



**Sub. H.B. 454**

126th General Assembly  
(As Passed by the House)

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**BILL SUMMARY**

- Authorizes financial institutions to enter into debt suspension and cancellation contracts with borrowers.
- Modifies the Trust Companies Law with respect to the trust powers of savings and loan associations and savings banks, the entities eligible to serve as "qualified trustees" of pledged securities, and the transfer of trust business.
- Makes changes to the Savings and Loan Associations Law and Savings Banks Law in connection with committees and meetings of boards of directors.
- Revises the peace officer training and certification requirements applicable to persons appointed as police officers for or on the premises of financial institutions.
- Permits a bankers' bank to provide services to depository institution holding companies and allows such holding companies to own voting shares of a bankers' bank.
- Revises the Money Transmitters Law, including with respect to licensing, net worth and business organization requirements, permissible investments, security devices, reporting and record-keeping requirements, agents, acquisition of a licensee, ceasing to do business, investigations and examinations, and enforcement.
- Declares an emergency.

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## CONTENT AND OPERATION

### *Financial institutions*

#### *Debt suspension and cancellation contracts*

(R.C. 1109.15, 1151.321, 1161.51, and 1733.25)

In general, debt suspension and debt cancellation contracts are agreements between a financial institution and a borrower or borrowers in which, in exchange for a fee, the financial institution agrees to suspend or cancel debt, or perhaps waive finance charges, if the borrower or borrowers experience a predefined event such as death, disability, or unemployment. The bill explicitly authorizes banks,



savings and loan associations, savings banks, and credit unions to enter into debt suspension and cancellation contracts in connection with any loan or extension of credit. This authority, however, is subject to any restrictions or requirements established by the Superintendent of Financial Institutions.

### **Trust powers**

#### **Background**

Currently, savings and loan associations and savings banks are permitted to serve as trustees of a few particular types of trusts, if so authorized by the Superintendent of Financial Institutions (R.C. 1151.191 and 1161.24). However, a savings and loan association that wishes to exercise more extensive trust powers may submit an application to the Superintendent. The Superintendent must consider certain information, including the needs of the community for trust services, the general condition of the association, and the general character and ability of the association's management, and may grant "such limited or full trust powers . . . as seem warranted" under any conditions the Superintendent considers advisable. Prior to executing those powers, the association must make a deposit of \$100,000 in cash or securities. (R.C. 1151.348.)

The Trust Companies Law (R.C. Chapter 1111.) provides for the organization and operation of trust companies. In general, the Law specifies who is qualified to solicit or engage in trust business<sup>1</sup> in Ohio, and requires that certain persons apply to the Superintendent for a trust company license prior to soliciting or engaging in such business. Persons required to be so licensed, including Ohio-chartered banks and banks chartered by another state or country if authorized to accept and execute trusts, are subject to requirements for the pledging of securities having a par value of \$100,000. The following, however, are *not* required to be licensed as a trust company in order to solicit or engage in trust business in Ohio: (1) any savings and loan association granted more extensive trust powers by the Superintendent in accordance with R.C. 1151.348, as described above, (2) a national bank with trust powers, or (3) a federal savings and loan association or savings bank with trust powers.

### **Operation of the bill**

**Trust company license** (R.C. 1101.15, 1111.02, 1111.06, 1111.07, 1151.348, and 1161.601). The bill removes the provision permitting the

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<sup>1</sup> "Trust business" is generally defined as accepting and executing trusts of property; serving as a trustee, executor, or other fiduciary; and providing fiduciary services as a business (R.C. 1111.01).

Superintendent to grant more extensive trust powers to savings and loan associations (existing R.C. 1151.348, as discussed above) and, instead, authorizes savings and loans to engage in trust business after obtaining a trust company license. It also permits savings banks to engage in trust business if licensed as a trust company.

