

INITIAL STATEMENT OF REASONS FOR
PROPOSED RULEMAKING TO ADOPT REGULATIONS
UNDER THE MONEY TRANSMISSION ACT

In accordance with Government Code Section 11346.2(b), the Department of Business Oversight (“Department”) has prepared the following initial statement of reasons in support of the proposed rulemaking under the California Money Transmission Act (Financial Code Section 2000 et seq.).

SPECIFIC PURPOSE OF REGULATIONS [Government Code Section 11346.2, Subdivision (b)(1)]

Chapter 1 (commencing with Section 2000) of Division 1.2 of the Financial Code (“Money Transmission Act” or “MTA”) regulates the transmission of money, defined to include receiving money for transmission, issuing/selling stored value, or issuing/selling payment instruments. Persons engaged in the money transmission business in California are required to be licensed by the Department, unless an exemption applies. Current law exempts certain classes of entities from the MTA, such as the United States Postal Service, state and federal governmental entities, federally insured commercial and industrial banks, and licensed broker-dealers.

The MTA also exempts transactions in which an agent is contractually appointed by a payee and a payor’s delivery of funds to the agent is deemed by contract to satisfy the payor’s obligation to the payee for goods or services provided by the payee to the payor (“agent of payee exemption”).¹ The agent of payee exemption was added to the MTA in recognition of the evolving nature of online payments.² Because of the broad definition of money transmission under the MTA in Financial Code section 2003, subdivision (q), there was concern that certain transactions would be viewed as money transmission requiring licensure. This exemption was meant to keep pace with the rapidly evolving payments and e-commerce landscape by exempting transactions where certain contractual requirements are met, and consumers and other payors are protected from having to pay more than once to satisfy their obligations.

The agent of payee exemption is self-executing, meaning that an entity does not need the Department’s prior authorization to rely on the exemption. Due to the self-executing

¹ Fin. Code, § 2010, subd. (l).

² See, e.g., Assembly Committee on Banking and Finance, AB 2209, Apr. 28, 2014, at 7 (“The rise of mobile smart phone and tablet has helped drive and popularize the expanded use of mobile payment applications. Additionally, consumers are expanding their use of apps and online platforms that collect and hold their financial data for purpose of making retail purchases more convenient, or even to send money to family and friends. This expansion has raised numerous questions about the progress of payments technology and the role of our existing state and federal laws to keep up with these technologies”); see also Senate Banking and Financial Institutions Committee, AB 2209, June 18, 2014, at 3 (“[t]his bill is intended to update the MTA to ensure that e-commerce transactions are not inadvertently regulated as money transmission and make other changes intended to reflect the increasing use of the internet as a platform for the exchange of goods and services”).

nature of the exemption, it is necessary to promulgate regulations to further clarify the application of this exemption to avoid uncertainty and confusion.

By this rulemaking, the Commissioner proposes to adopt Sections 80.126.10, 80.126.20, 80.126.30, 80.128, 80.128.10, and 80.130 in Chapter 1 of Title 10 of the California Code of Regulations.

Section 80.126.10. Agent of Payee.

Specific purpose: Section 80.126.10 would clarify that receipt of money or monetary value by a person who has been appointed an agent by a payee to receive payments on behalf of the payee from a payor in satisfaction of a payment obligation owed by a payor to a payee is not money transmission. The proposed regulation would also clarify that the agent of payee exemption is not applicable to an agent of a payor or sender.

Problem: Since its enactment, there has been considerable confusion regarding the scope of the agent of payee exemption. The Department has received numerous requests for interpretive opinions seeking guidance on how the exemption applies to business models where multiple entities facilitate the settlement of funds for payment. For example, a common business model is as described below:

The Online Marketplace (“Marketplace”) provides the platform, including all associated services, on which the Merchant sells its goods or services.

The Customer purchases a good or service from a Marketplace.

Payment Processor 1 receives money from the Customer and transmits it to the Marketplace.

Payment Processor 2 receives the money from the Marketplace and transmits it to the Merchant.

The below diagram reflects the movement of funds in this transaction.

Customer -> Payment Processor 1 -> Online Marketplace -> Payment Processor 2 -> Merchant

There are multiple variations of this business model. Some involve one Payment Processor, and some involve more than two Payment Processors. Others do not involve a Marketplace but involve multiple Payment Processors acting as an agent on behalf of a payee.

