



**House
Legislative
Analysis
Section**

Manufacturer's Bank Building, 12th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

THE APPARENT PROBLEM:

Sales of money orders and traveler's checks are regulated under Public Act 136 of 1960, the Sale of Checks Act (where "checks" means both money orders and travelers checks). Since the act's creation in 1960, telegraph companies, which are allowed to transact money orders, have primarily been regulated by the Federal Communications Commission (FCC) and the Michigan Public Service Commission (MPSC), and were consequently excluded from the act. Over the last thirty years and especially within the last decade, however, the FCC and MPSC have deregulated telegraph companies in an attempt to promote greater competition among companies. Under deregulation, a number of new companies have entered the industry, many of which transact money orders electronically. Some people feel some of these companies may not be experienced enough to properly handle such transactions, and fear allowing such transactions to occur without sufficient oversight could pose problems for consumers. Because of the financial nature of money order and travelers checks sales (such transactions arguably are no different from money transactions made at automated teller machines), some people feel such transactions should be fully regulated under the act.

THE CONTENT OF THE BILL:

The bill would amend the Sales of Checks Act to delete the provision which exempts from the act telegraph companies that sell money orders and traveler's checks, and would thereby regulate the sale of money orders and traveler's checks by telegraph companies.

MCL 487.904

FISCAL IMPLICATIONS:

According to the Financial Institutions Bureau, the bill would not affect state expenditures. (10-4-89)

ARGUMENTS:

For:

The bill would include telegraph companies that sell money orders and traveler's checks electronically (or otherwise) under the Sales of Checks Act. Transactions of this nature are similar to those made by banks and other financial institutions, and should be fully regulated by the act. Telegraph companies were originally excluded from the act in 1960 because the FCC and MPSC regulated their activities. In the wake of deregulation since that time, more telegraph companies are offering to sell money orders and traveler's checks. According to a spokesperson from the Financial Institutions Bureau, a recent embezzlement case involving just such a company in the state of New York resulted in a \$2 million loss to customers. On the heels of that case, New York included these companies under their own check-sales law. Michigan would be wise to follow suit.

"CHECK" SALES BY TELEGRAPH COMPANIES

House Bill 5070 as introduced
First Analysis (10-5-89)

RECEIVED

Sponsor: Rep. Kirk A. Profit
Committee: Corporations & Finance

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POSITIONS:

The Financial Institutions Bureau supports the bill. (10-4-89)

The Michigan Consumer's Council supports the bill. (10-4-89)

The Michigan Banker's Association has no position on the bill. (10-4-89)

H.B. 5070 (10-5-89)