

STATE OF CALIFORNIA – DEPARTMENT OF BUSINESS OVERSIGHT
**APPLICATION FOR A LICENSE TO ENGAGE IN THE
MONEY TRANSMISSION BUSINESS – INSTRUCTIONS**

DBO 2110 INSTRUCTIONS (Rev. 12-03-15)



NOTE: Prior to applying for a license, the prospective applicant should contact Mr. Julio Prada, Assistant Deputy Commissioner, at (415) 263-8540 or by email at julio.prada@dbo.ca.gov to arrange for a pre-filing meeting.

INSTRUCTIONS

I. GENERAL

Form 2110 is used in cases where a corporation or LLC ("applicant") applies for a license to engage in the money transmission business (remittances, stored value and payment instruments) pursuant to Financial Code, Division 1.2 (commencing with Section 2000).

Two (2) copies of the application must be accompanied by a nonrefundable filing fee in accordance with Financial Code Section 2038.

II. INFORMATION AND DOCUMENTS ATTACHED TO FACING PAGE

The information should include, in addition to the information called for on the facing page, the following information and documents, which should be attached to the facing page:

A. Authorizations of the Applicant's Board of Directors

1. Provide a copy of a resolution of the board of directors of the applicant:
 - a. Authorizing the applicant to apply for a license to engage in the business of receiving money for the purpose of transmitting the same or its equivalent application;
 - b. Authorizing the Commissioner of Business Oversight to examine the applicant in connection with the application;
 - c. Authorizing and directing all directors, officers, and employees of the applicant and any person having custody of any of the records of the applicant, to furnish to the Commissioner such information, and to permit the Commissioner to inspect and copy such records, as the Commissioner may request in connection with the application;
 - d. Authorizing any bank or other financial institution with which the applicant has transacted business to furnish to the Commissioner such information, and to permit the Commissioner to inspect and copy such records, as the Commissioner may request in connection with the application; and,
 - e. Authorize any government agency which licenses or regulates transmitters of money, issuers of payment instruments, issuers of travelers checks, or other financial institutions and which has information or records regarding the applicant, to furnish to the Commissioner such information, and to permit the Commissioner to inspect and copy such records, as the Commissioner may request in connection with the application.
2. The copy of the resolution of the board shall be certified by the secretary or by an assistant secretary of the applicant.

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B. Information Regarding Corporate History and Business Plan

1. The legal name and residential business address of the applicant and any fictitious or trade name used by the applicant in conducting its business.
2. The date of the applicant's incorporation or formation and the state or country of incorporation or formation.
3. Summarize the history of the applicant.
4. Describe the business plan of the applicant. A description of any money transmission services previously provided by the applicant and the money transmission services that the applicant seeks to provide in this state. If applicant has been or is now engaged in the transmission business without first obtaining a license from the Commissioner, provide details as to length of time engaged in such business, amount of funds transmitted and reason for not obtaining a license.
5. Flow of funds description and flow chart. Submit a description of each type of transaction or service to be conducted. For each type, describe each step starting with the first encounter with the consumer and ending at the completion of the transaction when money is received by the beneficiary. Please identify bank accounts in the flow funds.
6. Provide the name, business address, and telephone number of at least two banking references for the applicant.
7. A list of other states in which the applicant is licensed to engage in money transmission.
8. A sample form of payment instrument or instrument upon which stored value is recorded, if applicable.
9. A sample form of receipt for transactions that involve money received for transmission.

C. Information Regarding Directors, Executive Officers and 10% Equity Security Owners

1. Provide a list showing, with respect to each individual who is a director, executive officer or 10% equity security owner of applicant:
 - a. Name;
 - b. Social security number; and
 - c. Title of each position held with applicant.
2. For each of the following control persons:
 - a. Executive officer and each director of the applicant;
 - b. Each person who owns or controls 10% or more of the voting shares of the applicant; and
 - c. Each person who owns or controls 10% or more of the voting shares of each person or entity that controls the applicant, or possesses authority to make decisions and otherwise direct the applicant.

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Provide a Confidential Resume and a current Personal Financial Statement each completed and signed as of a date within 90 days before the filing of the application by each director, executive officer, or 10% equity security owner of applicant. (Use Interagency Biographical and Financial Report or Department of Business Oversight Forms 2 and 3.)

In addition, provide the legal name, all business and residential addresses, and the employment, in the 10-year period prior to the submission of the application, of each person that has control of the applicant, and the education background for each such person.

