

BILL ANALYSIS

Senate Research Center
88R6612 MLH-D

S.B. 1607
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Business & Commerce
4/7/2023
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2022 PayPal announced a plan to charge a fine of \$2,500 to users found to have spread misinformation. The policy was set to go into effect on November 3, 2022. However PayPal decided to retract the plan after widespread criticism. The event brought attention to potential actions of money service businesses that could be used to control the broader activities of users.

S.B. 1607 makes clear that a user cannot be fined for a violation of terms of services. This means that a user will not have to forfeit funds in their account. However, the legislation does not impact the ability of a private enterprise to pick and chose their customers.

As proposed, S.B. 1607 amends current law relating to prohibiting the imposition of a monetary fine or penalty for a violation of a money services business's terms of service agreement and provides a civil penalty.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter E, Chapter 151, Finance Code, by adding Section 151.406, as follows:

Sec. 151.406. PROHIBITION ON IMPOSITION OF FINE OR PENALTY FOR TERMS OF SERVICE VIOLATION. (a) Prohibits a money transmission license holder from including in the license holder's terms of service agreement a provision allowing or providing for a monetary fine or penalty for violating any provision of the terms of service agreement.

(b) Prohibits this section from being construed to prevent a money transmission license holder from closing a customer account as a result of a customer's violation of the license holder's terms of service agreement.

(c) Provides that a money transmission license holder that violates this section is liable to this state for a civil penalty in an amount equal to three times the amount of the fine or penalty imposed by the license holder in addition to any other relief provided for a violation of Chapter 151 (Regulation of Money Services Businesses).

(d) Authorizes the attorney general to bring an action in the name of the state to recover the civil penalty under Subsection (c). Authorizes the attorney general to recover attorney's fees and costs incurred in bringing an action under Subsection (c).

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2023.