



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 4554 As signed by the Governor on June 9, 2016
Author: Clemmons
Subject: South Carolina Anti-Money Laundering Act
Requestor: House of Representatives
RFA Analyst(s): Gardner and Dunbar
Impact Date: December 15, 2016

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$296,000	\$458,250
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	2.00	2.00
State Revenue		
General Fund	Undetermined	\$0
Other and Federal	Undetermined	\$0
Local Expenditure	\$0	\$0
Local Revenue	Undetermined	\$0

Fiscal Impact Summary

This bill will have a non-recurring expenditure impact of \$50,000 and a recurring expenditure impact of \$246,000 to the General Fund for a total impact of \$296,000 for FY 2017-18. In FY 2018-19, the bill will add a recurring expenditure impact of \$212,250 to the General Fund, which will result in a total recurring expenditure impact of \$458,250 to the General Fund in FY 2018-19 and each year thereafter. There will be no impact to Federal Funds or Other Funds. State and local revenue resulting from licensing and enforcement activities is undetermined for lack of historical data to make a valid projection. State expenditures would not be incurred, and State and local revenue would not be generated until around the beginning of FY 2017-18, at the earliest, because of the bill's effective date.

Explanation of Fiscal Impact

State Expenditure

This bill creates the South Carolina Anti-Money Laundering Act, which provides for the licensing and regulation of persons engaged in money transmission and currency exchange services. The bill makes the Attorney General the Commissioner for purposes of developing and receiving applications for licensure and renewal, investigating applicants and licensees, approving or denying licenses, determining surety requirements, approving or denying changes in control of licensees, prescribing permissible licensee investments in addition to those allowed by the bill, and enforcing the provisions of the Anti-Money Laundering Act through suspension and revocation of licenses and designations of licensee agents as authorized delegates, issuance of cease and desist orders, assessment of civil penalties, and applying for the appointment of a receiver for the licensee, among other things.

The Attorney General, as Commissioner, is authorized to begin promulgating regulations to implement the bill upon the Governor's approval. Other provisions of the bill are effective 1 year after the Governor's approval, or upon the publication of final implementing regulations in the State Register, whichever occurs later. As a result, the Attorney General will not incur expenditures associated with licensing and enforcement until at least around the beginning of FY 2017-18.

Attorney General's Office. The Attorney General's Office projects this bill to have an expenditure impact of approximately \$296,000 during the first year of implementation. This amount covers a one-time cost of \$50,000 for contracting accounting staff to assist in the registration process for money service businesses, as well as a recurring cost of \$216,000 to hire both a manager of examinations and a registration manager and \$30,000 to cover operating costs (IT, supplies, contractual services, and travel). Beginning in year two, the agency will need to hire an examiner and an attorney, which will result in an additional recurring impact of \$182,250 in salary/fringe and \$30,000 in operating costs. This will add \$212,250 to the recurring expenditure impact of year one (\$246,000), resulting in a total recurring impact of \$458,250 in year two and beyond. Should the volume of registrations and examinations be higher than the agency currently anticipates, these costs could increase.

Judicial Department. The department estimates that this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds, although new criminal offenses are created and actions may be brought for restraining orders and appointment of receivers. Circuit court may experience an increase in the number of trials and hearings and a backlog, but the department indicates it will absorb any additional costs within current resources.

State Revenue

This bill requires a person to be licensed to engage in the business of money transmission or currency exchange. An applicant for licensure as a money transmission or currency exchange service must apply to the Attorney General, as Commissioner, and submit a nonrefundable application fee of \$1,500 and a license fee of \$750. If a license application is denied by the Commissioner, the license fee must be refunded. A person licensed to engage in the business of money transmission may also engage in the business of currency exchange. If a person is licensed to engage in money transmission services in at least one other state, the person may be approved to engage in money transmission and currency exchange in this State without being licensed pursuant to the licensing procedure described above, if the state in which the person is licensed has enacted the Uniform Money Services Act or has money transmission laws substantially similar to South Carolina's. The fee for approval based upon licensure in another state is \$1,000. Money transmission licenses are renewable annually with submission of a renewal report and renewal fee of \$750. Currency Exchange licenses are renewable biennially with the submission of a renewal report and renewal fee of \$750.

According to the Securities Division of the Attorney General's Office, at least 93 businesses providing money transmission or currency exchange services or both operated in South Carolina as of August 18, 2016. These 93 businesses were identified through the Nationwide Multistate Licensing System (NMLS), a web-based system that allows state-licensed, non-depository

companies in a variety of industries to manage their licenses online and in one location for multiple states. As part of NMLS, applicants identify all states in which they operate, even those states that do not use NMLS for licensure. While 93 businesses were identified as potential licensees in South Carolina, the number does not include those money service businesses operating only in South Carolina or that operate in this state but are registered in a state that does not utilize NMLS. Another source does not exist for this additional information. Consequently, the amount of State revenue that may be generated from licensing, approval and renewal fees is undetermined.

In addition, the bill adds enforcement provisions. The Attorney General, as Commissioner, is authorized to assess a civil penalty against a person who violates the provisions of the Anti-Money Laundering Act, or a rule or order issued pursuant to the act. The Commissioner may impose a civil penalty in an amount that does not exceed \$1,000 a day for each day the violation is outstanding, plus the state's costs and expenses for the investigation and prosecution of the matter, including attorney fees. The act also makes certain activities a crime, and depending on the activity and the amounts involved, classifies the crimes as a Class B, C, E, or F felony, or Class A misdemeanor. In addition to the imprisonment associated with the commission of these classes of crimes, the act provides for fines for some of the offenses in an amount that does not exceed \$250,000, or twice the value of the financial transactions, whichever is greater, for a first offense, and a fine up to \$500,000 or quintuple the value of the financial transactions, whichever is greater, for second and subsequent offenses. Further, conviction for certain specified offenses makes the offender liable to the State for a civil penalty of not more than the greater of the value of the property involved in the transaction or \$10,000.

The revenue impact on the General Fund and Other Funds from cost assessments, and civil and criminal penalties is undetermined, because of the lack of historical data from which to make a projection. There is no revenue impact on Federal Funds.

State revenue will not be generated until near the beginning of FY 2017-18 at the earliest, because licensing and enforcement will not commence until 1 year after the Governor's approval, or publication of final implementing regulations in the State Register, whichever occurs later.

Local Expenditure

N/A

Local Revenue

As reported above, the bill creates new criminal offenses for which fines may be imposed by General Sessions Court. Local governments would receive a share of these funds, but the amount is undetermined, because there is not any historical data from which to make a projection. Any local revenue would not be generated until FY 2017-18 at the earliest.



Frank A. Rainwater, Executive Director