

**Report of Chair  
Drafting Committee on Regulation of Non-Bank Financial Services  
November 14, 1996**

The Executive Committee of the National Conference of Commissioners on Uniform State Laws authorized the formation of a Drafting Committee on the Regulation of Non-Bank Financial Institutions at the July 1996 Annual Meeting in San Antonio, Texas. This approval was conditioned upon the Drafting Committee reporting back to the Executive Committee as to the possibility of external funding prior to obligation of conference resources.

In October 1996, Conference President Bion Gregory appointed the Drafting Committee as follows:

Tom Bolt (VI)-Chair  
Rush B. Deacon (AR)  
David A. Gibson (VT)  
Michael Houghton (DE)  
Scott Scherer (NV)  
Sandra S. Stern (NY); and  
Ken Takayama (HI)

The Committee Chair obtained the records of its Study Committee Chair, W. Jackson Willoughby, and at suggestion of the Conference Executive Director Fred H. Miller initiated discussion with the New York Federal Reserve and the Treasury Department as to funding the project. Executive Director Miller, in conjunction with Acting Executive Secretary, John McCabe, developed a proposed three year budget for the project to facilitate discussion with the federal government. (A copy of which is attached as Exhibit A).

The Committee Chair attended the American Bar Association/American Bankers Association Money Laundering Enforcement Seminar in Washington, DC October 27-28, 1996. Among the topics discussed was the "Redefining of Non-Bank Financial Institutions (NBFI's)". More importantly, this symposium offered contacts with the federal regulators that are interested in promoting the drafting project, as well as various NBFI interest groups including the Ad Hoc Committee on Money Transmitters and the National Check Cashers Association.

Following the Money Laundering Enforcement Seminar, the Committee Chair met with William Beatty, Associate Director of the Financial Crimes Enforcement Network (FINCEN) of the Department of Treasury, Steve Kroll, FINCEN General Counsel and Peter Djinis, FINCEN Assistant Director for Regulation. FINCEN is increasingly concerned with the regulation of NBFIs and is intent upon cooperating with the Conference with respect to this drafting project. FINCEN has contracted with Coopers and Lybrand for a study of the number of NBFIs in existence and their volume of trade.

Subsequent to the meeting with FINCEN, the Committee Chair, and FINCEN Associate Director, William Beatty, had a meeting with Assistant Secretary of Treasury James E. Johnson to discuss the drafting project and the U.S. Treasury Department's commitment to the same. In this regard, Assistant Secretary Johnson requested that the Committee Chair ascertain the degree of financial assistance from the Conference and the Federal Reserve to the project and report to him in 14 days. It was discussed that funds must be committed prior the January meeting of the NCCUSL Executive Committee, so as to initiate the project in a timely manner.

The Committee Chair also met with Tom Baxter, General Counsel of the New York Federal Reserve and Rick Small of the Federal Reserve. The Federal Reserve is interested in the drafting project and although they are unable to commit Federal Reserve funds for the project, Baxter committed to securing one half of the projected budget through private foundations by the January meeting of the Conference Executive Committee and has begun to solicit such funds.

The Committee Chair also had the opportunity to discuss the drafting project with Thomas Judd of the National Association of Attorneys General (NAAG). NAAG is desirous of pursuing this drafting project and will offer to assign an Advisor to the Drafting Committee and, once promulgated will assist the Conference through the respective state Attorneys General in the introduction and adoption of the final legislation.

Executive Director Miller by letter dated November 7, 1996 ( a copy of which is attached hereto as Exhibit B), appointed Anita Ramasastry, a law professor at the University of Puget Sound. Professor Ramasastry has accepted the appointment and has met with the Committee Chair to coordinate initial steps in the drafting project.