

SENATE
COMMERCE & LABOR
COMMITTEE

Minutes of Meeting
Monday, May 2, 1977

The meeting of the Commerce and Labor Committee was held on May 2, 1977, in Room 213 at 4:10 P.M., adjourned at 4:35 with the beginning of General File and reconvened at 6:10 P.M.

Senator Thomas Wilson was in the chair.

PRESENT: Senator Wilson
Senator Blakemore
Senator Ashworth
Senator Bryan
Senator Close
Senator Hernstadt
Senator Young

OTHERS

PRESENT: See attached list.

The Committee considered the following:

A.B. 598 REGULATES CERTAIN BUSINESSES ENGAGED IN SELLING OR
ISSUING CHECKS OR RECEIVING FOR TRANSMISSION OR
TRANSMITTING MONEY OR CREDITS. (BDR 55-1258)

Mr. Mike Melner, Commerce Director, stated they did not introduce this legislation, but they support it.

CHAIRMAN WILSON indicated he had a letter from Laxalt, Berry & Allison and asked Mr. Melner if he concurred with its contents. He indicated he did. See Exhibit A.

Mr. Tidvall, Superintendent of Banks, in answer to SENATOR WILSON's question indicated he did endorse the bill. Referred Committee to first amendment offered. He suggested that right after \$10,000 they include "which shall run to the State of Nevada for the benefit of" holders of outstanding instruments.

Mr. Stephen D. Hartman, from the floor, indicated he had no objection to the suggestion when queried by SENATOR ASHWORTH.

Further, Mr. Tidvall referred to page 1, section 3, line 15, indicating possible insertion after the words United States "or any parent holding company or subsidiary thereof". Page 2, line 6, 3a, section 6, strike the words "or insurance policy" or "policy" or "insurance company" or "insurer". Mr. Hartman indicated this change appeared on his amendment sheet already.

On page 4, line 29, Mr. Tidvall indicated should read a new #3 section: "the cost of any examination not to exceed \$10 per hour shall be borne by the licensee".

Mr. Hartman stated he believed this was contained in Section 17, subparagraph 2. Mr. Tidvall indicated that on line 45 he wanted to change words "from examination" to "investigation".

The Committee discussed the following revision of the suggested amendment: "The cost of any examination or investigation" (line 45).

Mr. Melner suggested that on page 1, line 14, after investment company the words "credit union" be added.

Mr. Steve Hartman, from the firm of Laxalt, Berry & Allison, stated he was appearing on behalf of American Express. Presented Mr. Harry Hasselmann from New York (American Express).

Mr. Hasselmann told the Committee the reason for the bill was to protect the purchasers of money orders. He indicated some companies have defaulted on their money orders, and some companies have not regulated money order companies.

Mr. Hartman indicated he believed that the amendments made the bill stronger.

Mr. Hasselmann told the Committee that if the bill is passed as it is amended, the major money order companies will not be able to do business in Nevada. The section that deals with a trust account in the State would just about prohibit a major multi-state company from doing business because most money orders are paid out of one state or locality.

SENATOR BLAKEMORE moved that AB 598 be amended and DO PASS, provided that the amendments are all typed on one page and reviewed by the Chairman and Mr. Melner to be sure there are no mistakes. Seconded by SENATOR BRYAN.
Vote: All in favor of amend and do pass. Senator Hernstadt absent.

Mr. Robert Faiss, First National City Bank, indicated the amendments take care of their concerns.

Mr. Clark Guild, representing Travelers Express, indicated they concur with all the amendments reviewed.

A.B. 719 REVISES ENFORCEMENT PROCEDURE FOR DECEPTIVE TRADE PRACTICES. (BDR 52-1720)

Ms. Shirley Katt, Washoe County District Attorney's Office, stated that on the first reprint of AB 719 they were concerned about repealing 598.580. After looking at 598.600, she stated she did not understand the need for it, if 598.580 is repealed. She stated further that if they repeal the District Attorney's Office having to give the 10 day notice requirement, it is basically giving them the discretion to use either filing a complaint or seeking to get an injunction or TRO.