Questions have arisen regarding which entities are eligible for the agent of payee exemption.

Rationale: The proposed regulation would clarify that there can be successive agents that facilitate the settlement of funds for payment. Some of the agents may be common law agents and some may be statutorily defined agents of a payee. So long as one of the agents is an agent of a payee, such activity does not meet the definition of “money transmission.” This would clarify an aspect of the statutory provision that is vague and allow regulated entities to better understand the exemption. Consider the following example:

- Customer -> Payment Processor 1 -> Payment Processor 2 -> Merchant

Customer, as payor, purchases a good from Marketplace, as payee, and there is a payment obligation between Customer and Marketplace, constituting one transaction. If Merchant has appointed Payment Processor 2 as its agent by written contract (and other requirements are met), Payment Processor 2 would be eligible for the exemption. If Payment Processor 2 appoints Payment Processor 1 as its common law agent, then money received from Customer by Payment Processor 1 on behalf of Payment Processor 2 would not be money transmission. This interpretation is based on general agency law. The Customer’s funds are deemed received by Payment Processor 2 (principal) upon receipt by Payment Processor 1 (common law agent). The agent acts in the place of the principal. Because no money is held by the agent; no money has been received for transmission.

The legislative history explains that AB 2209, which resulted in the enactment of the agent of payee exemption, was designed to accomplish a “major policy change” in the MTA.³ Prior to the exemption, the Legislature found that the definition of “receiving money for transmission” was: “at best . . . a circular definition. At worst, it is a complicated and overly broad definition that fails to address the nuances of the modern payments economy.”⁴ The exemption and, specifically, the use of terms “payee” and “agent” were meant to remedy the confusion and clarify that transactions which involve an agent of payee are not money transmission at all.⁵ This interpretation makes sense because it is based on common law agency principles.

The essence of an agency relationship is that the delegation of authority from the principal to the agent which permits the agent to act “not only *for*, but *in the place of*, his principal” in dealings with third parties.⁶ The agent of payee exemption is grounded in the notion that the activity does not constitute money transmission because the payor’s funds are deemed received by the principal upon receipt by the agent. The agent acts in the place of the principal. Because no money is held by the agent; no money has been received for transmission. It necessarily follows that the agent of payee exemption applies even if there are multiple agents used in the settlement of funds to the payee so long as the statutory criteria are met.

³ Assembly Floor Analysis, AB 2209, Aug. 13, 2014, at 8.

⁴ *Id.*

⁵ *Id.*

⁶ *People v. Treadwell* (1886) 69 Cal. 226, 236, italics in original.

Because the proposed regulation also clarifies that the exemption is only available when the person is an agent of a payee, not a payor, consumers will not be at risk. That is, the exemption does not extend to a person who is an agent of, or receives funds on behalf of, a payor because that activity is at the very heart of regulated activity under the MTA. The MTA was designed to protect senders of money. A “payor” is a sender. The agent of payee exemption is consistent with the MTA’s statutory purpose because the consumer/sender bears no risk. The consumer obtains his or her good or service and only needs to pay the agent of payee in order to completely satisfy the consumer’s payment obligation. The risk of nonpayment lies with the payee who voluntarily entered into the agency relationship, and who has recourse against the agent under contract law.

Section 80.126.20. Agent of Payee Exemption Unavailable for Stored Value.

Specific purpose: Section 80.126.20 would clarify that the agent of payee exemption does not apply to stored value transactions, as defined in Financial Code section 2010, subdivision (I). Stored value is pre-funded monetary value that is available for later use. Stored value represents a claim against the issuer of the stored value, and it is intended to be redeemed either for money or monetary value or payment for goods or services.⁷

Problem: The term “payor” is defined by Section 2010, subdivision (I) of the Financial Code as a person who owes payment to a payee for goods or services. A “payee” is defined as a person owed payment for providing goods or services. Because the exemption is self-executing, companies could mistakenly treat stored value that is eventually used to pay for goods or services as exempt and unknowingly engage in unauthorized activity. Permitting the exemption to apply to stored value transactions would lead to an illogical result because then stored value would no longer be a regulated activity under the MTA. The agent of payee exemption was designed to cover transactions where there is contemporaneous receipt of money for the purchase of goods or services.