4. Describe the amount and type of equity securities of applicant owned by each 10% equity security owner.

D. Information Regarding Corporate Matters

1. A certificate of good standing from the state or country in which the applicant is incorporated or formed.
2. In case applicant is a California corporation, provide a Certificate of Good Standing issued by the Secretary of the State of California as of a date within 30 days before the filing of the application certifying that applicant is a corporation which is duly organized, subsisting, and in good standing under the laws of the State of California.
3. In case applicant is a foreign corporation, and the application is approved, applicant shall be required, not less than five business days before being issued a license, to file with the Commissioner a Certificate of Good Standing - Foreign Corporation of the Secretary of State of the State of California, certifying that applicant has qualified to transact intrastate business in the State of California and is in good corporate standing under the laws of the State of California.
4. An organizational chart. Provide description of the structure or organization of the applicant, including any parent or subsidiary of the applicant, and whether any parent or subsidiary is publicly traded. Also include a brief description of the business of each entity on the organizational chart.
5. A management chart of all key executive officers and board members.

E. Information Regarding Legal Proceedings

1. A list of any criminal convictions of the applicant and any material litigation in which the applicant has been involved in the 10-year period prior to the submission of the application. If applicant or any significant subsidiary, parent or affiliate of the applicant is a party to, or any property of applicant or of any significant subsidiary, parent or affiliate of the applicant is subject of, any proceeding pending before any court or governmental agency, describe such proceeding, including:
 - a. Title of proceeding;
 - b. Name and address of the court or of the governmental agency before which the proceeding is pending;
 - c. Names of the principal parties to the proceeding;
 - d. Date the proceeding was commenced;
 - e. Description of factual basis alleged to underlie the proceeding;
 - f. Relief sought in the proceeding; and
 - g. Status of the proceeding.

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If applicant is aware of any proceeding currently contemplated by any government, or of any license revocations, suspensions, or other disciplinary action taken against the applicant in another state, describe such proceedings, including information comparable to the information called for in paragraphs a to g, inclusive, above.

2. If any of the following has occurred or is pending with respect to any person who controls the applicant, or any director or officer of the applicant or of any person who controls the applicant, or any significant subsidiary, parent or affiliate of the applicant, describe the circumstances:
 - a. Any court or governmental agency has, for any reason, suspended or revoked any license or other authorization or qualification to engage in any profession, occupation, vocation, or other business activity;
 - b. Information concerning any bankruptcy or receivership proceedings or an application has been made for reorganization, arrangement, or other relief under any bankruptcy, reorganization, insolvency, or moratorium law;
 - c. An application has been made by a third party for the appointment of a receiver, fiscal agent, or similar officer of for other relief of the kind described in subparagraph (b) above;
 - d. Suffered judgment in any civil action based upon conduct involving fraud or dishonesty; or,
 - e. Been convicted of, pleaded nolo contendere to, or is being charged with, any crime relating to the business of transmitting money, the business of issuing or selling payment instruments, the business of banking, the business of a bank holding company, the securities business, or any crime involving fraud or dishonesty.

F. Information Regarding Marketing Plan and Licensing

1. Identify the geographical area in the State of California where applicant proposes to engage in the business of money transmission;
2. Describe applicant's plan for establishing its transmission business and achieving a share of the transmission business in the market area identified above.
3. List the states and countries to which applicant proposes to transmit funds. The list should include the following data:
 - a. The legal requirements applicant must satisfy in each state and country in order to conduct money transmission in that jurisdiction;
 - b. Those states and countries where the applicant has already satisfied the legal requirements; and
 - c. Actions being taken to satisfy, and the anticipated date applicant will satisfy, the legal requirements for all remaining states and countries.
4. With respect to foreign countries, describe in detail the proposed operation for conducting the transmission business, including the name and address of any affiliate of applicant, agent of applicant, or correspondent bank in the destination country.
5. Indicate the expected principal language which the applicant will use to advertise, solicit, or negotiate, either orally or in writing, with its customers and the reason(s) for such expectation.

G. Information Regarding Branches and Agents

An estimate of the applicant's proposed branches and agents in this state at the end of its first, second and third year of operations in this state and the locations in this state where the applicant and its agents propose to engage in money transmission. If applicant has or proposes to have branches or agents outside of California, provide:

1. The current number of branches of applicant located outside of California;
2. The estimated number of branches of applicant outside of California as of the end of one year;
3. The current number of agent branches located outside of California; and
4. The estimated number of agent branches located outside of California as of the end of one year.