The bill specifies that any savings and loan association or savings bank licensed as a trust company is subject to all laws applicable to a trust company. Additionally, the Division of Financial Institutions is required to supervise these entities in accordance with the Savings and Loan Associations Law (R.C. Chapters 1151. to 1157.) and the Savings Banks Law (R.C. Chapters 1161. to 1165.), respectively. The Division may, however, apply the Trust Companies Law (R.C. Chapter 1111.) in the event of a voluntary or forced liquidation of the entity's trust business.

**Pledging of securities** (R.C. 1111.04). As mentioned above, trust companies are currently required to pledge certain approved securities to the Treasurer of State. The securities may be delivered to the Treasurer of State or placed with a qualified trustee for safekeeping. For these purposes, the following may serve as "qualified trustees": (1) a federal reserve bank located in Ohio, (2) a branch of a federal reserve bank located in Ohio regardless of where the branch is located, (3) a federal home loan bank, or (4) a trust company other than the trust company that is pledging the securities.

The bill removes (1) and (2), above, and, instead, permits any federal reserve bank to serve as a qualified trustee. It retains (3) and (4), above, and additionally permits a national bank, federal savings and loan association, or federal savings bank that has pledged securities and is authorized to accept and execute trusts, to serve as a qualified trustee for pledged securities other than its own.

**Transfer of trust business** (R.C. 1111.08). If certain conditions are met, a trust company is currently permitted to transfer all or part of its trust business in Ohio to another trust company or to a national bank, federal savings and loan association, or federal savings bank that is authorized to accept and execute trusts. Under the bill, this transfer authority applies as well to any such national bank, federal savings and loan association, or federal savings bank.

### **Boards of directors**

**Background** (R.C. 1151.02 and 1161.02). Savings and loan associations and savings banks are organized and governed by the General Corporation Law (R.C. Chapter 1701.), unless otherwise provided in the respective Savings and Loan Associations Law or Savings Banks Law.

**Executive committees** (R.C. 1151.14(B) and 1161.18(B)). Currently, the General Corporation Law authorizes the board of directors of a corporation to create an executive or other committee consisting of one or more directors, and to delegate to any such committee any authority of the board other than the authority to fill vacancies on the board or on a committee of the board (R.C. 1701.63).

The bill enacts almost identical provisions in the Savings and Loan Associations Law and the Savings Banks Law. It states that the constitution of the respective institutions may authorize the creation of such committees, but requires that the committees consist of *at least three* directors. It also provides requirements and limitations set forth in the General Corporation Law, as follows:

--The board may appoint one or more of the directors as alternate members of a committee to take the place of any absent member of the committee.

--Each committee serves at the pleasure of the board, acts only in intervals between board meetings, and is subject to the control of the board.

--Unless otherwise provided in the constitution or ordered by the board, such committees may act by a majority of its members at a meeting or by a writing signed by all of its members.

--An act by such a committee that is within the authority delegated to it is as effective for all purposes as an act done by the board.

**Meetings** (R.C. 1151.14(A) and 1161.18(A)). Existing law requires the board of directors of every savings and loan association and savings bank to hold a regular meeting at least monthly and to keep a complete record of the board's proceedings in a minute book.

The bill removes these provisions and, instead, requires monthly meetings *unless* the institution's constitution provides for a different frequency of meetings, which cannot be less than quarterly. A board of directors may meet more frequently than required and must do so if the Superintendent determines, in light of the institution's particular circumstances, that more frequent meetings are appropriate.

**On premises police officers**

(R.C. 4973.17; Section 6)

Under current law, the Secretary of State may appoint and commission persons to act as police officers on the premises of banks, savings and loan associations, savings banks, credit unions, or associations of such institutions. Police officers so appointed must be Ohio citizens of good character. An

additional requirement, that these police officers have successfully completed a training program approved by the Ohio Peace Officer Training Commission and be certified by the Commission, was established by Sub. H.B. 81 of the 126th General Assembly, and took effect on April 14, 2006.

The bill instead requires that police officers so appointed *who start to perform their duties on or after April 14, 2006*, successfully complete the training program "within six months after starting to perform their duties." It also removes the certification requirement. Consequently, police officers appointed and on duty prior to that date are exempt from the training requirement. The bill contains an emergency clause in an attempt to make this change effective before the training and certification requirements enacted by Sub. H.B. 81 took effect.