Rationale: By stating that the agent of payee exemption does not apply to stored value transactions, the proposed regulation would clarify the scope of the exemption. The use of the defined terms “payor” and “payee” in the exemption demonstrates that a payment obligation is required for the agent of payee exemption. The payment obligation element cannot be met in the stored value context because no payment obligation exists, and no payee is identified. In fact, the primary way to differentiate whether activity is characterized as stored value or money received for transmission is whether a beneficiary of the funds is identified. In the stored value context, no beneficiary is identified. This is because stored value is pre-funded monetary value that is available for later use. In contrast, in agent of payee transactions, a payee is necessarily identified, and funds are received for immediate payment to the payee.

Section 80.126.30. Goods or Services.

⁷ Fin. Code, § 2010, subd. (x).

Specific purpose: Section 80.126.30 would define the term “goods or services” to mean any good or service for which a payor has a payment obligation to the payee. However, the term would not include “money transmission” as a service. “Money transmission” includes receiving money for transmission, issuing or selling stored value, and issuing or selling payment instruments.⁸ The section would also clarify that “services” include charitable purposes.

Problem: The term “goods or services” is not defined in the MTA. Since the enactment of the agent of payee exemption, there has been some confusion as to whether the term refers to specific types of goods or services, whether something is a good or service (such as taxes, fines, loan payments, donations, etc.), or whether the term merely refers to the existence of a payment obligation.

Rationale: The proposed regulation would clarify that the term is broadly defined, and that the determining factor is whether the transaction involves a payment obligation of a payor to a payee. Neither the MTA nor the accompanying legislative history evince any legislative intent to limit the scope of goods and services. Parsing whether something is a good or service is therefore unnecessary to effect the intent of the exemption, which was to keep pace with the rapidly evolving electronics payments space.

In the context of charitable donations, there may or may not be a legally binding payment obligation. Nevertheless, under the proposed regulation, because “goods or services” is broadly defined, the term “obligation” is also broadly construed. More importantly, to the extent that a charity has appointed a person as its agent (under either general agency law or the agent of payee exemption) to accept funds on the charity’s behalf, the agent is considered not to have received money for transmission and therefore meets the spirit and purpose of the agent of payee exemption.

The only activity that is categorically outside the scope of the phrase “goods or services” is money transmission as a “service.” Including money transmission as a service would paradoxically mean all money transmission is exempt and therefore unregulated, which contravenes the intent of the MTA.

In light of the MTA’s broad statutory language, and the commercial reality that a majority of consumer purchases are facilitated by online marketplaces,⁹ the proposed regulation is necessary to administer the agent of payee exemption. Because the agent of payee exemption is self-executing, meaning that entities can rely on the exemption without the Department opining on the exemption’s applicability, it is important that the broad scope of “goods or services” is clarified through this regulation. The proposed regulation would make clear that apart from money transmission services, “good or service” is broadly construed.

⁸ Fin. Code, § 2010, subd. (q).

⁹ See, e.g., Madeline Farber, *Consumers Are Now Doing Most of Their Shopping Online*, Fortune, June 8, 2016, available at <http://fortune.com/2016/06/08/online-shopping-increases/> (providing evidence that, for the first time, a majority of consumer purchases are facilitated through online channels).

Section 80.128. Payee.

Specific purpose: Section 80.128 would clarify the definition of “payee” by stating expressly that both direct and indirect providers of goods or services can be payees under the agent of payee exemption. A direct provider of a good or service is a merchant or commerce platform that has actual or constructive possession of, or title to, a good or service. For example, where an online retailer has inventory of an item purchased by a consumer, the retailer would directly provide the good to the consumer for purposes of the agent of payee exemption. An indirect provider of goods or services, by contrast, would be a commerce platform that does not have title to, or possession of, a good or service provided to a consumer, but facilitates the purchase or transfer thereof. For example, an online platform that matches consumers with third-party service providers would be an indirect provider of a service. In this instance, the commerce platform would provide a bundle of services to the consumer, including the search algorithm, purchasing infrastructure, shipping and return processing, customer complaints, etc., but would not perform the service that is ultimately purchased.

Problem: The statutory definition of “payee” is silent on whether the term includes an indirect provider of a good or service, or whether the term is limited to only providers who have actual or constructive possession of, or title to, a good or service. If the term only includes a direct provider, that would substantially limit the scope of the exemption. Such limitation is unnecessary and unsupported by the legislative history.

