



*Raising the Standard of the Trade and Barter Industry Since 1979*

**International Reciprocal Trade Association**  
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April 25, 2014

Jennifer Rumberger, Esq.  
Senior Counsel  
Department of Business Oversight - Legal Division  
State of California  
1515 K Street, Suite 200  
Sacramento, CA 95814-4052

Dear Ms. Rumberger:

The International Reciprocal Trade Association (IRTA) is a non-profit association founded in 1979 to promoting equitable standards of practice within the the commercial trade exchange industry (sometimes known as the commercial barter industry) worldwide. [www.irta.com](http://www.irta.com)

IRTA secured the passage of the "Tax Equity and Fiscal Responsibility Act of 1982" (TEFRA) in the U.S. which recognized barter exchanges as third party record keepers and mandated that barter exchanges report the barter sales of their members via an IRS 1099B form.

We are writing you in response to your March 26, 2014 letter, "Invitation For Comments On Proposed Rulemaking Under The California Money Transmission Act." Our purpose is to advise you about the fundamentals of the lawful U.S. barter industry and to clarify that barter transactions conducted through organized barter exchanges that comply with TEFRA are not considered "money transmissions" under the current or proposed revised California Money Transmission Act, nor restricted in anyway under the California Financial Code.

Barter exchanges act as a clearinghouse for barter transactions between their members. The recorded unit of account for the barter transactions are known as "trade credits." Such credits have value and are accepted as final means of payment within the barter network, nevertheless such credits exist solely to denote the right of a network member to receive, or the obligation of a network member to pay, a certain value in goods and services. Transactions occurring between a trade clearinghouse and the network members are de minimus; virtually all transactions are between members, with the trade exchange serving as an arms-length third-party

record keeper and not as guarantor of a trade or holder of collateral to guarantee a trade. The sole guarantee of a trade credit is a network member's contractual obligation to supply goods and services and accept payment in accordance with terms of the agreement. Trade credits ARE NOT REDEEMABLE FOR CASH, under any circumstances.

Trade credits are not "money" or considered legal tender and therefore do not constitute "monetary value" as defined in the California Financial Code. They are not a standard of value because prices are set in local currency, and they are neither intended as a store of value nor effective as such, because they do not earn interest. They have transaction value only. Moreover, trade credits are not "securities" in the sense of transfers of debt and equity capital. Barter exchanges do not "take possession of money for transmission" as is required in Section 80.129 of the proposed changes to the CA Money Transmission Act. For all of the above reasons, it is clear that lawful barter exchange transactions do not meet definitional criteria to be considered money transmitters under the current or proposed revised CA Money Transmitter Act.

Thank you for the opportunity to bring these matters to your attention. We ask for your assurance that commercial trade exchanges which facilitate sales of goods and services are not intended to be covered by the proposed changes to Subchapter 80 of the California Money Transmission Act, and that commercial barter exchanges are not considered money transmitters under the California Financial Code.

Should you have any questions, we shall be pleased to assist you in any way.

Sincerely,

A handwritten signature in black ink that reads "Ron Whitney". The signature is written in a cursive style with a large, sweeping flourish at the end.

Ron D. Whitney  
Executive Director