

Paul Hastings

PREPAID OVERVIEW AND STATE LAW ISSUES

*2009 Annual Meeting & Examiner's School
September 4, 2009*

Chris Daniel

Chair, Payment Systems Group

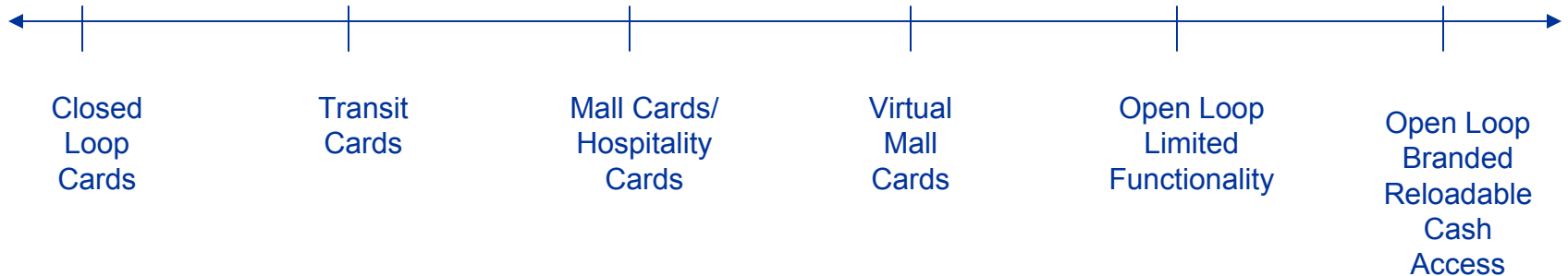
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Prepaid Card Continuum

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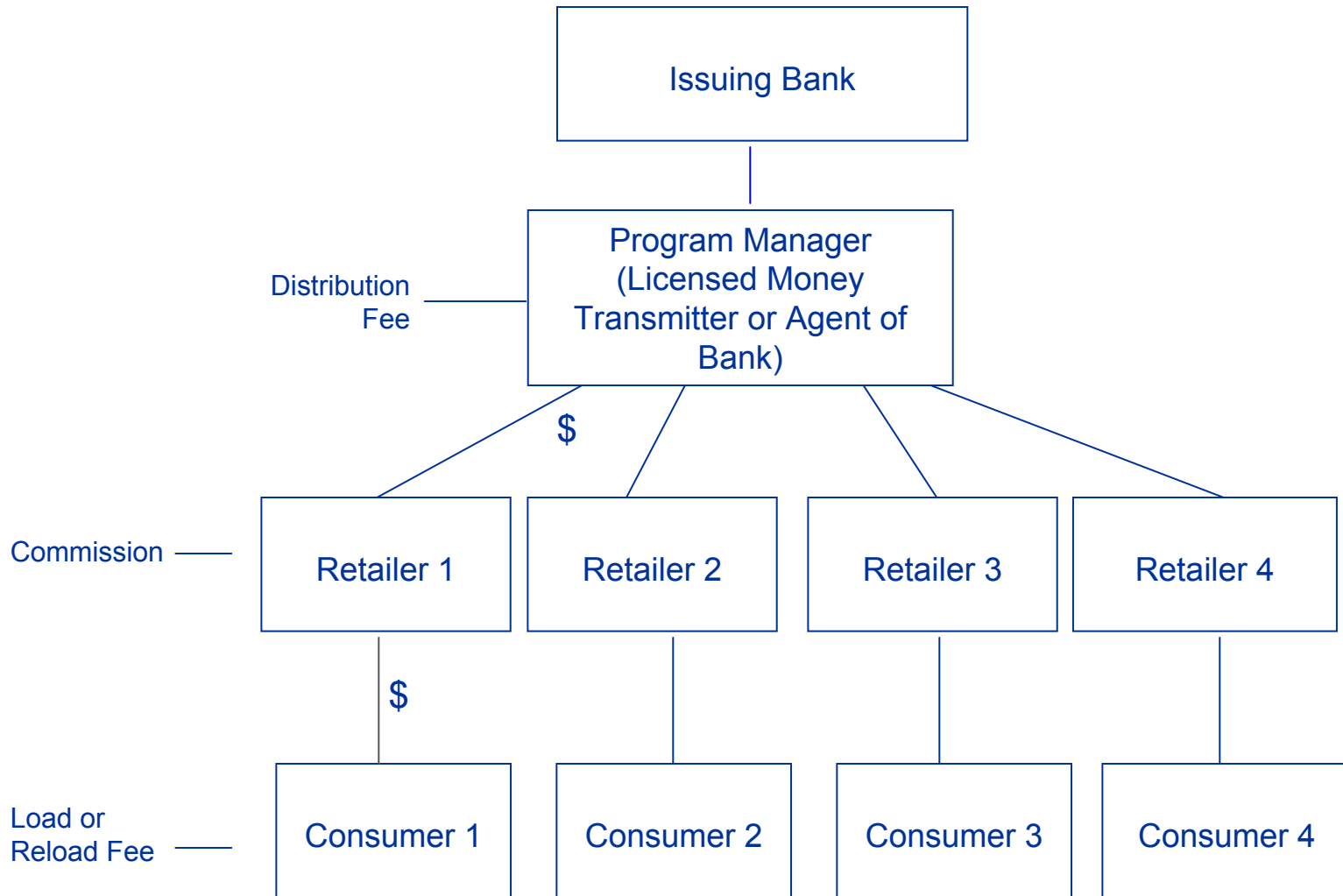
Generally
less risky
and less
complex

