

## Memorandum

To: Commissioners

From: Commissioner Tom Bolt, Chair of Drafting Committee to Amend Uniform Money Services Act and Commissioner Anita Ramasastry, Conference Reporter

Re: Amendments to Uniform Money Services Act

Date: June 10, 2004

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The Drafting Committee proposes the following amendments to the Uniform Money Services Act ("UMSA"):

### **1. New Section 203: Reciprocal Permission to Engage in Money Transmission**

New Section 203 would permit persons to obtain one money transmission license and to operate on a reciprocal basis in states that have enacted UMSA or money transmission laws that are substantially similar to UMSA. Such a reciprocal licensing mechanism would permit Internet payments entities as well as traditional money transmitters to operate in multiple jurisdictions on the basis of a single license. State regulators would be called upon to grant reciprocity to a money transmitter only if such transmitter were licensed in a state that had similar licensing requirements. The money transmitter would also have to comply with Article 6 (reports, record and licensee examination), Article 7 (permissible investments), and Article 8 (enforcement powers of regulator; penalties) of UMSA.

### **2. Amended Section 602: Cooperation**

A revised Section 602 would replace the existing provision that permits joint examinations. This provision is a modification of Section 411 of the 1968 version of the Uniform Consumer Credit Code. Amended Section 602 would provide regulators with the ability to cooperate on multiple matters including joint examinations of licensees.

### **3. Amended Section 501: Prohibition on Subdelegates**

A new subsection(f) has been added that would prohibit an authorized delegates use of subdelegates. This makes it clear that authorized delegates may not further subcontract money transmission activities to subdelegates. New York is currently one jurisdiction that permits the use of subdelegates. The Drafting Committee and official observers concurred that use of subdelegates is not consistent with safety and soundness requirements of UMSA.

### **4. Amended Section 603(b) – Removal of “responsible individuals”**

The term “responsible individuals” has been removed from Section 603(b). The Drafting Committee concurred with recommendations from an official observer concerning this technical amendment. The reference to “responsible individual” is redundant. As defined in Section 102(1), a responsible individual is an employee of a licensee, who has “principal managerial authority”. Section 302 of the Act requires this information to be furnished by the licensee to the superintendent.

**5. Section 701(a) – Removal of “authorized delegates”**

The Drafting Committee also concurred with an official observer on this technical amendment. The term “authorized delegates” would be removed from Section 701(a). It is to be deleted because only licensees maintain permissible investments. The inclusion of the word in that sentence adds ambiguity. Since permissible investments are required in the total (aggregate) amount of all instruments or transmissions outstanding or transmitted, the deletion of the word does not undercut the substance of the permissible investment requirement. Existing state money transmitter laws with a permissible investment requirement operates in this manner. The reference to “in all states” clarifies the scope of the licensee’s duties with respect to permissible investments.