### **Bankers' banks**

(R.C. 1109.43)

Current law requires that the voting shares of a bankers' bank be owned by at least 20 depository institutions,<sup>2</sup> and prohibits any of those institutions from owning more than 15% of the shares. It also prohibits ownership of the voting shares of a bankers' bank by any person other than depository institutions and persons who hold the shares under a plan for the benefit of the bankers' bank's officers and employees. For these purposes, "bankers' bank" means a bank organized exclusively to provide services to other depository institutions.

Under the bill, a bankers' bank may also provide services to depository institution holding companies, and depository institution holding companies are permitted to own the voting shares of a bankers' bank, subject to the limitations and requirements stated above for depository institutions.

### **Money transmitters**

#### **Overview**

The Money Transmitters Law (R.C. 1315.01 to 1315.18) requires the Division of Financial Institutions to regulate businesses that are not depository institutions, but receive money for the purpose of transmitting it to others. Banks, credit unions, savings and loan associations, and savings banks are specifically exempt from the Law. These financial institutions also may transmit money, but do so under the statutes that specifically regulate them.

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<sup>2</sup> A "depository institution" is a bank, savings and loan association, savings bank, or credit union (R.C. 1109.43(A)(3)).

Traditional money transmitter products include money orders, traveler's checks, and wire transfers. Certain Internet transactions, in which a third party such as eBay receives money from one party and transmits it to another, fall under the jurisdiction of the Law.

The bill proposes a comprehensive recodification of the Money Transmitters Law in response to the growth in the number of transmitters and, due to technological improvements, the variety of services that are now being offered. For example, current law regulates the business of selling or transmitting "**Ohio instruments**," which is defined as checks (such as a money order) and traveler's checks (existing R.C. 1315.01). The bill, instead, regulates the transmission of money, and defines to "**transmit money**" as "to receive, directly or indirectly and by any means, money or its equivalent from a person and to deliver, pay, or make accessible, by any means, method, manner, or device, whether or not a payment instrument is used, the money received or its equivalent to the same or another person, at the same or another time, and at the same or another place, but does not include transactions in which the recipient of the money or its equivalent is the principal or authorized representative of the principal in a transaction for which the money or its equivalent is received, other than the transmission of money or its equivalent." "Transmit money" also includes the sale of checks and other payment instruments. (Proposed R.C. 1315.01.)

The approach taken by the bill is to repeal the current Money Transmitters Law and to re-enact a new Law. In the process, numerous revisions are made, including with respect to licensing, net worth and business organization requirements, permissible investments, security devices, reporting and record-keeping requirements, agents, acquisition of a licensee, ceasing to do business, investigations and examinations, and enforcement.

### *Licensing requirements*

#### *Existing law*

--*Transmission within the United States* (R.C. 1315.02). Current law prohibits any person from engaging in the business of selling or issuing Ohio instruments, or of receiving money for transmission of or transmitting Ohio instruments, without obtaining a license from the Superintendent of Financial Institutions. An application for a license must be accompanied by an investigation fee of not more than \$2,500 and an annual license fee of not more than \$1,000. It is a misdemeanor of the first degree to engage in that business without a license (R.C. 1315.99).

--*Transmission from Ohio to a foreign country* (R.C. 1315.16). Under existing law, only "a bank, incorporated railroad, steamship, or express company"



may engage in the business of receiving money for purposes of transmitting it to a foreign country. In order to engage in that business, each such company (except a bank) must (1) have at least \$500,000 of paid-in capital, surplus, and undivided profits, (2) deposit \$50,000 (in cash or securities) with the Treasurer of State or deliver a bond in the sum of \$50,000 to the Superintendent, and (3) file an annual report of its business. The Superintendent is required to periodically establish a schedule of fees for processing initial applications and for off-site monitoring of compliance with the law.

