

**STATE OF MICHIGAN  
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

**Before the Director of the Department of Insurance and Financial Services**

**In the matter of permissible investments  
under the Money Transmission Services Act /**

**Order No. 2018-003-CF**

**Issued and entered  
this 1<sup>st</sup> day of February 2018  
by Patrick M. McPharlin  
Director**

**ORDER AUTHORIZING MONEY TRANSMISSION LICENSEES TO USE ACH AND CREDIT CARD  
RECEIVABLES AS PERMISSIBLE INVESTMENTS**

**I. BACKGROUND**

The Director has received inquiries regarding whether licensees under the Money Transmission Services Act (MTSA), MCL 487.1001 *et seq.*, may use automated clearing house (ACH) receivables and/or credit card receivables as permissible investments to fulfill the requirements of MCL 487.1031.

ACH receivables and credit card receivables arise when MTSA licensees obtain funds from a sender by initiating an ACH debit from a sender's account at a depository financial institution or obtaining an authorization to charge the sender's credit card. The outstanding payment obligation is recognized at the time the ACH debit is initiated or the credit card is charged. This process creates a timing difference between when the outstanding obligation must be recognized as a liability and when the funds are actually credited to the MTSA licensee's bank account.

**II. ISSUE**

The issue is whether MTSA licensees may use ACH receivables and credit card receivables as

"permissible investments" for purposes of fulfilling the investment requirements of MCL 487.1031.

### III. ANALYSIS

MCL 487.1031(1) states: "A licensee shall maintain at all times permissible investments that have a market value computed in accordance with generally accepted accounting principles of not less than the aggregate amount of all of its outstanding payment instruments issued or sold and money transmitted by the licensee." MCL 487.1032 lists each investment type that may be used as a permissible investment as well as any limits imposed on specific investment types. ACH receivables and credit card receivables are not currently listed as permissible investments. However, the Director has authority under MCL 487.1031(2) to order that other investments are permissible. Under that section, the Director "by order or declaratory ruling may allow other types of investments that the [Director] determines to have a safety substantially equivalent to other permissible investments." Accordingly, MCL 487.1032(2)(d) includes as a permissible investment "any other investment the [Director] designates by order or declaratory ruling, to the extent specified by the [Director]."

The Director finds that ACH receivables and credit card receivables have a safety substantially equivalent to a "receivable that is payable to a licensee from its authorized delegate" permitted under MCL 487.1032(1)(e). In addition, the likelihood of collecting ACH receivables and credit card receivables is as great as or greater than the likelihood of collecting authorized delegate receivables due to the inherently lower credit risk of the depository counter-parties (i.e., financial institutions and credit card networks) versus the credit risk that may be associated with individual authorized delegates.

Because permissible investments allowed by order or declaratory ruling are expressly included under MCL 487.1032(2)(d), the total amount of these receivables will be limited to 50% of the total permissible investments calculated under MCL 487.1031, in accordance with MCL 487.1032(3).

#### IV. ORDER

Therefore, it is ORDERED that:

MTSA licensees may utilize ACH receivables and credit card receivables as permissible investments subject to the following conditions:

1. The ACH receivables and credit card receivables arise from the sale or issuance of money transmission products and services;
2. The aggregate amount of all investments under MCL 487.1032(2) including ACH receivables and credit card receivables is limited to 50% of the total permissible investments calculated under MCL 487.1031 in accordance with MCL 487.1032(3);
3. The value of any receivables that have been outstanding for more than 5 business days is excluded and cannot be included as permissible investments;
4. ACH receivables must be due from U.S. national or state-chartered depository financial institutions; and
5. Credit card receivables must be due from credit cards issued by U.S. national or state-chartered depository financial institutions.

This order does not exempt MTSA licensees from any other requirement in the MTSA, federal law, or state law that may otherwise apply to the use of ACH receivables or credit card receivables.

This order is effective immediately and shall remain in effect until revoked, amended, or superseded by further order of the Director.



Patrick M. McPharlin  
Director