

Administrative Release

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AB-25

March 19, 2004

To: Wholesalers and Manufacturers of Wine and Distilled Spirits
Subject: Regulation 03.02.01.04 – Credit Control

The credit control regulation was issued to prevent a wholesaler or manufacturer who sells wine and/or distilled spirits to retailers, from providing a retailer something of value. The extension of credit to a retailer beyond what is allowed under the regulation has been determined to be something of value. The basis for the prohibition is found in Section 12-104, of Article 2b, which states”...a person or business entity...may not lend any money, or other thing of value, make any gift or offer any gratuity to any retail dealer.”

This office was asked to revisit the area of returned checks, and specifically the policy of reporting returned checks to the Comptroller. Current policy has been that checks returned by the bank for non-payment be immediately reported to the Comptroller when first returned. Under consideration was the possibility of allowing wholesalers and manufacturers to enter into an agreement with their bank to automatically re-deposit any retailer’s check that is returned, and then, if the retailer’s check is returned by the bank as unpaid upon the second presentation, file a returned check report with the Comptroller.

We surveyed various banking institutions, and determined that when a returned check was automatically re-deposited by the bank, it may take up to ten days for the check to be processed. It is our position that this is too long a period of time, and would be considered as providing the retailer something of value.

Accordingly, it shall be the policy of this office to continue to require that manufacturers and wholesalers who sell wine and/or distilled spirits to retailers report to the Comptroller any retailer whose check is returned by the bank as unpaid upon the first presentation. Licensees who currently have an agreement with their respective bank for automatic redeposit, have 60 days from the date of this release to alter their banking arrangements to comply with the intent of the credit control regulation and this administrative release.

Questions pertaining to this administrative release or to credit control policies in general, should be directed to Ms. Linda Bates at 410-260-7532.

Larry W. Tolliver
Director