### **The bill**

The bill provides for a single licensing process for any person--regardless of the person's location or facilities--to receive from a person located in Ohio money or its equivalent for transmission. An application for a money transmitter license must be accompanied by an application fee in the amount established, on an annual basis, by the Superintendent. Generally, the Superintendent is required to approve or deny each application within 180 days after the date the Superintendent accepts the application as complete. (Proposed R.C. 1315.02, 1315.03, and 1315.13(A).) It is a fourth degree felony for knowingly receiving money for transmission without a money transmitters license (proposed R.C. 1315.99).

An applicant may request *confidential treatment* of information in or related to an application if the information is any of the following: (1) of a commercial or financial nature, disclosure of which likely would result in substantial harm to the competitive position of the applicant or its affiliates, (2) of a personal, medical, financial, or similar nature, disclosure of which would result in a clearly unwarranted invasion of personal privacy, (3) contained in, related to, or derived from examinations, operating or condition reports, agreements, orders, or actions prepared by or on behalf of a governmental agency, (4) has been filed with a governmental agency and has not been approved for disclosure, or (5) specifically excepted from disclosure by statute. If the Superintendent decides not to grant confidential treatment to an item of information, the applicant may withdraw that item within ten days. An item of information granted confidential treatment by the Superintendent is not a public record. (Proposed R.C. 1315.03(C).)

Licenses do not need to be renewed annually, but each licensee is required to pay an annual fee for carrying on the business of transmitting money. The Superintendent is to establish the annual fee for each licensee and, in doing so, may consider the number of offices and authorized delegates the licensee has and the volume of business it does in Ohio. (Proposed R.C. 1315.04(E) and 1315.13(B).)

**Entities exempt from licensing requirements**

(R.C. 1315.02)

As mentioned above, the existing Money Transmitters Law does not apply to banks, savings banks, savings and loan associations, credit unions, or the United States Postal Service. Under the bill, the following entities are exempt from the requirement to be licensed in order to transmit money:

(1) The United States or any department, agency, or instrumentality of the United States;

(2) The United States Postal Service;

(3) A state or any of its political subdivisions;

(4) A bank, credit union, savings and loan association, savings association, or savings bank organized under the laws of the United States or any state or doing business under a license granted under Chapter 1119. of the Revised Code (foreign banks), a subsidiary or affiliate of a bank, savings and loan association, or savings bank or credit union service organization or an authorized representative of any of these;

(5) A contractor providing electronic transfer of government benefits on behalf of the United States or any department, agency, or instrumentality of the United States or on behalf of any state or its political subdivisions;

(6) A person whose only money transmitter activity is to deliver payroll money on behalf of employers to employees by check or deposit in a checking or savings account at a bank, savings bank, savings and loan association, savings association, or credit union;

(7) A person whose only money transmitter activity is to accept prepayment for future purchases of that person's goods or services that are other than money transmitter services;

(8) A licensed securities, insurance, mortgage, or real estate broker or agent acting within the scope of its license;

(9) A person whose only money transmitter activity is receiving money or its equivalent as an intermediary facilitating the closing of a sale of property or a loan;

(10) A retail seller of goods and services whose only money transmitter activities are receipt of money or its equivalent from and to be delivered at the



direction of an obligor on a credit card account for a credit card to be used solely for purchases from that retail seller or branded with the name of that retail seller or an affiliate of that retail seller;

(11) A person, the regulation of money transmitter activities under the Money Transmitters Law of which, the Superintendent determines would not serve the intended purposes of the regulation.

### **Net worth and business organization requirements**

Under current law, an applicant for a license to sell instruments designated as checks (such as a money order) must have a net worth of at least \$100,000, and an applicant for a license to sell instruments designated as traveler's checks must have a net worth of at least \$1 million (existing R.C. 1315.03). The bill requires that all applicants, regardless of the nature of their money transmitter business, have a minimum net worth of at least \$500,000. It also requires that each applicant be (1) a legally established business entity that is capitalized separately and distinctly from every other legal entity and (2) qualified to do business in Ohio. (Proposed R.C. 1315.04(C) and 1315.05.)

