or any agency or  
8 instrumentality thereof, or guaranteed by the United States.
- 9 (6) Unencumbered obligations of this State or of any political subdivision  
10 of the State, or guaranteed by this State.

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

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

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

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

30 **"§ 53-208.9. Fees.**

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

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

40 (c) Location Fee. – Notwithstanding the number of locations within this State at  
41 which a licensee or authorized delegate conducts a money transmitter business, the per  
42 location fee provided in subsections (a) and (b) of this section shall not exceed five



1 thousand dollars (\$5,000) per licensee per year. The per year location fee shall be based  
2 on the number of locations set forth in the annual report required by G.S. 53-208.11.

3 **"§ 53-208.10. Issuance of license.**

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

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

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

30 **"§ 53-208.11. Renewal of license and annual report.**

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

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

41 (2) For the most recent quarter for which data is available prior to the date  
42 of the filing of the renewal application, but in no event more than 120

1 days prior to the renewal date, the licensee shall provide the number of  
2 payment instruments sold by the licensee in the State, the dollar  
3 amount of those instruments, and the dollar amount of those  
4 instruments currently outstanding.

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

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

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

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

18 **"§ 53-208.12. Quarterly reports.**

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

21 **"§ 53-208.13. Extraordinary reporting requirements.**

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

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

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

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

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

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

38 **"§ 53-208.14. Changes in control of a license.**

39 Within 15 days of a change or acquisition of control of a licensee, the licensee shall  
40 provide notice of the event to the Commissioner in writing and in a form prescribed by  
41 the Commissioner. The notice shall be accompanied by any information, data, and  
42 records required by the Commissioner. Notwithstanding the foregoing, the

1 Commissioner may waive this notification requirement if, in the Commissioner's  
2 discretion, the change in control does not pose any risk to the interests of the public.

3 **"§ 53-208.15. Examinations.**

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

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

26 **"§ 53-208.16. Maintenance of records and certificate of authority.**

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

29 (1) A record or records of each payment instrument sold.

30 (2) A general ledger containing all assets, liability, capital, income, and  
31 expense accounts, which general ledger shall be posted at least  
32 monthly.

33 (3) Settlement sheets received from authorized delegates.

34 (4) Bank statements and bank reconciliation records.

35 (5) Records of outstanding payment instruments and stored value.

36 (6) Records of each payment instrument paid within the three-year period.

37 (7) A list of the names and addresses of all of the licensee's authorized  
38 delegates, if any.

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

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

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

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

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

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

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

- (1) Any fact or condition exists that, if it had existed at the time when the licensee applied for its license, would have been grounds for denying the application.
- (2) The licensee's net worth becomes inadequate and the licensee, after 10 days' written notice from the Commissioner, fails to take such steps as the Commissioner deems necessary to remedy the deficiency.
- (3) The licensee knowingly violates any material provision of this Article or any rule or order validly adopted by the Commissioner under authority of this title.
- (4) The licensee is conducting its business in an unsafe or unsound manner.
- (5) The licensee is insolvent.
- (6) The licensee has suspended payment of its obligations, has made an assignment for the benefit of its creditors, or has admitted in writing its inability to pay its debts as they become due.
- (7) The licensee has applied for an adjudication for bankruptcy, reorganization, arrangement, or other relief under any bankruptcy.
- (8) The licensee refuses to permit the Commissioner to make any examination authorized by this Article.
- (9) The licensee willfully fails to make any report required by this Article.

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

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

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

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

8 (3) That licensees are subject to supervision and regulation by the  
9 Commissioner.

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

16 **§ 53-208.20. Authorized delegate conduct.**

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

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

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

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

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

36 (f) All funds, less fees, received by an authorized delegate of a licensee from the  
37 sale or delivery of a payment instrument or stored value issued by a licensee or received  
38 by an authorized delegate for transmission shall constitute trust funds owned by and  
39 belonging to the licensee from the time the funds are received by the authorized  
40 delegate until the time when the funds or an equivalent amount are remitted by the  
41 authorized delegate to the licensee. If an authorized delegate commingles any funds  
42 with any other funds or property owned or controlled by the authorized delegate, all

1 commingled proceeds and other property shall be impressed with a trust in favor of the  
2 licensee in an amount equal to the amount of the proceeds due the licensee.

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

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

9 **"§ 53-208.21. Revocation or suspension of authorized delegates.**

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

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

34 **"§ 53-208.22. Licensee liability.**

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

39 **"§ 53-208.23. Hearings; procedures.**

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

**"§ 53-208.24. Civil penalties.**

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

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

**"§ 53-208.25. Enforcement.**

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

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

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

**"§ 53-208.26. Criminal penalties.**

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

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

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

4 **"§ 53-208.27. Rules.**

5 (a) The Banking Commission may adopt rules necessary to implement this  
6 Article.

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

14 **"§ 53-208.28. Severability.**

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

19 **"§ 53-208.29. Appointment of Secretary of State as agent for service of process.**

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

- 23 (1) Consented to the jurisdiction of the courts of this State for all actions  
24 arising under this Article; and  
25 (2) Appointed the Secretary of State as such person's agent for the purpose  
26 of accepting service of process in any action, suit, or proceeding that  
27 may arise under this Article.

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

33 **"§ 53-208.30. Transition.**

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

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

40 "(7a) Records of examinations and investigations of licensees under the ~~Sale~~  
41 ~~of Checks Act, Article 16~~ Money Transmitters Act, Article 16A of this  
42 Chapter;"



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

2   "**§ 53-277. Exemptions.**

3       (a) This Article shall not apply to:

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

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

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

16           **SECTION 5.** This act becomes effective October 1, 2001, and applies to  
17   contracts entered into on or after that date.

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