H. Information Regarding Selection and Supervision of Branches/Agents

Describe in detail the applicant's policies and procedures with respect to all the following as it relates to the money transmission business to be conducted in this state by the applicant and by any agent of the applicant, including a description of the responsibilities and authority of key personnel:

1. The procedures for receiving, processing, and forwarding of transmission money from the time a branch or an agent receives the money until it is in the custody and control of the applicant directly, and related collection practices.
2. Recordkeeping.
3. Processing and resolution of consumer complaints and requests for refunds.
4. Monitoring and oversight of branch office activities.
5. Describe in detail the applicant's policies and procedures with respect to the selection of agents. Include a description of what actions are being or will be taken by the applicant to investigate into the character and financial condition of any proposed agent, any controlling person of the proposed agent and whether and in what manner such persons will be screened through the lists of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control ("OFAC").

I. Financial Statements

Provide the following financial statements of applicant (if audited statements are available, please provide them). Each financial statement must be certified as correct by the chief financial officer of the corporation.

1. A copy of the applicant's audited financial statements for the most recent fiscal year and, if available, for the two-year period previous to the most recent audited financial statement.
2. A copy of the applicant's unconsolidated financial statements for the current fiscal year, whether audited or not, and, if available, for the two-year period previous to the most recent fiscal year.

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3. If the applicant is publicly traded, a copy of the most recent report filed with the United States Securities and Exchange Commission under Section 13 of the federal Securities Exchange Act of 1934 (15 U.S.C. Sec. 78m).
4. If the applicant is a wholly owned subsidiary of:
 - a. A corporation publicly traded in the United States, a copy of audited financial statements for the parent corporation for the most recent fiscal year or a copy of the parent corporation's most recent report filed under Section 13 of the federal Securities Exchange Act of 1934 (15 U.S.C. Section 78m) and, if available, for the two-year period next preceding the submission of the application.
 - b. A corporation publicly traded outside the United States, a copy of similar documentation filed with the regulator of the parent corporation's domicile outside the United States.
5. A current (within 60 days) balance sheet income statement.
6. Statement of income and statement of changes in shareholders' equity for each of the three fiscal years immediately preceding the date of the application.

J. Pro Forma Financial Statements

1. The applicant's plan for engaging in money transmission business, including without limitation three years of pro forma financial statements. Provide projections for the first three years, to include monthly receipt of transmission money and average daily transmission liability outstanding on a monthly basis. Include the basis for the projections.
2. Provide three years of pro forma financial statements. Provide a pro forma balance sheet for the business as of the end of each quarter of the first year, as of the end of each half year of the second year, and as of the end of the third year of operations. Please identify outstanding transmission liability for California and for the rest of the United States in the projections. Also, describe any assumptions used as a basis for the projections.
4. Provide a pro forma statement of income as of the end each quarter of the first year, as of the end of each half year of the second year, and as of the end of the third year of operations. Include the basis for the projections.
5. Provide Average Daily Total Liability projections for California as of the end of each quarter of the first year, as of the end of each half year of the second year, and as of the end of the third year of operations. Refer to this link - http://www.dbo.ca.gov/forms/tma/callreport_forms/ADTL_Intsructions_and_Sample_2_013.doc
6. Also state the highest, lowest, and average number of days that applicant estimates will elapse between receipt of funds and delivery of funds.

III. FINGERPRINTS AND BACKGROUND CHECKS

One California Department of Justice Bureau of Criminal Identification Form FD-258 (as most recently revised) must be completed by the following persons:

1. Each executive officer and each director of the applicant;
2. Each person who owns or controls 10% or more of the voting shares of the applicant; and

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3. Each person who owns or controls 10% or more of the voting shares of each person or entity that controls the applicant, or possesses authority to make decisions and otherwise direct the applicant.

Fingerprints must be taken at a law enforcement agency or a Live Scan Service Center. A list of Live Scan Service Centers is available at <http://caag.state.ca.us/fingerprints/index.htm>. It may be necessary to arrange an appointment for fingerprinting, and the applicant is responsible for any fee charged. In addition, for FD-258's, a processing fee at the current rate charged by the California Department of Justice, must accompany each form submitted.

A copy of the Live Scan receipts must be submitted with the application. Each person fingerprinted should complete the appropriate boxes requesting personal information.