### **Permissible investments**

Current law requires that a licensee maintain permissible investments with a value at least equal to the aggregate of its outstanding checks and traveler's checks (existing R.C. 1315.03(A)(5)). "Permissible investments" include cash; certificates of deposit; banker's acceptances; commercial paper rated of prime quality; interest-bearing obligations issued or guaranteed by the United States or any agency of the United States or by any state or its political subdivisions; interest-bearing obligations traded on a national securities exchange; and any other investment approved by the Superintendent (existing R.C. 1315.01(H)).

The bill revises the permissible investment requirement to recognize new types of money transmitter products. Under the bill, a licensee generally must maintain permissible investments having an aggregate market value of not less than the aggregate amount of *all moneys received for transmission* from persons in the United States, which moneys are not yet delivered, paid, or accessed.<sup>3</sup> The bill also expands the list of "permissible investments" to include shares in a money market mutual fund. (Proposed R.C. 1315.01(F) and 1315.06.)

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<sup>3</sup> *This requirement may be waived by the Superintendent if the aggregate amount of these moneys does not exceed the licensee's security device (see below).*

### Security device

As a condition for the issuance and retention of a money transmitter license, an applicant currently must file with the Superintendent a corporate surety bond in the principle sum of \$100,000 and an additional principle sum of \$5,000 for each location (in excess of one) at which the applicant intends to conduct business--up to a maximum of \$300,000. In lieu of a bond, an applicant may keep on deposit with a financial institution in Ohio (1) cash or (2) interest-bearing stocks and bonds, notes, debentures, or other obligations issued or guaranteed by the United States, an agency or authority of the United States, a state, or an agency or authority of a state, in an amount not less than that required for a corporate surety bond. The proceeds of these security devices constitute a "trust fund" for the benefit of the purchasers and holders of Ohio instruments. (Existing R.C. 1315.04.)

The bill retains the types of security devices that may be provided and maintained by applicants and licensees, but increases the required amount to \$300,000. If the Superintendent finds it appropriate, a greater amount may be required. That amount cannot, however, exceed \$2 million unless pursuant to a supervisory action. (Proposed R.C. 1315.07.)

### Reporting

Current law requires each licensee to annually file its most recently audited unconsolidated financial statement, including its balance sheet and receipts and disbursements for the preceding year, as well as a list of its permissible investments (existing R.C. 1315.06(C)). The bill, instead, does the following:

--Requires the filing of a licensee's audited unconsolidated financial statements for each fiscal year within 120 days after the end of that fiscal year. The filing must include a balance sheet, income statement, statement of changes in shareholder equity, and statement of cash flows. If the licensee is a subsidiary of another company, it also must file the audited consolidated financial statements of its parent company. (Proposed R.C. 1315.08(B).)

--Requires a licensee, within 45 days after the end of each calendar quarter, to file (1) its unaudited, unconsolidated financial statements, (2) a statement for the calendar quarter of the number of money transmission transactions undertaken by the licensee in Ohio and in the United States, the dollar amount of those transactions, and the number and dollar amount of the transactions currently outstanding, (3) a schedule of the licensee's permissible investments and their market values as of the end of the calendar quarter, (4) a schedule of the locations within Ohio at which the licensee conducts business directly or through its

authorized delegates, and (5) any other information required by the Superintendent. (Proposed R.C. 1315.08(A).)

--Requires a licensee, within 15 business days after the occurrence of any of the following events, to file a written report describing how the event is expected to impact the licensee's activities in Ohio: (1) any material change in information provided in its application or any report it filed with the Superintendent, (2) the licensee's filing for bankruptcy or reorganization, (3) the institution of revocation or suspension proceedings against the licensee by any state or governmental authority with regard to the licensee's money transmission activities, (4) any felony indictment or conviction of the licensee, or any of its controlling persons,<sup>4</sup> directors, officers, or employees, related to money transmission activities, (5) any proposed change of control of the licensee, and (6) the licensee's decision to voluntarily surrender or not renew a money transmitter license it holds in another jurisdiction. (Proposed R.C. 1315.081(A).)

