



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 729 (Substitute S-1 as reported)
Sponsor: Senator Margaret E. O'Brien
Committee: Banking and Financial Institutions

CONTENT

The bill would amend the Money Transmission Services Act, which regulates paper and electronic money transmission services and requires a person providing those services to be licensed, to identify additional types of entities that would not be subject to the Act.

The Act does not apply to certain entities, such as the United States, a state, a county, or a city, or to the certain types of financial institutions. Under the bill, the Act also would not apply to the following:

- A person that issued, sold, or distributed a closed-loop prepaid access device or vehicle, if the funds associated with that device or vehicle did not exceed \$2,000 maximum value on any day.
- A person to the extent that it was acting as an agent of a payee, if the person demonstrated to the Director that certain requirements were met.

Additionally, the Act would not apply to a person, to the extent that it provided money transmission services as an agent for a type of financial institution listed in the Act, if both of the following were met: 1) the agency relationship between the person that was provided the money transmission services and the financial institution was established through written agreement; and 2) the financial institution remained responsible for providing the money transmission services to its customers.

MCL 487.1002-487.1004

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

The bill would have an indeterminate impact upon State licensure revenue under the Money Transmission Services Act. The bill would create new exemptions from licensure for agents of financial institutions as described in the Act, agents of payees as defined in the bill, and entities that offer closed-loop prepaid devices (e.g., gift cards). The Department of Insurance and Financial Services does not anticipate any new loss of revenue as a result.

The Department currently licenses 107 entities under the Act; however, information is not available concerning the number of those licensed entities that only act exclusively as agents for payees or financial institutions. If a large number of current licensees attempted to claim an exemption, the loss of revenue could be significant. License fees under the Act range from \$3,600 to \$6,600, and surety bond requirements range from \$500,000 to \$1.5 million.

The bill would not have a direct impact on local units of government.

Date Completed: 1-25-18

Fiscal Analyst: Michael Siracuse

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Bill Analysis @ www.senate.michigan.gov/sfa

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