



IDAHO
DEPARTMENT OF FINANCE

C. L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

May 20, 2008

RE: Bank Stored Value Cards

Dear M

Your letter of April 4, 2008 to Mike Larsen has been referred to the Department of Finance Securities Bureau for consideration regarding the applicability of the Idaho Money Transmitters Act. In connection with our review of your proposed business activities, we provide the following.

Background - As noted in your letter, _____ anticipates offering open-system prepaid debit cards in association with _____ Corporation and _____ Bank.

Idaho Code § 26-2902(13) defines a payment instrument to include "any check, draft, money order, traveler's check, or other instrument or written order for the transmission or payment of money..." (emphasis added). Further, money transmission is defined to include the sale or issuance of payment instruments (I.C. § 26-2902(13)).

For your information, the Department of Finance has long taken the position that cards such as broad, multi-merchant gift cards and prepaid debit cards are payment instruments, thereby falling within the legal requirements of the Idaho Money Transmitters Act.

Issue of Licensure - Since money transmission activities are contemplated in participation with _____ and _____ Bank, the only question remaining is whether the activity can be conducted without the benefit of licensure under the IMTA.

Idaho Code §26-2904 provides various exemptions from the provisions of the IMTA. More specifically, I.C. §26-2904(d) states that the IMTA shall not apply to "Banks, credit unions, savings and loan associations, savings banks or mutual banks organized under the laws of any state or the United States, provided that they do not issue or sell payment instruments through authorized delegates who are not banks, credit unions, savings and loan associations, savings banks or mutual banks" (emphasis added).

Based on the above criteria, it does not appear that _____ would be able to operate the described business model without the benefit of licensure under the IMTA. More specifically, we cannot

SECURITIES BUREAU
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at this time agree that _____, acting as an agent of _____ Bank, is entitled to the exclusion for financial institutions. As to _____ Bank, the bank will be offering money transmission services through authorized delegates who are not financial institutions and thereby not within the ambit of the exclusory language of I.C. §26-2904¹.

Conclusion - As noted in the preceding paragraph, we believe that the proposed business model will require that at least one entity become licensed under the IMTA and that the load/sales points be contracted as authorized representatives under the IMTA. If you would like to discuss the various licensing models that might be applied given the described business model, please feel free to contact the undersigned directly.

Should you have any questions or comments, or wish to discuss this matter in greater detail, please also contact me directly at (208) 332-8080.

Sincerely,

James A. Burns
Investigations Chief

¹ For your information _____ is a licensed money transmitter in at least one other jurisdiction. If _____ were to become licensed in Idaho, _____ could conceivably become an authorized delegate of _____ in order to engage in the activities that you have described.

RECEIVED

April 4, 2008

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STATE OF IDAHO
DEPT OF FINANCE

Mr. Mike Larsen
Consumer Finance Bureau Chief
Idaho Department Of Finance
800 Park Blvd., Suite 200
Boise, ID 83712

Subject:

Dear Mr. Larsen:

I am writing to request permission to offer the Prepaid Debit Card in stores located in Idaho. I am enclosing information about the relationship between [redacted] Corporation, and the bank issuing the Prepaid Debit Cards, [redacted] Bank. [redacted] will act as an agent for [redacted] Bank ("INB"), a federally insured thrift based in [redacted] Texas. INB issues the Prepaid Debit MasterCard® pursuant to a license from MasterCard International Incorporated.

[redacted] will collect information from customers who wish to obtain the Prepaid Debit Card, and will forward that information to [redacted]. [redacted] will then determine whether to issue a [redacted] card to the customer. [redacted] will base this decision in part upon successful vetting through the OFAC list, and obtaining a sufficient amount of identification from the customer. [redacted] conducts functions for INB such as monitoring transactions, maintaining the database and records associated with the cards, and customer service. Once [redacted] approves a customer to receive a card, [redacted] will provide a temporary card to the customer. Customers may load the cards with cash in [redacted] stores, or via other methods supported at other reload stations located throughout the United States. The temporary cards must be activated by the customer prior to use by using either a telephone or the internet. A permanent card is issued to the customer within a week.

[redacted] customers who receive payday loans will receive the proceeds from their loan in cash. Customers who then wish to do so, may request a [redacted] card, although there is no obligation whatsoever to acquire a card or load funds onto it. The [redacted] card is an option for customers who may not wish to carry cash. [redacted] customers who choose to load at least \$100 onto their card, will not be charged for their card or the initial load fee. Other fees and fees for individuals who are not [redacted] customers are described in a separate attachment. Additional information is also attached describing the [redacted] Prepaid Debit Card program in more detail.

To this end, [redacted] respectfully requests approval to begin offering the Prepaid Debit Card at its retail sites in Idaho beginning in July, 2008.

If there are any additional requirements necessary to begin offering the Debit Card, please do not hesitate to contact me.

Prepaid

Thank you.

Very truly yours,