### **Record keeping**

(proposed R.C. 1315.09)

Under the bill, each licensee is required to make, keep, and preserve the following for a period of five years for inspection by the Superintendent:

- (1) Records of each money transmission transaction;
- (2) A general ledger containing all assets, liabilities, capital, income, and expense accounts, posted at least monthly;
- (3) Bank statements and reconciliation records;
- (4) A record of all payments made and of all moneys received for transmission that are not yet delivered, paid, or accessed;
- (5) The names and addresses of all authorized delegates of the licensee (see below);
- (6) Any other record required by the Superintendent.

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<sup>4</sup> "**Controlling person**" means any person that controls a licensee. "**Control**" is defined as the power, directly or indirectly, to direct the management and policies of a licensee or the ownership, control of, or power to vote 25% or more of any class of the outstanding voting securities of any person that controls a licensee. For purposes of determining the percentage of a licensee controlled by any person, the person's interest is to be aggregated with the interest of any other person controlled by that person or by any spouse, parent, or child of that person. (Proposed R.C. 1315.01(B) and (C).)

The bill permits a licensee to retain a document or other instrument by use of a process to record, copy, photograph, or store a representation of the original document or other instrument, *if* (a) the process correctly and accurately reproduces, or provides a means to correctly and accurately reproduce, the original document or other instrument with regard to both its substance and appearance, except that the reproduction need not reflect the original paper or other medium, size, or color, unless necessary to establish the authenticity of the original, (b) the process does not permit the recording, copy, photographic image, or stored representation of the original document or other instrument to be altered or manipulated, *and* (c) the medium the process uses to record, copy, photograph, or store a representation of an original document or other instrument is a durable medium for retaining and reproducing records.

Lastly, so long as a licensee makes its records accessible to the Superintendent on seven business days' written notice, the records may be maintained at a location other than Ohio.

#### *Agents/authorized delegates*

Current law permits licensees to conduct business through designated agents and subagents, which must "hold in trust" the proceeds of a sale or delivery of the licensee's Ohio instruments. It also generally prohibits such agents from commingling those proceeds with their own property. Agents are not themselves required to be licensed as money transmitters, except under certain circumstances. (Existing R.C. 1315.08.)

The bill similarly permits a licensee to conduct business through an "authorized delegate," but requires that the two parties execute a written contract setting forth the responsibilities of the authorized delegate regarding (1) money or its equivalent received from persons located in Ohio for transmission by the licensee, (2) instruments, devices, or processes used by the licensee to transmit money, and (3) compliance with the laws regulating money transmission activities. Authorized delegates are prohibited from commingling money received for transmission with any other money or receipts. Lastly, the bill mandates that licensees monitor the activities of their authorized delegates for compliance with the terms of their contract and the Money Transmitters Law. (Proposed R.C. 1315.01(A) and 1315.11.)

### **Acquisition of a licensee**

(proposed R.C. 1315.10 and 1315.101)

The bill generally prohibits any person from acquiring control of a licensee without the prior approval of the Superintendent.<sup>5</sup> A person proposing to acquire control of a licensee must submit an application in the form prescribed by the Superintendent. If *confidential treatment* for information in or related to the application is requested by the applicant, the Superintendent may grant the request in the same manner and under the same circumstances provided for licensee applications (see "**Licensing requirements**"; "**The bill**," above).

Upon examination of the relevant facts and circumstances, the Superintendent must approve the application if the Superintendent determines (a) the competence, experience, and character of the applicant and the applicant's general fitness to operate the licensee or person in control of the licensee in a lawful manner are acceptable *and* (b) the interests of the public are not jeopardized by the change of control.

