Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING
2601 North Lamar Blvd., Austin, Texas 78705
512-475-1300 / 877-276-5554
www.dob.texas.gov

October 14, 2015

Gene R. Besen
Dentons US, LLP
Gene.Besen@Dentons.com

Via email

RE: Ezybonds

Dear Mr. Besen:

Based on the information provided by you in your letters dated January 15, 2015, and September 30, 2015, the Texas Department of Banking (Department) has determined that your clients, Ezybonds (USA) LLC and Ezybonds, Inc. do not need money transmission licenses in Texas.

Ezybonds, Inc. offers a variety of payment services worldwide, including third party bill pay services that are available in the U.S. Your September letter indicated that 441 Ezybonds customers from Texas use this service. In rendering the service, Ezybonds signs contracts with merchants that appoint Ezybonds as an agent for purposes of receiving and processing payments. The Department has previously established that the agent of a payee acting pursuant to a written grant of authority is not engaged in the business of money transmission when it receives payments on behalf of its principal.[1] Accordingly, Ezybonds does not need a money transmission license to offer the bill payment service to Texas consumers.

To facilitate payments to merchants in the U.S., Ezybonds created a wholly owned subsidiary, Ezybonds (USA) LLC. In a transaction where the merchant payee is located in Texas, Ezybonds, Inc. will receive payment from a customer and transfer it to Ezybonds (USA) LLC for payment to the merchant. This activity is subsumed in the larger transaction, and Ezybonds (USA) does not incur any obligation to either the payee or payor in the transaction. As such, the role of Ezybonds (USA) does not involve money transmission and therefore no license is required.

However, the Department expressed concern to you over certain aspects of Ezybonds, Inc.'s services. One notable aspect is the ability of a consumer to create an Ezybonds account and prefund before any specific payments to certified merchants are initiated. In such a case, the Ezybonds account would essentially be stored value under *Texas Finance Code* § 151.301(b)(8), and would constitute licensable money transmission. In your September letter you asserted that none of the 441 Texas customers have used this functionality, that Texas customers have only

[1] See Legal Opinion 14-01, available at http://z2policy.ctspublish.com/texas/Z2Browser2.html?showset=txdobset&collection=texas&documentid=507

used the bill payment service to pay certified merchants through their agent, Ezybonds. You also represented that the prefunding functionality has now been disabled for all U.S. residents. The Department's conclusion that a license is not needed by your clients is contingent upon this prefunding functionality being disabled for people located in Texas. Moreover, our determination only applies to the bill payment service, rendered on behalf of certified merchants, as described in this letter.

Please be advised that if Ezybonds wishes to offer any other service or to enable the prefunding functionality in Texas, it will be required to first submit either an application for a license or a request for determination based on the additional facts and circumstances. Likewise, if I have misunderstood or misstated any facts in this letter, this determination will no longer apply, in which case please contact me as soon as possible. Understand that the *Texas Finance Code* authorizes enforcement actions such as a cease and desist order and administrative penalties against a person engaging in the business of money transmission in Texas without a license.

If you have any questions or concerns about this matter, please do not hesitate to contact me.

Sincerely,

Daniel C. Wood
Assistant General Counsel
Daniel.Wood@dob.texas.gov
(512) 475-1236 (Phone)

Cc: Russell Reese, Director, Special Audits
Catherine Reyer, General Counsel