
DIVISION OF BANKING

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

MEMORANDUM

NUMBER: 20-026
DATE: June 3, 2020
TO: SOUTH DAKOTA MONEY TRANSMITTERS
FROM: BRET AFDAHL, Director
RE: HOUSE BILL 1016

House Bill 1016 (HB 1016) revises South Dakota law related to money transmission in South Dakota. HB 1016 was introduced and signed into law by Governor Kristi Noem. The amendments to existing law established in HB 1016 will become effective on July 1, 2020. I would encourage you to review this bill in detail at your convenience at the following link: <https://mylrc.sdlegislature.gov/api/Documents/66198.pdf>.

HB 1016 addresses several issues associated with money transmitter regulation in South Dakota. The money transmission industry is growing in South Dakota and in the United States. Through the Conference of State Banks Supervisors (CSBS), the states are making a concerted effort to streamline our licensing process to better enable innovation in the money transmission sector, while at the same time, protecting consumers and ensuring adequate regulation of money transmitters. These changes in South Dakota and burden reduction efforts nationally will make federal preemption less likely as we take unnecessary friction out of the licensing process.

Section 1: Adds three types of entities to the list of entities exempt from the money transmitter licensure requirements included in SDCL Chapter 51A-17:

South Dakota Trust Company Exemption

- Trust companies chartered in South Dakota are already regulated by the South Dakota Division Banking (Division)
- This exemption would not apply to trust companies chartered in other states

Payment System Provider Exemption

- Payment system providers contract with banks to provide back office payment processing services that include debit and credit card processing and ACH settlement
- This exemption is limited to the provision of services to entities exempt from SDCL Chapter 51A-17

Agent of the Payee Exemption

- HB 1016 brings South Dakota money transmitter licensing law into line with existing principal/agent laws in South Dakota
- This exemption only applies to entities that transact business on behalf of principals or payees

Section 2: Updates SDCL 51A-17-17 to reflect the current money transmitter license renewal period as provided in SDCL 51A-17-20. The renewal period provided in SDCL 51A-17-20 was changed in 2015 from June to December to meet a requirement of the nationwide licensing system (NMLS). All licensees on the NMLS must have a calendar year-end renewal cycle, the law was changed to allow South Dakota money transmitters to take advantage of NMLS.

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.