Generally
more risky
and more
complex

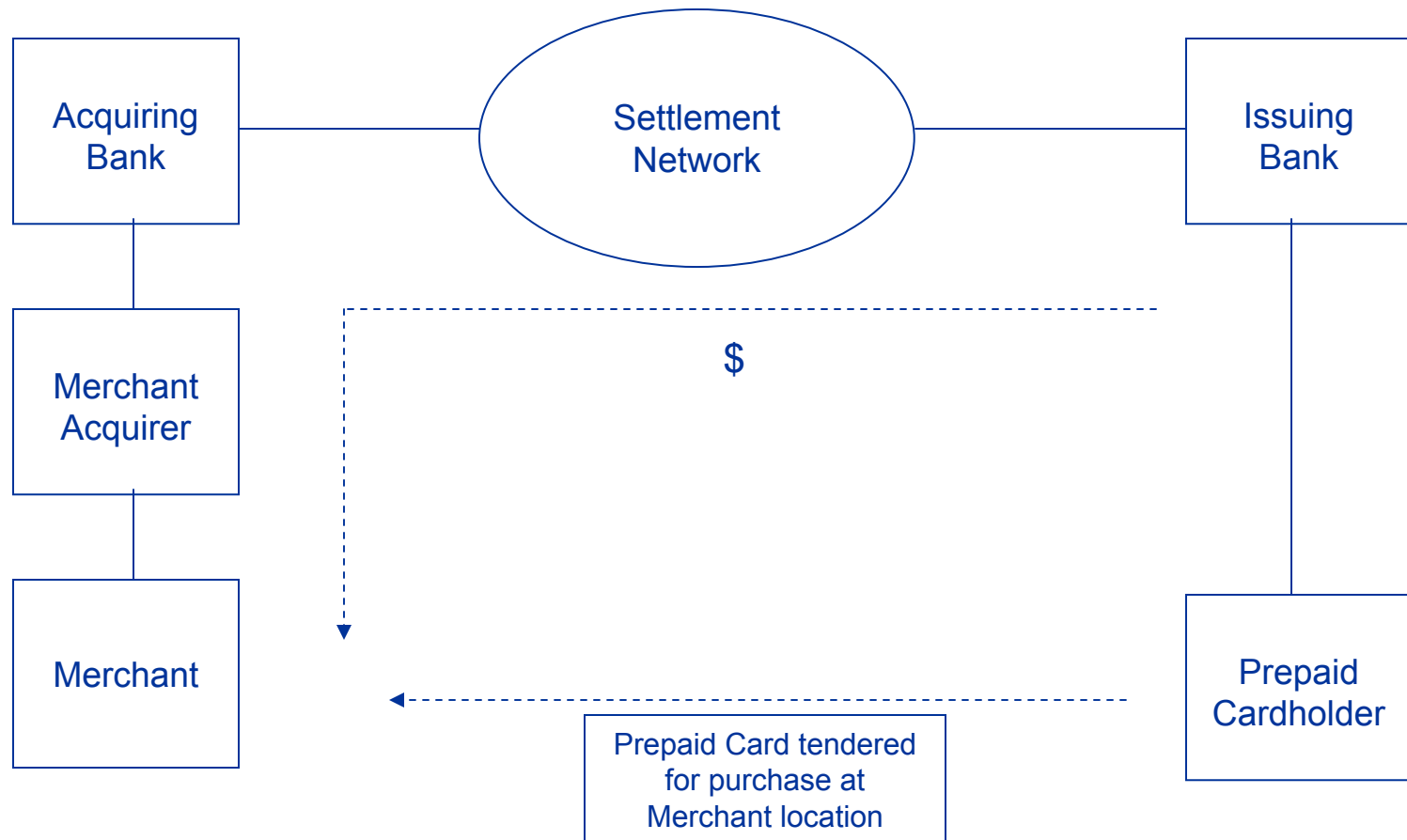


Distribution & Purchase of Prepaid Cards

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Settlement of a Prepaid Card Purchase *PaulHastings*



State Laws Applicable to Prepaid Cards

1. State Money Transmitter Statutes
2. State Gift Card Statutes
3. State Unclaimed Property Statutes
4. State Payroll Card Statutes
5. Deposit-taking/ Branching issues

The Five Regulatory Issues that Arise with Open Loop Prepaid Cards in Connection with State Laws

- ▶ Issue 1: Are the card-issuing banks or the merchants selling or loading the Open Loop Prepaid Cards subject to state money transmitter statutes?

- ▶ Issue 2: Are Open Loop Prepaid Cards subject to state prepaid / gift card regulation?

▶ Issue 3: Are Open Loop Prepaid Cards subject to escheat?

- Escheat – common law doctrine that ensures property is not left in limbo when ownership cannot be traced
- States have codified this doctrine through unclaimed property laws
- Currently, all 50 states and D.C. have unclaimed property laws

- ▶ Issue 4: Are Open Loop Prepaid Cards subject to state payroll card statutes?

- ▶ Issue 5: Whether the merchant locations that sell or load Prepaid Cards are branches of the card-issuing banks?

For more information, contact:

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