

AMENDED IN ASSEMBLY MAY 2, 2007

AMENDED IN ASSEMBLY APRIL 10, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1677**

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**Introduced by Assembly Member Charles Calderon**

February 23, 2007

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An act to add Section 1798.825 to the Civil Code, relating to Internet transactions.

LEGISLATIVE COUNSEL'S DIGEST

AB 1677, as amended, Charles Calderon. Internet transactions: verification: banking and financial services.

Existing law sets forth comprehensive provisions governing funds transfers, as defined, including provisions related to the issuance and acceptance of payment orders, requirements for verification, the effect of errors, the effect of acceptance of a payment order, and related provisions.

This bill would require a ~~service provider, defined as a person or business doing business in California that provides banking or other financial services over the Internet, to use reasonable care, as specified, in confirming the legitimacy~~ *business that provides banking or other financial services over the Internet to implement and maintain reasonable policies and procedures for authenticating and verifying the legitimacy* of a consumer transaction over the Internet, and would ~~impose~~ *allow* penalties *to be imposed* on ~~service providers who businesses that~~ fail to meet this requirement, *as specified*.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1798.825 is added to the Civil Code, to  
2 read:

3 1798.825. (a) ~~A service provider is required to use reasonable~~  
4 ~~care in confirming the legitimacy of a consumer transaction over~~  
5 ~~the Internet. A business that provides banking or other financial~~  
6 ~~services over the Internet shall implement and maintain reasonable~~  
7 ~~policies and procedures for authenticating and verifying the~~  
8 ~~legitimacy of a consumer transaction made over the Internet.~~

9 (b) ~~A service provider satisfies the requirement of reasonable~~  
10 ~~care if the service provider confirms the transaction by out of band~~  
11 ~~real time identity verification.~~

12 (c) ~~A civil penalty in the amount of \_\_\_\_\_ may be imposed on a~~  
13 ~~service provider who fails to meet the requirement of reasonable~~  
14 ~~care when completing an Internet transaction with a consumer.~~

15 (d) ~~A civil penalty in the amount of three thousand dollars~~  
16 ~~(\$3,000) may be imposed on a business that fails to conduct an~~  
17 ~~Internet transaction with a consumer in compliance with the~~  
18 ~~policies and procedures required pursuant to subdivision (a).~~

19 (e)  
20 (c) Any customer injured by a fraudulent transaction in violation  
21 of the ~~reasonable care standard established by this section~~  
22 ~~requirement specified in subdivision (a)~~ may institute a civil action  
23 to recover damages.

24 (e)  
25 (d) The rights and remedies under this section are cumulative  
26 with each other and with any other rights and remedies under law.

27 (f) ~~For purposes of this section:~~

28 (1) ~~“Out of band” means any process by which consumer~~  
29 ~~identity is verified through contact other than through the use of~~  
30 ~~an Internet transmission.~~

31 (2) ~~“Real time” means any process that accomplishes verification~~  
32 ~~prior to or simultaneous to the completion of the Internet~~  
33 ~~transaction.~~

34 (3) ~~“Service provider” means any person or business doing~~  
35 ~~business in California that provides banking or other financial~~  
36 ~~services over the Internet.~~

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