
Effective Oct. 1, Connecticut's Money Transmission Law Requires Certain Agents Be Licensed

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On July 11, 2013, Connecticut Governor Dannel Malloy signed into law Senate Bill 911, which amends the state's Money Transmission Act to remove the explicit exemption from licensure previously afforded to agents of exempt entities, including agents of federal and state banks and credit unions.

Connecticut Senate Bill 911 ("SB 911") amends Connecticut's Money Transmission Act (the "Act"), Conn. Gen. Stat. §§ 36a-595 *et seq.*, to revise among other things, the agent licensing requirements and exemptions. Most notably, the amended law distinguishes between agents of licensed money transmitters and agents of entities or persons exempt from licensing under the Act, such as banks and credit unions organized under the laws of Connecticut, another state, or the United States. Beginning October 1, 2013, an agent of an entity or person exempt from licensing under the Act may be subject to licensure if the agent engages in the business of money transmission or the advertising or soliciting of money transmission services for itself or on behalf of an entity or person otherwise exempt from licensing under the Act. Conn. Gen. Stat. § 36a-597(a), as amended.

The amended law defines "money transmission" as "engaging in the business of issuing or selling payment instruments or stored value, receiving money or monetary value for current or future transmission or the business of transmitting money or monetary value within the United States or to locations outside the United States by any and all means including, but not limited to, payment instrument, wire, facsimile or electronic transfer." Conn. Gen. Stat. § 36a-596(6), as amended. This revised definition clarifies that money transmission includes the mere selling of payment instruments and stored value. The amended law also clarifies that a person shall be deemed to be engaged in the business of money transmission in Connecticut if such person: (1) has a place of business in Connecticut, (2) receives money or monetary value in Connecticut or from a person located in Connecticut, (3) transmits money or monetary value from a location in Connecticut or to a person located in Connecticut, (4) issues stored value or payment instruments that are sold in Connecticut, or (5) sells stored value or payment instruments in Connecticut. Conn. Gen. Stat. § 36a-597(a), as amended.

The amended law introduces a new defined term of "authorized delegates", which means "a person designated by a person licensed pursuant to [the Act] to provide money transmission services on behalf of such licensed person". Conn. Gen. Stat. § 36a-596(1), as amended. The new term replaces the concept of

an “agent” under the Act. The new term does not include an entity or person designated by an exempt entity or person to engage in money transmission on behalf of such exempt entity or person. In addition, the amended law does not authorize an exempt entity or person to engage in the business of money transmission through an agent other than a licensed money transmitter. Conn. Gen. Stat. § 36a-597(a), as amended. Accordingly, beginning October 1, 2013, in Connecticut, only licensed money transmitters may engage in the business of money transmission at one or more locations through or by means of authorized delegates, unless the authorized delegates hold licenses or are otherwise exempt from licensure. Conn. Gen. Stat. § 36a-607(a), as amended.

Authorized delegates of licensed money transmitters are not required to be licensed under the Act. However, the Act requires the licensee and its authorized delegates to enter into a written contract that obligates the authorized delegates to operate in full compliance with the Act. Conn. Gen. Stat. § 36a-607(a)(5), as amended. An authorized delegate may only conduct money transmission services specifically authorized in the contract with the licensee, unless the authorized delegate is itself a licensee or otherwise exempt from licensure under the Act. Conn. Gen. Stat. § 36a-607(a)(7), as amended.

Section 36a-609 of the amended Act expressly exempts the following entities from the licensing requirements of the Act:

- Any federally insured federal bank, out-of-state bank, Connecticut bank, Connecticut credit union, federal credit union, or out-of-state credit union; provided such institution does not engage in the business of money transmission in Connecticut through any person who is not (a) a federally insured federal bank, out-of-state bank, Connecticut bank, Connecticut credit union, federal credit union or out-of-state credit union, (b) a person licensed pursuant to the Act, or an authorized delegate acting on behalf of such licensed person, or (c) a person exempt from licensure under the Act;
- The United States Postal Service and any contractor that engages in the business of money transmission in Connecticut on behalf of the United States Postal Service; and
- A person whose activity is limited to the electronic funds transfer of governmental benefits for or on behalf of a federal, state, or other governmental agency, quasi-governmental agency, or government-sponsored enterprise.

In addition to the revising the Act as noted above, SB 911 also expands the Act's licensing requirements; alters bonding, investment, and net worth requirements for licensees; and revises the information that applicants and licensees must provide to the banking commissioner.

Click here to read a copy of the [Connecticut Senate Bill 911](#).

If you have any questions about the content of this alert, please contact the Pillsbury attorney with whom you regularly work, or the authors below.

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