Rationale: The proposed regulation would clarify the scope of the term “payee” to include direct and indirect providers of goods or services. The plain language of the statutory definition of “payee” does not impose a requirement that the payee have possession of, or title to, a good or service. The legislative history noted that the increase in mobile applications to purchase goods or services “gave rise to several grey areas in the application of the MTA” because the definition of “money transmission” is subject to “very broad interpretation where any movement of money from one party to another while using a third party intermediary could be interpreted as money transmission.”¹⁰ The agent of payee exemption was designed to clarify one of those “grey areas.” Specifically:

[AB 2209] clarifies that money transmission does not include a transaction in which the recipient of the payment (currency or other value) is an agent of the payee and delivery of payment satisfies the payor’s obligation to the payee. What does this mean in less complex terms? Many entities may use third parties, or due to their relationship with vendors may themselves be third parties that provide payment facilities for the purchase of goods or services. For example, a consumer goes to an online marketplace to purchase an item. To the consumer, it may appear from all visible evidence that the online marketplace is both providing the item and accepting the payment for the item. On the contrary, the item is provided by a third party merchant, potentially unseen by the

¹⁰ Assembly Floor Analysis, AB 2209, August 13, 2014, at 7.

consumer. . . . In this example, under a broad interpretation of the literal meaning of the statute the transaction could be considered money transmission activity. This bill clarifies, through the use of the “payee” and “agent” language that online marketplace transactions are not money transmission.”

Thus, the legislature recognized that the literal language of the MTA was subject to an overly broad interpretation of the definition of “money transmission,” and through the agent of payee exemption, it sought to exclude certain transactions when specific criteria are met. The legislature also recognized that transactions can involve multiple entities, and consumers are often unaware of the existence of such other entities. Nevertheless, those transactions can still be exempt under the agent of payee exemption.

The proposed regulation seeks to capture the legislative intent of creating a broad exemption to the MTA. By defining “payee” to include direct and indirect providers of goods or services, the proposed regulation clarifies that the term should be interpreted as broadly as possible.

Section 80.128.10. Payor.

Specific purpose: Section 80.128.10 would clarify that the term “payor” includes a direct or indirect recipient of a good or service. A payor who both pays for and actually receives a good is a direct recipient of the good. In contrast, an indirect recipient would have a payment obligation to the payee but would not actually receive the good. For example, an individual who purchases a gift and instructs a commerce platform to deliver the gift to someone other than the payor would be an indirect recipient of a good. The payor would be an indirect recipient of a good or service because the payor did not receive the good, but still owes payment for it.

The proposed regulation would also clarify that a “payor” can be located in a foreign country so long as the payee is located in the United States.

Problem: The statutory definition of “payor” is silent on whether the term includes an indirect recipient of a good or service or whether the term is limited only to those persons who are the direct recipients of a good or service. If the term were limited to direct recipients, it would narrow the scope of the exemption. Questions have arisen from industry about whether the exemption applies when an indirect recipient is involved.

The Department has also received inquiries as to whether a “payor” must be located in the United States. Confusion has arisen because of the definition of “receiving money for transmission.”¹¹ The latter is defined as “receiving money or monetary value in the United States for transmission within or outside of the United States.”¹² Therefore, it is unclear whether there can be receipt of money in the United States if the payor is not

¹¹ Fin. Code, § 2003, subd. (u).

¹² *Id.*

located in the United States because the question becomes where is the money received?

Rationale: The proposed clarification of the definition of “payor” would make clear that transactions in which an individual directly or indirectly receives a good or service are eligible for the agent of payee exemption. There is no regulatory purpose served by treating transactions differently depending on whether a payor directly receives a good or service. If a payor chooses to gift a good or service to another, the payor still has a payment obligation, and the payor is still protected by the requirements of the agent of payee exemption. Asserting jurisdiction in that instance would not serve the public interest.

The proposed regulation would also clarify that a “payor” can be located outside of the United States. This interpretation is consistent with the statutory purpose of the MTA and the agent of payee exemption. The MTA protects senders, i.e., payors. When the other statutory criteria are met, payors do not bear any risk of loss. The payor has received his or her good or service, and once the payor makes payment to the agent of the payee, the payor’s payment obligation is completely discharged. The payee has no recourse against the payor even if the agent never forwards the money to the payee. Therefore, a transaction in which the agent and the payee are located in the United States should still be eligible for the exemption even if the payor is located elsewhere because money is received in the United States by the agent.

