

SB 337 (Zaffirini)/HB 350 (S. Thompson, Jetton)

Relating to the establishment of a registry for and requiring the registration of certain unmanned teller machines.



Scope of the Problem

Automated teller machines (ATMs) are familiar conveniences that can be categorized into two groups: “branded” and regulated ATMs operated by financial institutions and credit unions, and largely unregulated “white label ATMs” that are owned by individuals or companies.

White-label ATMs (WATMs) can be owned and operated by anyone and purchased on the Internet from sites such as Craigslist. There is almost no oversight. While WATMs are a valuable part of our financial system, particularly in rural areas where there are fewer brick-and-mortar banks, WATMs are also inextricably linked to vice crimes and human trafficking. Criminals can exploit our state’s lack of ATM regulation in order to transfer their illicit profits and cater to buyers.

For example, there are over 1,300 illicit massage businesses in the state of Texas also known as IMBs. These spas and parlors use the cover of the legitimate massage industry to engage in storefront prostitution and human trafficking and are predominately cash-only businesses. No sex buyer wants a massage parlor’s name on his credit card statement. In addition to IMBS, unlicensed strip clubs and illegal gaming rooms are common users of WATMs.

Policy Recommendations

Mandate registration of all privately owned, “white label” ATMs. Registering WATMs will:

- Prioritize investigations;
- Enable law enforcement to immediately determine persons of interest;
- Reduce the need for victim testimony;
- Facilitate the investigation of financial crimes, and;
- Permit the discovery of larger criminal networks involved in human trafficking at IMBs.

Preventing Criminal Activity

Registration will be managed by means of a database operated by the Finance Commission. Registration will be kept as painless as possible by including fee caps(\$3-\$25 per ATM; \$200 yearly cap) and a registration sticker system.

Legitimate operators have nothing to fear from registration, but those using WATMs for criminal means will find it difficult to evade law enforcement. Because the registrant must submit the operation agreement between themselves and the money-transfer service, it will be much harder for criminals to have an unaffiliated third-party register on their behalf, a method IMB operators consistently use to stay under the radar. Under this system, a business owner is not required to register an WATM (unless he or she owns it) on their premises; however, a civil fee will be imposed against businesses that allow an unregistered WATM to be operated in their place of business.

FOR QUESTIONS OR COMMENTS PLEASE CONTACT:

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