



January 24, 2017

Mr. Chairman and Members of the Committee:

My name is Judi Stork, and I am the Acting Bank Commissioner with the Office of the State Bank Commissioner. I am here today to speak in support of Senate Bill 21.

Senate Bill 21 amends three statutes within the Kansas Money Transmitter Act. As you will recall from my overview presentation to this committee, our agency has the responsibility to license and supervise money transmitter companies in Kansas. By way of background:

- Money transmission business is the transferring of funds on behalf of the public within this country or to locations abroad.
- Regulated transactions include money orders, stored value cards, online payments, mobile transfers, and wire transfers.
- Money transmitters are required to renew their licenses annually.

First, we are asking to amend K.S.A. 9-508 which is the definition section of the act. Specifically, we are requesting the addition of a definition for service provider. In 2015, we added a provision to K.S.A. 9-511 that exempts "service providers" from licensure if they provide certain specific services to exempt entities, such as banks. As a result of this addition, we have had numerous companies claim, unsuccessfully, that they are exempt from licensure with our office because they are acting as service providers. The addition of a definition of service provider should provide clarification to money transmission companies and aid the agency in appropriately enforcing licensure.

We are also asking for amendments to K.S.A. 9-509 to do the following:

1. We are adding language to clarify specifically that the commissioner has the discretion to determine when an application for licensure is complete. If, after requests from our office to provide any missing information for a new license, the applicant fails to do so within 60 days, the application will be considered abandoned. On renewal applications, if the applicant fails to provide information to supplement an incomplete application, the license will be deemed to expire as of December 31, consistent with subsection (b) of this statute. Often applications are submitted without all the required information. In most cases, applicants are responsive and provide the information needed. In other cases, applicants fail to respond to our requests. By adding the sections found on page 6, beginning on line 5 of the bill, the agency will no longer have pending applications for excessive time periods.
2. Applications for renewal are required to be filed by December 1 of each year. During the last renewal period we had 47 of the 105 companies either file to renew after the December 1 deadline or file incomplete applications by December 1. On page 3, beginning on line 31 of the bill, we are asking for the ability to charge a late fee against those companies that either file late or file incomplete applications.
3. We have two additional small changes to this statute. The first, on page 3, line 34, is to change "February 28" to "the last day of February" to accommodate for leap year. The

second, on page 4, beginning on line 24, is to eliminate language that bases the licensing fee on both the licensee and the number of agent locations. Application fees are charged per licensee based on the volume of business they do in the state of Kansas.

The last amendment is to K.S.A. 9-513a on page 7, line 19. This section allows the commissioner, after notice and opportunity for hearing, to refuse to renew a renewal application. When this statute was originally enacted in 2012, our agency should have included the ability for the commissioner to refuse to “approve” a new application as well.

Mr. Chairman, we do have one amendment to the original service provider language requested in K.S.A. 9-508. We would ask for your consideration to amend the original language added to the bill and replace it with the following language. The changes noted below add clarity to the definition.

*(n) "service provider" means any person that provides services as described in K.S.A. 9-511(a)(2)(A) that are used by an exempt entity or its agent to provide money transmission services to the exempt entity's customers. A service provider does not contract with the customers of an exempt entity on its own or on behalf of an exempt entity or the exempt entity's agent; and*

Thank you for your time today and we would ask for your favorable consideration of the bill.