
DIVISION OF BANKING

1601 N. Harrison Avenue, Suite 1, Pierre, SD 57501
605-773-3421

MEMORANDUM

NUMBER: 20-025

DATE: June 19, 2019

TO: SOUTH DAKOTA MONEY TRANSMITTERS

FROM: BRET AFDAHL, Director

RE: HOUSE BILL 1032

House Bill 1032 (HB 1032) revises South Dakota's money transmission laws. HB 1032 was signed into law by Governor Kristi Noem on March 29, 2019, and its changes become effective on July 1, 2019. A summary of the changes by section is provided below; however, I would encourage you to review this bill in detail at the following link:

<http://sdlegislature.gov/docs/legsession/2019/Bills/HB1032ENR.pdf>.

The money transmission industry is growing in South Dakota, and many of these new money transmitters are digital only companies. Criminal background checks are currently performed on non-publicly traded money transmitter applicants through a hard copy fingerprint process, which is inefficient for both the industry and the South Dakota Division of Banking (Division). HB 1032 requires all money transmitters to apply for licensure through the Nationwide Multistate Licensing System (NMLS), and allows the NMLS to process any needed background checks directly through the Federal Bureau of Investigation (FBI). All but one money transmitter currently licensed in South Dakota is licensed through NMLS.

The NMLS employs the benefits of local, state-based financial services regulation on a nationwide platform that provides for improved coordination and information sharing among regulators, increased efficiencies for licensees, and enhanced consumer protection.

Section 1

- Transitions money transmitter's use of the NMLS from optional to required. To improve efficiency for the Division and for the industry, NMLS usage is mandatory for all money transmitter licensees. This system provides licensees with a streamlined process for all application documents and reporting information.

Sections 2-5

- Updates our criminal background investigation process to allow applicants to submit a single set of fingerprints to the NMLS, who will, in turn, submit them to the FBI. The FBI will complete a single background investigation. Any South Dakota specific arrest records are required to be transmitted to the FBI by South Dakota law enforcement.

Section 6

- Makes form and style edits and removes outdated language.

Section 7

- Incorporates authorizing language into existing law to allow the NMLS to facilitate background investigations for South Dakota applicants directly with the U.S. Department of Justice.

If you would like additional information regarding this bill, or if you have any questions, please do not hesitate to contact the Division at 605-773-3421.