

# STATE OF NEW YORK

9900

## IN SENATE

September 4, 2024

Introduced by Sen. KRUEGER -- read twice and ordered printed, and when printed to be committed to the Committee on Rules

AN ACT to amend the general business law, in relation to enacting the "New York gift certificate scam prevention act"

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Short title. This act shall be known and may be cited as  
2 the "New York gift certificate scam prevention act".

3 § 2. Paragraph (a) of subdivision 1 of section 396-i of the general  
4 business law, as amended by chapter 668 of the laws of 2021, is amended  
5 to read as follows:

6 (a) For the purposes of this section, the following terms shall have  
7 the following meanings:

8 (1) "gift certificate" shall mean [~~a certificate, electronic card, or~~  
9 ~~other pre-funded record that: (i) is usable at a single merchant or an~~  
10 ~~affiliated group of merchants that share the same name, mark, or logo,~~  
11 ~~or is usable at multiple, unaffiliated merchants or service providers,~~  
12 ~~and (ii) is issued in a specified amount, and (iii) may or may not be~~  
13 ~~increased in value or reloaded, and (iv) is purchased and/or loaded on a~~  
14 ~~prepaid basis for the future purchase or delivery of any goods or~~  
15 ~~services, and (v) is honored upon presentation] an open loop gift  
16 certificate or a closed loop gift certificate;~~

17 (2) "open loop gift certificate" shall mean a gift certificate redeem-  
18 able at multiple, unaffiliated merchants or service providers; [~~and~~]

19 (3) "closed loop gift certificate" shall mean a card, code, or device  
20 that is:

21 (i) issued to a consumer on a prepaid basis primarily for personal,  
22 family, or household purposes in a specified amount, regardless of  
23 whether such amount may be increased or reloaded in exchange for  
24 payment; and

25 (ii) redeemable on presentation by a consumer at a single merchant or  
26 a group of affiliated merchants.

27 (4) "promotional gift certificate" shall mean a gift certificate  
28 issued for no consideration which includes on the front of the gift

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 certificate (i) a statement indicating that the card is issued for  
2 promotional purposes and (ii) the expiration date for the underlying  
3 funds; and

4 (5) "third-party gift certificate reseller" shall mean a merchant who,  
5 without authorization from or affiliation with the business entity issu-  
6 ing an open loop gift certificate, is engaged in the business of buying  
7 open loop gift certificates or reselling open loop gift certificates to  
8 consumers.

9 § 3. Subdivisions 4, 5, 5-a, 5-b and 6 of section 396-i of the general  
10 business law are renumbered subdivisions 5, 6, 7, 8 and 9, and a new  
11 subdivision 4 is added to read as follows:

12 4. (a) For an in-person sale of a gift certificate, such gift certif-  
13 icate shall be enclosed in secure packaging that:

14 (i) is sealed in a manner that is not easily opened without signs of  
15 tampering;

16 (ii) except as otherwise provided in subparagraph (iii) of this para-  
17 graph, conceals all numeric codes specific to the activation or the  
18 redemption of such gift certificate, including but not limited to, bar  
19 codes, CVV numbers, PIN numbers, and activation codes;

20 (iii) displays an activation code, bar code, or other activation date  
21 only if the packaging used is more secure than it otherwise would be if  
22 the data were fully concealed; and

23 (iv) includes the following warning or a substantially similar warning  
24 that states the following language: "DO NOT SELL OR PURCHASE IF PACKAG-  
25 ING HAS BEEN BROKEN OR INDICATES TAMPERING".

26 (b) A merchant may sell a gift certificate that is not enclosed in  
27 secure packaging as required under paragraph (a) of this subdivision if  
28 (i) such gift certificate is a chip-enabled, numberless card that is  
29 activated by a consumer after registering such gift certificate on the  
30 issuer's website; or (ii) such gift certificate is sold exclusively by  
31 such merchant or a group of affiliated merchants for use only at the  
32 retail establishments of such merchant or affiliated merchants and is  
33 secured in a physical location within such merchant's retail establish-  
34 ment that is accessible only by an employee of such merchant.

35 (c) A merchant that displays a gift certificate for sale at a retail  
36 establishment shall provide training to all employees of such merchant  
37 whose duties regularly include the sale of open loop gift certificates  
38 and/or closed loop gift certificates to consumers on how to identify and  
39 respond to gift certificate scams.

40 (d) (i) Subject to the provisions of subparagraph (ii) of this para-  
41 graph, when a third-party gift certificate reseller sells an open loop  
42 gift certificate as part of a transaction occurring in this state, such  
43 third-party gift certificate reseller shall record and maintain for a  
44 minimum of three years, a copy of the following:

45 (1) The name of the person who conducted the transaction;

46 (2) The name, age, and address of the seller of the open loop gift  
47 certificate;

48 (3) The seller's and consumer's driver's license or other identifica-  
49 tion card number;

50 (4) A description of the purchased open loop gift certificate includ-  
51 ing the retailer for which such open loop gift certificate is intended  
52 for use and such open loop gift certificate's identification number;

53 (5) The specific amount issued on the open loop gift certificate;

54 (6) The prices paid to conduct the transaction; and

55 (7) The signature of the consumer.

1 (ii) (1) The information recorded and maintained under this paragraph  
2 shall be recorded chronologically in ink writing or logged into a secure  
3 database, software system, or other similar technology platform. Except  
4 as provided in clause two of this subparagraph, recorded information  
5 made in ink writing shall not be destroyed, altered, or erased within  
6 the time frame such recorded information is required to be kept under  
7 subparagraph (i) of this paragraph.

8 (2) A handwritten correction may be made to an entry of information by  
9 drawing a line of ink through such entry in a manner that retains legi-  
10 bility. Information recorded under this section shall be open to  
11 inspection by any duly authorized law enforcement officer: (A) during  
12 the ordinary business hours of the third-party gift certificate resell-  
13 er; or (B) at any reasonable time.

14 (3) A third-party gift certificate reseller, including an agent or  
15 employee of such third-party gift certificate reseller, shall not: (A)  
16 fail to make an entry of or falsify, destroy, or remove any information  
17 required to be recorded and maintained under this section; (B) refuse to  
18 allow any duly authorized law enforcement officer to inspect a record of  
19 information or open loop gift certificate in such third-party gift  
20 certificate reseller's possession during the ordinary business hours of  
21 such reseller or at any reasonable time; or (C) fail to maintain a  
22 record of each open loop gift certificate and transaction for at least  
23 three years as required under subparagraph (i) of this paragraph.

24 § 4. This act shall take effect on the one hundred eightieth day after  
25 it shall have become a law.