The following persons are merely required to *notify* the Superintendent of a change in control, rather than obtain prior approval:

(1) A person that acts as a proxy for the sole purpose of voting at a designated meeting of the shareholders or holders of voting interests of a licensee or person in control of a licensee;

(2) A person that acquires control of a licensee (a) by devise or descent, (b) as a personal representative, custodian, guardian, conservator, or trustee, or (c) as an officer appointed by a court of competent jurisdiction or by operation of law;

(3) A person that the Superintendent by rule or order determines is not subject to prior approval based on the public interest.

### **Ceasing to do business**

(proposed R.C. 1315.18)

Under the bill, a licensee that ceases to do business in Ohio must do so in accordance with a plan approved by, or directions issued by, the Superintendent. If the Superintendent considers it necessary to protect the interests of the licensee's customers, the Superintendent may (1) take control of permissible investments or other assets owned by the licensee equal in value to the total of all moneys

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<sup>5</sup> *This does not apply to public offerings of securities (proposed R.C. 1315.10(F)(2)).*

received for transmission that are not yet delivered, paid, or accessed or (2) require the sale of the licensee's contracts for continuing services or require termination of those contracts with compensation to the customers for loss of the services.

**Investigations and examinations; confidential information**

Current law provides the Superintendent with the power to make any investigation and conduct any hearing that the Superintendent considers necessary to determine whether any licensee or other person has violated the Money Transmitters Law or acted in a manner that would justify suspension or revocation of its license. Pursuant to the hearing or investigation, the Superintendent may compel, by subpoena, witnesses to testify and the production of documents. Reports of investigations and related correspondence are confidential and are not to be made public. However, "in the ends of justice and the public advantage" the Superintendent may publish material in a manner considered proper. (Existing R.C. 1315.06.)

The bill maintains the Superintendent's subpoena powers (proposed R.C. 1315.16). It also specifies the means by which the Superintendent may serve notice, a subpoena, or an order under the Money Transmitters Law, including (1) in person by the Superintendent or an employee or agent of the Division of Financial Institutions, (2) by regular mail, (3) by registered or certified mail, or (4) by any other manner reasonably calculated to give notice, including by publication (proposed R.C. 1315.161).

Under the bill, the Superintendent is required to examine, as often as the Superintendent considers necessary, the records and affairs of a licensee for compliance with law; safety and soundness; and other matters that the Superintendent determines. The licensee must bear the expense of the examination. (Proposed R.C. 1315.12.)

The bill further expands the Superintendent's investigatory power, providing explicit authority to participate with financial institution regulatory authorities of this and other states, the United States, and other countries in conducting independent, alternate, joint, concurrent, or coordinated examinations of licensees for which there may be concurrent jurisdiction, and to share and rely on information provided certain conditions are met. For purposes of these examinations, the Superintendent is permitted to purchase services from financial institution regulatory authorities of this and other states, the United States, and other countries, which is to be considered the purchase of services from a sole source provider and not the employment of any financial institution regulatory authority or its employees. (Proposed R.C. 1315.121.)

Information leading to, arising from, or obtained in the course of the examination of a licensee is deemed "privileged and confidential" by the bill. However, the Superintendent may disclose the information to the following:

--The Governor, Director of Commerce, or Deputy Director of Commerce to enable them to act in the public's interest;

--The Banking Commission (created under current law) to enable it to effectively advise the Superintendent;

--Financial institution regulatory authorities of this and other states, the United States, and other countries to assist them in their regulatory duties;

--The directors, officers, agents, and parent company of the licensee to assist them in conducting the business of the licensee in a safe and sound manner and in compliance with the law;

--Law enforcement authorities conducting criminal investigations.

Such information cannot be introduced into evidence, except in certain circumstances, including in connection with criminal proceedings, when litigation has been initiated by the Superintendent, and when authorized by agreements between the Superintendent and other financial institution regulatory authorities, as described above. Furthermore, the bill states that an examination report is the property of the Division of Financial Institutions and, under no circumstances, can it or its contents be made public. (R.C. 1181.25 and proposed R.C. 1315.122(A) to (D).)