She stated they have had problems having to give a 10 day notice if that after filing several notices of intent the unscrupulous businessman has a chance to leave town and they have had this happen several times, taking their assets with them. Discussed this concern at length with the Committee. Advised they had discussed in the D.A.'s office what causes immediate harm to the public.

SENATOR WILSON said that it appeared to him that if you were going to repeal 580 you have to amend 600.

In response to questions from SENATOR YOUNG, Ms. Katt stated that they couldn't say that the people were causing immediate harm, such as health. She stated they felt that deceptive trade practices themselves would not be viewed as reason to go in and exempt the 10 day notice.

Mr. Bob Guinn, Nevada Motor Transport Assn., and the Nev. Franchised Auto Dealers, stated he thought the bill has some implications. Submitted a copy of the Trade Regulations & Practices 598.600 to the Committee. See Exhibit B. Read directly from the statute. Refer to end of Tape 1 for full testimony. He cautioned the Committee in its consideration of this bill.

A.B. 676 REVISES CERTAIN PRACTICES AND PROCEDURES OF CREDIT UNIONS. (BDR 56-1621)

The first to testify was Pam Wellmore, Deputy Director, Commerce Department and Acting Commissioner on Credit Unions, who introduced Mr. Glenn Reese, Manager of Nevada Central Credit Unions. She stated this bill is not a department bill but it does have their support. Stated it is generally a housekeeping bill and designed to bring our statute into line with the Federal Act.

Mr. Reese submitted Exhibit C. See said exhibit for his testimony.

Both witnesses indicated to Chairman Wilson that they are requiring exactly what the Federal Credit Union Act requires. They could require more.

A.B. 719 REVISES ENFORCEMENT PROCEDURE FOR DECEPTIVE TRADE PRACTICES. (BDR 52-1720)

SENATOR YOUNG moved to KILL.
Seconded by SENATOR ASHWORTH.
Vote: Unanimous.

A.B. 676 REVISES CERTAIN PRACTICES AND PROCEDURES OF CREDIT UNIONS. (BDR 56-1621)

SENATOR BLAKEMORE moved to DO PASS.
Seconded by SENATOR YOUNG.
Vote: Unanimous.

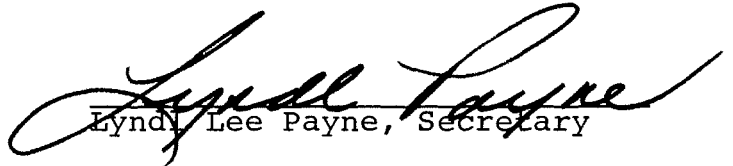
The Committee set next meeting for May 3, 1977, Room 323, and the agenda was established.

Commerce & Labor Committee
May 2, 1977
Page Five

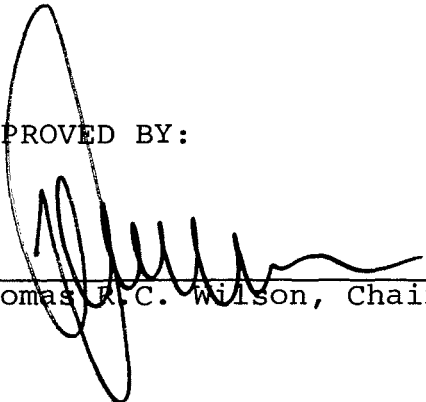
The Minutes for April 27th and 29th were approved. Senator Bryan moved for approval, seconded by Senator Close.
Vote: Unanimous.

There being no further business the meeting was adjourned at 7:00 P.M.