Section 80.130. Transaction.

Specific purpose: Section 80.130 defines the term “transaction” as an instance in which there is a payment obligation between a payor and a payee. The proposed regulation also clarifies that where there is a series of transactions involving multiple pairs of payors and payees in order to complete settlement of funds for a purchase of a good or service, the exemption is available for each transaction if the agency relationship is established by written contract between each respective agent and payee, and the other statutory requirements are met.

Problem: The term “transaction” is not defined in the MTA. The agent of payee exemption is a transactional exemption, meaning that certain transactions are exempt from regulation. This means that the entity which performs an exempt transaction does not need to be licensed to conduct those transactions. That same entity, however, may need to be licensed to the extent it conducts non-exempt money transmission.

Because “transaction” is not defined, it is unclear whether one “transaction” encompasses all of the steps through which money moves in order to complete a purchase (i.e., customer to payment processor 1 to payment processor 2 to merchant), or whether each step (i.e., delivery of money from customer to payment processor 1) constitutes one “transaction.” The Department has received numerous requests for interpretive opinions seeking guidance on the following:

- Whether there can be more than one pair of payor and payee in order to complete settlement of funds and still be eligible for the exemption. Consider the following illustration of a customer buying a good from a merchant through an online marketplace. The Department is aware through opinion requests that the flow of money from the customer to the merchant may involve two payment processors.

- o Customer -> Payment Processor 1 -> Marketplace -> Payment Processor 2 -> Merchant

This flow of funds raises the question of can there be the following pairs of payors and payees?

Transaction 1: Customer – payor, Marketplace – payee.

Transaction 2: Marketplace – payor, Merchant – payee.

It raises the further question of can Payment Processor 1 and Payment Processor 2 independently qualify for the exemption because they each serve as an agent in different transactions between different pairs of payors and payees?

- Other opinion requestors have described a flow of funds where only one pair of payor and payee exists, but multiple agents are involved. The below diagram illustrates the fund flow. The question posed by the requestors is whether the exemption applied and for which payment processor.

- o Customer -> Payment Processor 1 -> Payment Processor 2 -> Merchant

Customer – payor, Merchant – payee

Can Payment Processor 2 be an agent of Merchant (payee), and Payment Processor 1 be a common law agent of Payment Processor 2, such that neither Payment Processor 1 nor Payment Processor 2 is subject to regulation under the MTA?

Rationale: Because the definitions of “payor” and “payee” are qualified by the concept of a payment obligation, the proposed regulation would define a transaction similarly, as an instance in which there is a payment obligation between a payor and payee.

The proposed regulation would also make clear that the agent of payee exemption is only available one time per transaction. However, the exemption also contemplates a flow of funds from a customer to a merchant may include a series of transactions, and the exemption is available in each transaction assuming all statutory criteria are met. By defining “transaction” as a “payment obligation,” this regulation would clarify that a single purchase may entail multiple transactions. In the example:

- Customer -> Payment Processor 1 -> Marketplace -> Payment Processor 2 -> Merchant

Customer, as payor, purchases a good from Marketplace, as payee, and there is a payment obligation between Customer and Marketplace, constituting one transaction. The second transaction involves Marketplace, as payor, purchasing goods from Merchant, as payee, to fulfill an order, or restock its own supply after a consumer purchase. In this fact pattern, if Marketplace has appointed Payment Processor 1 as its agent by written contract (and other requirements are met), Payment Processor 1 would be eligible for the exemption. Similarly, if Merchant has appointed Payment Processor 2 as its agent by written contract (and other requirements are met), Payment Processor 2 would be eligible for the exemption.

In the example:

- Customer -> Payment Processor 1 -> Payment Processor 2 -> Merchant

Customer, as payor, purchases a good from Marketplace, as payee, and there is a payment obligation between Customer and Marketplace, constituting one transaction. If Merchant has appointed Payment Processor 2 as its agent by written contract pursuant to Financial Code section 2010, subdivision (I) (and other requirements are met), Payment Processor 2 would be eligible for the exemption. If Payment Processor 2 appoints Payment Processor 1 as its common law agent, then money received from Customer by Payment Processor 1 on behalf of Payment Processor 2 would not be money transmission. This interpretation is based on general agency law. The Customer's funds are deemed received by Payment Processor 2 (principal) upon receipt by Payment Processor 1 (common law agent). The agent acts in the place of the principal. Because no money is held by the agent; no money has been received for transmission.