Disclosure of information in violation of these provisions is a felony of the fourth degree. In addition, the violator is to be removed from office and is liable in damages to the person injured by the disclosure. (Proposed R.C. 1315.122(E).)

#### **Rule-making authority**

(proposed R.C. 1315.14)

The Superintendent is authorized to adopt rules that, in the Superintendent's judgment, are necessary or appropriate to carry out the purposes of the Money Transmitters Law proposed by the bill.

#### **Enforcement**

**Current law.** A violation of the Money Transmitters Law--as well as knowingly making an incorrect statement of a material fact, or knowingly omitting to state a material fact, with respect to an application, report, or statement required

under the Law; refusing to permit a lawful investigation by the Superintendent; or falsely representing oneself as being authorized to transmit money to foreign countries--are misdemeanors of the first degree (existing R.C. 1315.11, 1315.17, and 1315.99(A)).

Additionally, the Superintendent may refuse to renew a license, or suspend or revoke a license, under certain circumstances, including a violation of the Money Transmitters Law or any rule adopted under the Law. In connection with an investigation of a licensee, the Superintendent may file an action in the court of common pleas to obtain an injunction, temporary restraining order, or other appropriate relief. (Existing R.C. 1315.03(E) and 1315.06(E).)

**The bill.** With respect to criminal penalties, the bill makes the following a felony of the fourth degree:

--A knowing violation of the prohibition against engaging in the money transmitter business without a license;

--An intentional violation of the prohibition against making a false statement or misrepresentation to the Division of Financial Institutions; and

--An intentional violation of the prohibition against making a false entry or omitting a material entry in any record required under the Money Transmitters Law. (Proposed R.C. 1315.99.)

The bill also provides the Superintendent with additional enforcement powers, including the authority to:

(1) Issue and serve a notice of charges and intent to issue a cease and desist order upon a licensee or other person if the licensee or other person is (a) engaging, has engaged, or is about to engage in an unsafe or unsound practice in conducting the business of transmitting money or (b) violating, has violated, or is about to violate a law, rule, or written agreement entered into with the Superintendent. A cease and desist order may, among other things, require the licensee or other person to make restitution, restrict the licensee's or other person's growth, dispose of any loan or asset involved, rescind agreements or contracts, and employ qualified officers or employees. (Proposed R.C. 1315.15.)

(2) Issue and serve a notice of charges and intent to suspend or revoke a licensee's license if the Superintendent finds, among other things, that the licensee is conducting its business in an unsafe or unsound manner, is insolvent, or refuses to permit the Superintendent to make an authorized examination, or that its net worth has become inadequate (proposed R.C. 1315.151);

(3) Assess civil penalties against a licensee or other person for each day a violation, unsafe or unsound practice, or breach continues. Depending upon the circumstances, the penalty assessed may be as great as \$1,000 per day. Civil penalties collected are to be deposited into the state treasury to the credit of the General Revenue Fund. (Proposed R.C. 1315.152.)

(4) Petition the court of common pleas for the issuance of a temporary restraining order or an injunction *if* the Superintendent has reason to believe a person is engaged in the money transmitter business without a license (proposed R.C. 1315.153).

A notice of the Superintendent's intent to issue a cease and desist order, to suspend or revoke a licensee's license, or to assess a civil penalty must also include notice that the licensee or other person is entitled to a hearing. (Proposed R.C. 1315.15(B), 1315.151(B), 1315.152(B), and 1315.17.)

### **Application**

(Section 4)

The bill states that licenses issued under the current Money Transmitters Law remain in force as a license under the proposed Money Transmitters Law until the license's expiration date. Thereafter, the licensee is to be treated as if it had applied for and had received its license under the proposed Money Transmitters Law.

### **Other changes**

The bill makes conforming changes in R.C.121.07, 1121.30, 1315.21, and 4719.01.

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## **HISTORY**

<b>ACTION</b>	<b>DATE</b>
Introduced	12-20-05
Reported, H. Financial Institutions, Real Estate and Securities	03-21-06
Passed House (96-0)	05-09-06

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