Respectfully submitted,


Lyndi Lee Payne, Secretary

APPROVED BY:


Thomas R.C. Wilson, Chairman

Senate

2683

AGENDA FOR COMMITTEE ON..... Commerce & Labor
Monday

Date May 2, 1977 Time 1:30 P.M. Room 213

Bills or Resolutions
to be considered

R E V I S E D

Subject

Counsel
requested*

- | Bills or Resolutions
to be considered | R E V I S E D | Subject | Counsel
requested* |
|--|---------------|---|-----------------------|
| A.B. 598 | | Regulates certain businesses engaged in selling or issuing checks or receiving for transmission or transmitting money or credits. (BDR 55-1258) | |
| A. B. 719 | | Revises enforcement procedure for deceptive trade practices (BDR 52-1720) | |
| A. B. 676 | | Revises certain practices and procedures of credit unions. (BDR 56-1621) | |

Exhibit A

Laxalt, Berry & Allison

ATTORNEYS AT LAW

May 2, 1977

PETER D. LAXALT
ROBERT GAYNOR BERRY
GEORGE V. ALLISON
MELVIN BRUNETTI
REESE H. TAYLOR, JR.
ANDREW MACKENZIE
STEPHEN D. HARTMAN
MIKE SOUMBENIOTIS
JOHN E. LEWIS
ROBERT H. PERRY
JAMES TODD RUSSELL
RICHARD R. HANNA
OF COUNSEL

402 NORTH DIVISION STREET
CARSON CITY, NEVADA 89701
P. O. BOX 646
TELEPHONE (702) 882-0202

Senate Committee on Labor & Commerce
Senators Wilson, Blakemore, Ashworth,
Bryan, Close, Hernstradt, Young

Senator Wilson, Chairman

Re: AB 598, relating to regulation of the selling
or issuing of checks or receiving for trans-
mission money or credits.

Assembly Bill 598 comes to your committee having been
amended and passed from the Assembly. The bill was amended at the
direction of Assemblyman Paul May to delete any reference to traveler's
checks. The bill in its entirety has been introduced this legislative
year as a result of the financial collapse of Universal Money Order
Company.

American Express Company applauds Assemblyman May for his
legislation to regulate the money order business in the State of
Nevada; however, we would seek to amend AB 598 as attached hereto in
an effort to strengthen the bill and to protect the consumer public.

In seriatim, the amendments we propose would be in Sub-
section 1 of Section 11 deleting the availability of insurance policies
as security for performance and make the surety bonds payable in favor
of holders of outstanding instruments with a ceiling of \$250,000 for
all composite locations.

Section 11 would additionally be amended to provide a
subparagraph 9 allowing the use of negotiable securities in lieu of
surety bonds to be deposited either with the State Treasurer or with
a bank or trust company acceptable to the Superintendent of Banking
with the depositor given the ability to receive interest and dividends
on the securities in an effort to keep consumer cost at a minimum and
to make recourse by the Superintendent of Banking more direct in the
event of loss, theft or financial failure.

Senate Committee on Labor & Commerce
May 2, 1977
Page Two

Section 15 should be amended to delete the "locked-box" concept currently contained therein. This concept does not take into consideration the necessity of free flow of monies to the clearing house payment centers for the larger companies issuing and paying money orders.

The proposed amendment of subparagraphs 1, 2, 3, and 4 of Section 15 would:

(a) Require deposit of funds received by agents in a bank or the licensee within 3 days of receipt. (Industry figures show agent retention beyond 3 days subject the funds to higher risk of loss by theft).

(b) Prohibits commingling with the other assets of both the licensee and its agents.

(c) Requires, upon suspension or termination of a licensee by Superintendent of Banking, the deposit in the name of the Superintendent of Banking of an amount equal to all outstanding checks sold or money received but not transmitted.

(d) Requires each licensee to maintain liquid assets, government securities with a carrying value equal to the liability of the license with respect to checks sold and issued and money received for transmission.

It is believed that the proposed amendments will make the bill more effective and efficient in the regulation of the money order industry.