BENEFITS ANTICIPATED FROM REGULATORY ACTION [Government Code Section 11346.2, Subdivision (b)(1)]

The proposed rulemaking defines terms specific to the agent of payee exemption. As such, the anticipated benefits include providing clarity to the industry as to the scope of the agent of payee exemption and what activities require licensing under the Money Transmission Act.

Furthermore, by adopting the rules in compliance with California's rulemaking procedures and standards, the proposed regulatory action increases transparency in government and encourages public participation in developing the rules.

ECONOMIC IMPACT ASSESSMENT [Government Code Section 11346.3, Subdivision (b)]

The Creation or Elimination of Jobs Within the State

The Commissioner has determined that this regulatory proposal will not have a significant impact on the creation or elimination of jobs in the State of California. This proposed rulemaking only clarifies that specific types of transactions that are not subject to licensure under the MTA. Persons that engage in those exempt activities are expected to continue to engage in business in this state.

The Creation of New Businesses or the Elimination of Existing Businesses Within the State

The Commissioner has determined that this regulatory proposal will not have a significant impact on the creation of new businesses or the elimination of existing businesses in the State of California because the proposed regulations only clarify which activities are subject to licensure under the Money Transmission Act.

The Expansion of Businesses Currently Doing Business Within the State

The Commissioner has determined that this regulatory proposal will not have an impact on the expansion of licensed money transmitters currently doing business in this state because the proposed regulations relate to which activities need to be licensed. Existing licensees who engage in non-exempt activities will continue to be licensed for those other activities.

The Benefits of the Regulations to the Health and Welfare of California Residents, Worker Safety and the State's Environment

The Commissioner has determined that this regulatory proposal may benefit the health and welfare of California residents because the proposed rulemaking establishes clear guidelines of the type of activities that are exempt from licensure under the MTA and therefore protects the public by delineating which activities are subject to regulation. The regulatory proposal does not benefit worker safety or the state's environment.

TECHNICAL, THEORETICAL AND/OR EMPIRICAL STUDIES, REPORTS OR DOCUMENTS [Government Code Section 11346.2, Subdivision (b)(3)]

The Department relied on the Assembly Committee on Banking and Finance's floor analysis from April 28, 2014 and August 13, 2014 and the Senate Banking and Financial Institutions Committee's floor analysis from June 18, 2014 as well as the article "Consumers Are Now Doing Most of Their Shopping Online" by Madeline Farber published in *Fortune*.

REASONABLE ALTERNATIVES AND REASONS FOR REJECTING THOSE ALTERNATIVES [Government Code Section 11346.2, Subdivision (b)(4)(A)]

The Department has considered and determined that no reasonable alternative to the regulation has been identified or brought to its attention that would be more effective in carrying out the purpose for which the action is proposed, or would be as effective and less burdensome to affected private persons, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law than the proposal described in this Initial Statement of Reasons.

REASONABLE ALTERNATIVES THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESSES AND REASONS FOR REJECTING THOSE ALTERNATIVES
[Government Code Section 11346.2, Subdivision (b)(4)(B)]

No reasonable alternative considered by the Department or that have otherwise been identified and brought to the attention of the Department would be as effective and less burdensome to affected private persons or would lessen any adverse impact on small business. Under Government Code Section 11342.610, subdivision (b), a money transmitter is not a small business, and therefore no alternatives would lessen the impact of this rulemaking action on small business.

FACTS, EVIDENCE, DOCUMENTS, TESTIMONY OR OTHER EVIDENCE RELIED ON BY AGENCY **[Government Code Section 11346.2, Subdivision (b)(5)(A)]**

The Commissioner, based on his knowledge and experience, has determined that the proposed regulations will provide clarity regarding the scope of the agent of payee exemption and what activities require licensure under the Money Transmission Act. The Department has determined that this proposal will not have a significant adverse impact on business in the State of California because the proposed rulemaking only clarifies existing law and does not affect the obligations of licensees.