

DEPARTMENT OF FINANCIAL INSTITUTIONS

TEVEIA R. BARNES, Commissioner of Financial Institutions
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Commissioner's Opinion – No. 004

Sale and/or distribution of gift cards that are only redeemable by the issuer for goods or services provided by the issuer or its affiliate.

This Opinion provides guidance on the definition of “selling . . . of stored value” set forth in Financial Code (FC) § 2003(o), Division 1.2 of the FC (commencing with FC § 2000), the Money Transmission Act (MTA), in the context of selling gift cards that are only redeemable by the issuer for goods or services provided by the issuer or its affiliate.

FC § 2030(a) provides in relevant part: “A person shall not engage in the business of money transmission in this state . . . unless the person is licensed or exempt from licensure”

FC § 2003(o) defines “money transmission” to mean, among other things, “selling or issuing stored value.”

In defining “stored value,” FC § 2003(v) states that the term “stored value” does not include, among other things, “any stored value that is only redeemable by the issuer for goods or services provided by the issuer or its affiliate, except to the extent required by applicable law to be redeemable in cash for its cash value.” (“closed loop”). Closed loop stored value is not money transmission under the MTA.

Therefore, the sale or distribution of gift cards, e-cards and other similar closed loop stored value products that are only redeemable by the issuer for goods or services provided by the issuer or its affiliate is not the sale of “stored value” as that term is defined in FC § 2003(v). Accordingly, the sale of such gift cards, e-cards and other similar closed loop stored value products does not meet the definition of “money transmission” as that term is defined in FC § 2003(o). Such sales are therefore not subject to licensing under FC § 2030(a).

Dated: May 28, 2013

/s/

TEVEIA R. BARNES
Commissioner of Financial Institutions