Sincerely,



STEPHEN D. HARTMAN

SDH:db

PROPOSED AMENDMENTS TO AB 598

AMEND SECTION 11. 1. at page 3, delete lines 23 through 27 and insert:

"Section 1. Every licensee shall have in force a surety bond in a minimum principal sum of \$10,000 payable in favor of holders of outstanding instruments and in a minimum principal sum of \$5,000 covering each additional location in this state where its business is conducted directly or through an agent, provided, however, that the maximum amount of a surety bond for any composite number of locations be set at \$250,000."

AMEND SECTION 11 at page 4, line 21 to add subparagraph 9, to read:

"9. In lieu of such surety bonds, or any portion of the principal thereof as required by this section, the licensee may deposit with the State Treasurer or with a bank or trust company authorized to do business in this state as such licensee may designate with the approval of the Superintendent, interest-bearing stocks and bills, bonds, notes, debentures or other obligations of the United States or any agency or instrumentality thereof, or guaranteed by the United States, or of this State, or of a city, county, town, township, school district or instrumentality of this state, or guaranteed by this state, to an aggregate amount, based upon principal amount or market value, whichever is lower of not less than the amount of the required surety bond or portion thereof. The securities shall be deposited as aforesaid and held to secure the same obligation as would the surety bond, but the depositor shall be entitled to receive all interest and dividends thereon and shall have the right, with the approval of the superintendent, to substitute other securities for those deposited."

AMEND SECTION 15, page 4, delete lines 41 through 49 and insert:

"Section 15. 1. All money or credits received by agents of a licensee from the sale and issuance of checks or for the purpose of transmission shall be remitted to the licensee or deposited with a bank authorized to do business in this state for credit to an account of the licensee not later than the third business day following its receipt."

"2. Funds received from the sale or issuance of checks or for the purpose of transmission shall not be commingled with the other assets of the licensee or his agents."

AMEND SECTION 15, page 5, delete lines 1 through 12 and insert:

"3. If a license is suspended or terminated, the licensee shall immediately deposit in an account in the name of the superintendent, an amount which is sufficient to make the total funds in the account equal to all outstanding checks in the State of Nevada sold or issued and money or credits received but not transmitted."

"4. Each licensee shall at all times maintain liquid assets, government or municipal securities, or other marketable securities having a carrying value, computed in accordance with generally accepted accounting principals, equal to or more than the aggregate liability of the licensee with respect to checks sold and issued and money or credits received for transmission."

Amend Sec. 3 (a) to INCLUDE CREDIT UNIONS

Amend Section 3, page 1, line 19-21, delete subsection (d) in its entirety.

Amend Section 6, page 2, line 25, delete "or insurance policy" and insert "or securities".

Amend Section 6, page 2, line 28, delete "\$25,000" and insert "\$100,000".

Amend Section 6, page 2, line 29, delete "or insurance policy" and insert "or securities".

Amend Section 7, page 2, line 34, delete "or insurance policy" and insert "or securities".

Amend Section 9, page 3, line 10, delete "subsequently approved by the superintendent" and insert "operated by a duly appointed agent or agents of the licensee".

Amend Section 11, page 3, line 30, delete "or policy".

Amend Section 11, page 3, line 31, delete "or insurance company".

Amend Section 11, page 3, line 39, delete "or insurer".

Amend Section 11, page 3, line 44, delete "or policy".

Amend Section 11, page 3, line 46, delete "or policy".

Amend Section 11, page 3, line 47, delete "or policies".

Amend Section 11, page 3, line 49, delete "or insurer".

Amend Section 11, page 3, line 50, delete "or policy".

Amend Section 11, page 4, line 1, delete "or insurer" and "or policy".

Amend Section 11, page 4, line 5, delete "or insurer".

Amend Section 11, page 4, line 10, delete "or policy".

Amend Section 11, page 4, line 14, delete "or policy".

Amend Section 11, page 4, line 17, delete "or insurer".

Amend Section 11, page 4, line 18, delete "or policy".

Amend Section 11, page 4, line 21, delete "or policy".

Amend Section 18, page 6, line 28, 29 delete "or insurance policy" and insert "or securities".