If fingerprint cards are going to be used, the applicant first needs to contact the DOJ in Sacramento to receive an exemption and obtain the fingerprint cards from outside vendors. If submitting cards to the DOJ, A copy of the fingerprint cards (and accompanying cover letter to the California Department of Justice) must be submitted with the application.

Submit all forms at the same time for all persons concerned to expedite the request. If there are four persons subject to background checks please submit the forms and supporting biographic documents for all four instead of submitting them separately.

IV. INFORMATION REGARDING AML/BSA AND OFAC COMPLIANCE

1. Describe in detail how the applicant proposes to comply with federal anti-money laundering laws, including the U.S. Patriot Act and the Bank Secrecy Act (“AML/BSA”).
2. Provide a copy of the applicant’s AML/BSA manual and a copy of the applicant’s most recent independent AML/BSA review.
3. Describe in detail whether and in what manner the applicant will utilize and maintain computerized books and records and electronic data processing technology to record and maintain information, including records relating to the money transmission business conducted by agents, in connection with the applicant’s compliance with AML/BSA and OFAC laws and regulations.
4. Describe in detail how the applicant proposes to comply with the laws administered by the Office of Foreign Assets Control (“OFAC”), including the following:
 - a. The procedures to be followed by the applicant in monitoring compliance by the applicant and by any agent of the applicant with the regulations of OFAC (Chapter V (commencing with Section 500) of Title 31 of the United States Code.)
 - b. In case the system to match the names of persons on OFAC’s lists of Specially Designated Nationals and Blocked Persons (“SDN”) will be automated: The identity of the software to be utilized; a general description of the software’s capabilities in relation to monitoring compliance with OFAC regulations; and whether the software will reject a transaction involving a person on OFAC’s lists or whether the software will block the person’s funds.
 - c. In case the matching of the names of persons on OFAC’s lists will be done manually: A description of how the matching will be accomplished, considering the number of money transmission transactions the applicant anticipates it will handle on a daily basis and the number

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of persons on OFAC's lists; and the identity of the officer or other employee of the applicant who will be primarily responsible for performing the matching.

- d. Whether the applicant intends to match all of its transactions, including the transactions of its agents, against all of the OFAC lists for Specially Designated Nationals (including Specially Designated Global Terrorists).
- e. The frequency with which transactions will be matched.
- f. The manner and frequency of incorporating updated OFAC lists into the applicant's matching system or procedures, including whether the applicant updates information through OFAC's web site.
- g. The procedures followed in the event that a person's name matches a name on OFAC's lists, including the manner in which the applicant will notify OFAC of such matches.
- h. Whether blocked funds are segregated from other funds of the applicant, and if so, whether a separate bank account will be used.

V. FOR NON USA RESIDENT APPLICANTS AND CONTROL PERSONS

If any control person does not or has not resided in the US for at least 10 years, an investigative background report must be prepared by an acceptable search firm and submitted directly to the Department in addition to other background information required in the application. The cost of the report must be borne by the applicant or the individual. We have not yet assembled a list of "acceptable" search firms. At a minimum, the firm must demonstrate that they have sufficient resources and are properly licensed to conduct the search of the background and that the firm is not affiliated with or an interest of any of the individuals under investigation. The background investigation report must be in English and provided directly to the Department.

At a minimum, the report must contain the following:

1. A comprehensive credit report/history including the actual credit report as well as a summary.
2. Civil court and bankruptcy court records for the past 10 years, including a search of the court data in the country(ies), states, towns, where the individual resided and worked and in contiguous areas.
3. Criminal records including felonies, misdemeanors and violations including a search of court data in the country(ies), states, towns, where the individual resided and worked and in contiguous areas.
4. Education records.
5. Employment history.
6. Media history including an electronic search of national and local publications, wire services and business publications.
7. Regulatory history, particularly securities, insurance, mortgage-related, real estate, etc., if applicable.

The report must be accompanied by a search summary letter which identifies the scope of the search, indicate the independence of the firm from the individuals and the applicant, and identifies a person and provides contact information if questions should arise.

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If an individual has had such a report, which meets the specifications listed above, prepared for another licensing agency within the past 12 months, the individual may have the investigating agency submit a copy of that report to us. In addition to the documentation generally required, the individual would need to submit a statement of no material change.

VI. ADDITIONAL INFORMATION

The Commissioner reserves the right to request such additional information as the Commissioner deems necessary in connection with the application.