

286.11-013 Bond or other security devices.

- (1) Each application shall be accompanied by a surety bond or other similar security acceptable to the commissioner, in the amount of at least five hundred thousand dollars (\$500,000). The commissioner may increase the amount of the surety bond, or other similar security, to a maximum of five million dollars (\$5,000,000), upon the basis of the financial condition of an applicant, as evidenced by net worth, transaction volume, or other relevant criteria that the commissioner may establish by order or rule.
- (2) The surety bond, or other similar security acceptable to the commissioner, shall be in a form satisfactory to the commissioner and shall hold and bind the principal and surety to the Commonwealth of Kentucky for the benefit of any claimants against the licensee to secure the faithful performance of the obligations of the licensee with respect to the receipt, handling, transmission, and payment of money in connection with the sale and issuance of payment instruments or money transmissions by the licensee and its agent. The aggregate liability of the surety bond or other similar security accepted shall not exceed the principal sum of the bond.
- (3) A claimant may maintain a civil action on the surety bond, or other similar security acceptable to the commissioner, against a licensee, or the commissioner may maintain an action on behalf of the claimant, in the Franklin Circuit Court, or in any other court of competent jurisdiction, either in one (1) action or in successive actions.
- (4) A licensee shall at all times maintain a surety bond, or other similar security acceptable to the commissioner, in the amount and type required under subsections (1) and (2) of this section. The commissioner may, at any time, accept a substitute or replacement surety bond, or other acceptable similar security, from the licensee, provided that the requirements of subsections (1) and (2) are met.
- (5) The surety bond, or other similar security acceptable to the commissioner, shall be continuous and remain in effect until canceled. The licensee shall provide the commissioner with at least a thirty (30) day written notice of the intent to cancel the surety bond or other similar security accepted by the commissioner. The cancellation of the surety bond or other acceptable security shall not affect any liability incurred or accrued during the thirty (30) day notice of cancellation period.
- (6) A surety bond, or other security acceptable to the commissioner, shall remain in place and cover claims for at least five (5) years after the date of any violation of this subtitle by the licensee or its agent, or the date the licensee ceases providing money transmission services in this state, whichever date occurs last. The commissioner may permit the licensee to reduce or eliminate the surety bond, or other similar security approved by the commissioner, prior to the expiration of the five (5) years, to the extent that the amount of the licensee's payment instruments outstanding in this state are reduced.

Effective: July 15, 2010

History: Amended 2010 Ky. Acts ch. 24, sec. 836, effective July 15, 2010. -- Created 2006 Ky. Acts ch. 247, sec. 7, effective April 24, 2006.

Legislative Research Commission Note (7/12/2006). This section was created in 2006 Ky. Acts ch. 247 as a new section of KRS Chapter 366A. Sec. 38 of that same bill also required that all sections of KRS Chapters 287, 288, 290, 291, 294, 366, 366A, and 368 be renumbered as sections of a single KRS chapter entitled the "Kentucky Financial Services Code." Therefore, the Statute Reviser, acting under KRS 7.136(1), has codified this section as a new section of KRS Chapter 286.