Exhibit B

TRADE REGULATIONS AND PRACTICES 598.600

of NRS 598.360 to 598.640, inclusive, to any state agency, board, official or other regulatory authority would cause immediate harm to the public of this state or endanger the public health, safety or welfare, and such facts are shown by affidavit or by verified complaint.

(Added to NRS by 1973, 1486)

598.570 Actions by district attorney: Injunctive relief. Notwithstanding the requirement of knowledge as an element of any practice enumerated in NRS 598.410 as a deceptive trade practice, and notwithstanding the enforcement powers granted to the commissioner pursuant to NRS 598.360 to 598.640, inclusive, whenever the district attorney of any county has reason to believe that any person is using, has used or is about to use any of the practices enumerated in NRS 598.410, knowingly or otherwise, he may bring an action in the name of the State of Nevada against such person to obtain a temporary or permanent injunction against such deceptive trade practice.

(Added to NRS by 1973, 1487)

598.580 Actions by district attorney: Preliminary notice required before filing; exception. Except as otherwise provided in NRS 598.600, appropriate notice must be given by the district attorney to any person against whom an action is brought pursuant to NRS 598.570. Such notice must state generally the relief sought and be served in accordance with NRS 598.630 at least 10 days prior to the filing of the action.

(Added to NRS by 1973, 1487)

598.590 Actions by district attorney: Venue; powers of court. Any action brought pursuant to NRS 598.540 or 598.570 may be brought:

1. In a district court in the county in which the defendant resides or has his principal place of business;
2. In the district court in Carson City if the parties consent thereto; or
3. In the district court in any county where a deceptive trade practice has occurred. Any court in which an action is brought pursuant to NRS 598.540 or 598.570 may issue any temporary or permanent injunction in accordance with the Nevada Rules of Civil Procedure to restrain and prevent any violation of any provisions of NRS 598.360 to 598.640, inclusive, and such injunctions shall be issued without bond.

(Added to NRS by 1973, 1487)

598.600 Actions by district attorney: When injunction may be sought without prior notice. Whenever the district attorney has reason to believe that the delay caused by complying with the notice requirement of NRS 598.580 would cause immediate harm to the public of this state or endanger the public welfare, he may immediately institute a suit for injunctive relief, including a request for a temporary restraining order,

(1975)

20273

STATEMENT OF THE NEVADA CREDIT UNION LEAGUE, INC.
HEARING ON AB676 BEFORE THE SENATE COMMERCE COMMITTEE

Recess
5-2-77
Exhibit C

AB676 IS BEFORE YOU FOR YOUR CONSIDERATION TO MAKE SOME HOUSEKEEPING AMENDMENTS TO THE ORIGINAL ACT PASSED IN THE 1975 LEGISLATURE. SEVERAL ERRORS WERE FOUND IN THE LEGISLATION DURING THE PROCESS OF IMPLEMENTING. ~~THESE ITEMS WERE LEFT OUT OF THE LEGISLATION BY BILL DRAFTING IN TRANSLATING THE ORIGINAL DRAFT OF THE LEGISLATION~~

ONE IMPORTANT ITEM IS TO PROVIDE FOR THE PERPETUAL EXISTENCE OF CREDIT UNIONS ONCE THEY ARE CHARTERED UNLESS THE MEMBERSHIP DECIDES FOR SOME REASON TO LIQUIDATE THEIR CREDIT UNION.

ANOTHER CLEARIFIES THE LANGUAGE PERTAINING TO THE ORGANIZATION OF CREDIT UNIONS IN STATING THAT, "AT LEAST SEVEN PERSONS MAY SIGN", WHEREAS THE PRESENT LANGUAGE LIMITS THE SIGNORS TO ONLY SEVEN.

