

SUBJECT: Prohibiting unauthorized checks sales

COMMITTEE: Financial Institutions — favorable, without amendment

VOTE: 6 ayes — Marchant, Ehrhardt, Elkins, Grusendorf, Smith, Solomons
0 nays
3 absent — Gutierrez, Giddings, Patterson

WITNESSES: For — Bill Clayton, Texas Association of Check Cashers; Joseph Myers, U.S. Department of the Treasury
Against — None
On — David Boatwright and Brian Johnson, Attorney General's Office; Catherine Ghiglieri and D'Ann Johnson, Texas Banking Department

BACKGROUND : Businesses that are not banks but sell money orders, travelers' checks and other vehicles for paying or transmitting funds must be licensed by the Texas Banking Department.

DIGEST: HB 2436 would require businesses that maintain, use, or control an account in Texas for the purpose of selling checks to be licensed by the banking department.
The bill would take effect September 1, 1997.

SUPPORTERS SAY: This bill would close a loophole in Texas law that allows illegal money laundering and give law enforcement officers a means of investigating and prosecuting persons involved in such operations.
Money launderers operate by opening up a bank account and then using the account to transfer illegally-gained money. An account holder, for example, may contract with a drug kingpin to process \$100,000. The money is deposited in the account, and the check owner provides the drug dealer with a check or a series of checks for \$100,000, minus the commission for selling the checks. The drug dealer takes the check and uses it to purchase items or

HB 2436
House Research Organization
page 2

sells it to someone else. These checks may be bought and sold several times before they are finally cashed or used to make a purchase.

HB 2436 would not affect for-profit check-cashing operations in Texas. Selling a check is not the same as cashing a check.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The companion bill, SB 1663 by Shapiro, passed the Senate on April 30 by 31-0 and has been referred to the House Financial Institutions Committee.