

BILL ANALYSIS

C.S.H.B. 3833

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Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The 88th Texas Legislature passed S.B. 895, which repealed and replaced Chapter 151 of the Texas Finance Code with Chapter 152, also known as the Money Services Modernization Act, as part of a multi-state effort to adopt a modernized money services model law. C.S.H.B. 3833 makes certain revisions to that act as requested by the Texas Department of Banking to clarify statutory language.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3833 amends the Finance Code to make changes to the Money Services Modernization Act as follows:

- revises the statutory provision requiring a money services license applicant that is an individual who is in control of a money services licensee or applicant, who seeks to acquire control of a money services licensee, or who is a key individual to provide additional information to the banking commissioner of Texas or the commissioner's designee, which must include the individual's fingerprints with certain exceptions and specified background information, by doing the following:
 - making the requirement applicable to all such individuals, instead of just license applicants as under current law;
 - clarifying that the type of key individual required to provide the applicable information is a key individual of a money services licensee or applicant; and
 - making the fingerprint and background information specified under current law the only type of additional information the individual is required to provide under this statutory provision;
- removes a requirement for an applicant for a currency exchange license to demonstrate that it meets or will meet the requirements of the act relating to the maintenance of permissible investments by a money transmission licensee;
- makes a requirement for the principal of a money services license that has expired or been surrendered that wishes to conduct activities for which such a license is required to file a new license application and satisfy all requirements for licensure that apply at the time the new application is filed applicable instead to a key individual of such a license;
- makes the following changes to the conditions under which the act's requirements relating to the acquisition of control of a money services licensee are inapplicable to a person who has complied with and received approval to engage in money services or was identified as a person in control in a previous application approved by the

commissioner or by an applicable state agency for money transmission licensing and supervision under a multistate licensing process:

- removes the condition that the person acquiring control is the same type of licensee as the person to be acquired; and
- makes the condition that the person acquiring control is projected to meet certain financial requirements applicable to the type of licensee being acquired after the acquisition of control is completed applicable only if that person is the same type of licensee;
- requires the financial statement that a currency exchange licensee must annually file with the commissioner to be prepared in accordance with United States generally accepted accounting principles;
- clarifies a statutory reference in the requirement for the requisite amount of tangible net worth to be demonstrated at the initial application for a money transmission license by the applicant's most recent audited or unaudited financial statements provided with the application;
- specifies that the security a currency exchange licensee is required to maintain consists of a surety bond in a form satisfactory to the commissioner but authorizes the licensee, with the commissioner's approval, to maintain a deposit in lieu of such a bond, thereby aligning the type of security required for such a license with that required for a money transmission license;
- accordingly removes a provision requiring a security that is an irrevocable letter of credit to be issued by a financial institution acceptable to the commissioner;
- conditions an authorization for an applicant for a money services license or a money services licensee, instead of providing all or part of the requisite amount of security, to deposit with an applicable financial institution an aggregate amount of U.S. currency, certificates of deposit, or other cash equivalents that equals the total amount of the required security or the remaining part of the security on the applicant or licensee having the commissioner's prior approval to do so;
- does the following with respect to permissible investments by a money transmission licensee:
 - specifies that the demand deposits and savings deposits that are included as permissible cash investments are deposits held in a federally insured depository financial institution; and
 - for purposes of the inclusion of stablecoin as a permissible investment to the extent of outstanding transmission obligations received by the licensee in the same kind of stablecoin, requires stablecoin to be held, stored, or kept in custody of the licensee directly or by a third-party custodian that meets the qualifications prescribed by the commissioner; and
- replaces references to a principal or responsible person of a licensee or authorized delegate, as applicable, with references to a key individual of a licensee or authorized delegate in the act's provisions governing the following:
 - the suspension and revocation of a money services license;
 - the suspension and revocation of an authorized delegate designation;
 - cease and desist orders for a money services licensee or authorized delegate; and
 - requirements and notice and hearing procedures for emergency orders.

EFFECTIVE DATE

September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3833 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

Both the introduced and the substitute revise the list of individuals connected to a money services licensee or applicant who are required to provide additional information to the commissioner, including specified fingerprint and background information. However, the substitute also limits the type of information the individual must provide to the information specifically described in current law, whereas the introduced did not.