A SECTION OF THE BILL PROVIDES FOR A CHANGE IN THE RESERVING REQUIREMENT FOR STATE CHARTERED CREDIT UNIONS BRINGING IT INTO CONFORMITY TO THAT REQUIRED FOR FEDERAL CREDIT UNIONS. THIS IS IMPORTANT SINCE THE NATIONAL CREDIT UNION ADMINISTRATION ISSUES INSURANCE OF MEMBERS ACCOUNTS TO \$40,000, FOR STATE CHARTERED CREDIT UNIONS IN THE STATE OF NEVADA. BY HAVING THE SAME RESERVING REQUIREMENTS IT CREATES LESS CONFUSION FOR THE STATE CHARTERED CREDIT UNIONS AND LESS REPORTING REQUIREMENTS.

ANOTHER SECTION OF THE BILL PROVIDES FOR A CHANGE IN THE ORGANIZATION OF THE CENTRAL CREDIT UNION MAKING IT A PURE CORPORATE FACILITY TO SERVE THE NEEDS OF CASH FLOW FOR ALL CREDIT UNIONS IN THE STATE EITHER FEDERALLY CHARTERED OR STATE CHARTERED. THIS IS EXTREMELY IMPORTANT FOR CREDIT UNIONS AS THEY MOVE INTO THE AGE OF THE "ELECTRONIC FUNDS TRANSFER".

IF YOU HAVE ANY QUESTIONS, WE WILL BE MOST HAPPY TO ANSWER THEM.

WE WOULD APPRECIATE YOUR FAVORABLE CONSIDERTION OF AB676 FOR THE BENEFIT OF CREDIT UNIONS IN THE STATE OF NEVADA AS THEY CONTINUE TO PROVIDE A SOUND ECONOMIC SERVICE FOR THE RESIDENTS OF THE STATE.

2693
Amended

Amend Section 3, page 1, line 12 after the word "bank", insert " or any parent holding company or subsidiary thereof, credit unions".

Amend Section 3, page 1, line 19-21, delete subsection (d) in its entirety.

Amend Section 6, page 2, line 25, delete "or insurance policy" and insert "or securities".

Amend Section 6, page 2, line 28, delete "\$25,000" and insert "\$100,000".

Amend Section 6, page 2, line 29, delete "or insurance policy" and insert "or securities".

Amend Section 7, page 2, line 34, delete "or insurance policy" and insert "or securities".

Amend Section 9, page 3, line 10, delete "subsequently approved by the superintendent" and insert "operated by a duly appointed agent or agents of the licensee".

Amend Section 11, I. at page 3, delete lines 23 through 27 and insert: "Section 1. Every licensee shall have in force a surety bond in a minimum principal sum of \$10,000 which shall run to the State of Nevada for the benefit of holders of outstanding instruments and in a minimum principal sum of \$5,000 covering each additional location in this state where its business is conducted directly or through an agent, provided, however, that the maximum amount of a surety bond for any composite number of locations be set at \$250,000."

Amend Section 11, page 3, line 30, delete "or policy".

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Amend Section 11, page 4, line 18, delete "or policy".

Amend Section 11, page 4, line 21 to add subparagraph 9, to read: "9. In lieu of such surety bonds, or any portion of the principal thereof as required by this section, the licensee may deposit with the State Treasurer or with a bank or trust company authorized to do business in this state as such licensee may designate with the approval of the Superintendent, interest-bearing stocks and bills, bonds, notes, debentures or other obligations of the United States or any agency or instrumentality thereof, or guaranteed by the United States, or of this State, or of a city, county, town, township, school district or instrumentality of this state, or guaranteed by this state, to an aggregate amount, based upon principal amount or market value, whichever is lower of not less than the amount of the required surety bond or portion thereof. The securities shall be deposited as aforesaid and held to secure the same obligation as would the surety bond, but the depositor shall be entitled to receive all interest and dividends thereon and shall have the right, with the approval of the superintendent, to substitute other securities for those deposited."

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Amend Section 17, page 5, line 45, after the word "examination" and insert "or investigation".

Amend Section 18, page 6, line 28, 29 delete "or insurance policy" and insert "or securities".

Ab 59,8
Clark

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