

SUBJECT: Security requirements for money-order sellers

COMMITTEE: Financial Institutions — committee substitute recommended

VOTE: 9 ayes — Marchant, Carona, Elkins, Giddings, Grusendorf, Gutierrez,  
Hudson, Patterson, Romo

0 nays

WITNESSES: For — None

Against — None

On — Catherine A. Ghiglieri and Brian Herrick, Texas Department of  
Banking

BACKGROUND: The Sale of Check Act requires those licensed to sell checks to have a minimum net worth of \$500,000 and a surety bond between \$100,000 and \$500,000. Licensees with a net worth of less than \$5 million also must have on hand certain investments equal to the total amount of outstanding checks for which they are liable in the United States, excluding travelers checks. Licensees with a net worth of \$5 million are not subject to the investment requirement.

DIGEST: CSHB 1259 would allow licensees with a net worth of less than \$5 million to meet licensing requirements by having a surety bond or letter of credit or acceptable investment instruments on hand equal to the total amount of outstanding checks for which they are liable in the United States, *including* travelers checks. The surety bond or letter of credit could be used to offset the amount of required investments.

A licensee with a net worth of \$5 million or more would be required to have on hand allowable investments equal to 50 percent of the total amount of outstanding checks for which they were liable in the United States less the required surety bond. The 50 percent liquidity requirement would be phased-in over a four-year period.

Surety bonds or letters of credit used to offset acceptable investment levels would have to be in addition to the required surety bond, issued by an bonding company, insurance company or financial institution acceptable to the banking commissioner, and would have to be payable to the banking commissioner on behalf of check claimants.

The bill would take effect September 1, 1995.

**SUPPORTERS  
SAY:**

The financial requirements of the bill would protect the interests of the public and the industry. The new standards would assure that all money-order sellers have the financial capability to satisfy any claim. Consumers need to know when they purchase a money order that their money is safe.

Travelers checks should count against security requirements, as the bill would require, so that check purchasers are adequately protected.

**OPPONENTS  
SAY:**

The bill should require that money order sellers with a net worth of \$5 million or more have investments or bonds valued at 100 percent of their average outstanding checks. Economic disasters can occur to any company, even those with a value of \$5 million or more. It is important for the public safety and security that all sellers of money orders have the resources to pay off all their outstanding checks if they should have financial problems.

**NOTES:**

The original version of the bill did not permit a licensee to maintain a surety bond or letter of credit in lieu of acceptable investments. The substitute would set a longer phase-in period for companies with a net worth of \$5 million or more, four years instead of one.