



MULTI-STATE MSB EXAMINATION TASKFORCE

REPORT TO STATE REGULATORS
2016

INTRODUCTION

The Multi-State MSB Examination Taskforce, or MMET, is the state representative body charged with coordinating and facilitating multistate supervision of money services businesses (“MSBs”). The MMET was established in 2013 by the Nationwide Cooperative Agreement for MSB Supervision and its companion Protocol for Performing Multi-State Examinations (collectively, “MSB Protocol and Agreement”).¹ The MMET is tasked with enhancing the state system for money services businesses supervision and protecting consumers and state economies, while fostering regulatory consistency. The MMET also facilitates coordinated examinations in partnership with the State Coordinating Committee, Consumer Financial Protection Bureau (“CFPB”), and the Financial Crimes Enforcement Network (“FinCEN”). The MMET consists of 10 regulatory representatives appointed by the Conference of State Bank Supervisors (“CSBS”) and the Money Transmitter Regulators Association (“MTRA”). In 2016, the MMET was chaired by Chuck Dolezal, Superintendent of the Ohio Division of Financial Institutions at the time, and subsequently Robin Lobb of the Kansas Office of the State Bank Commissioner.

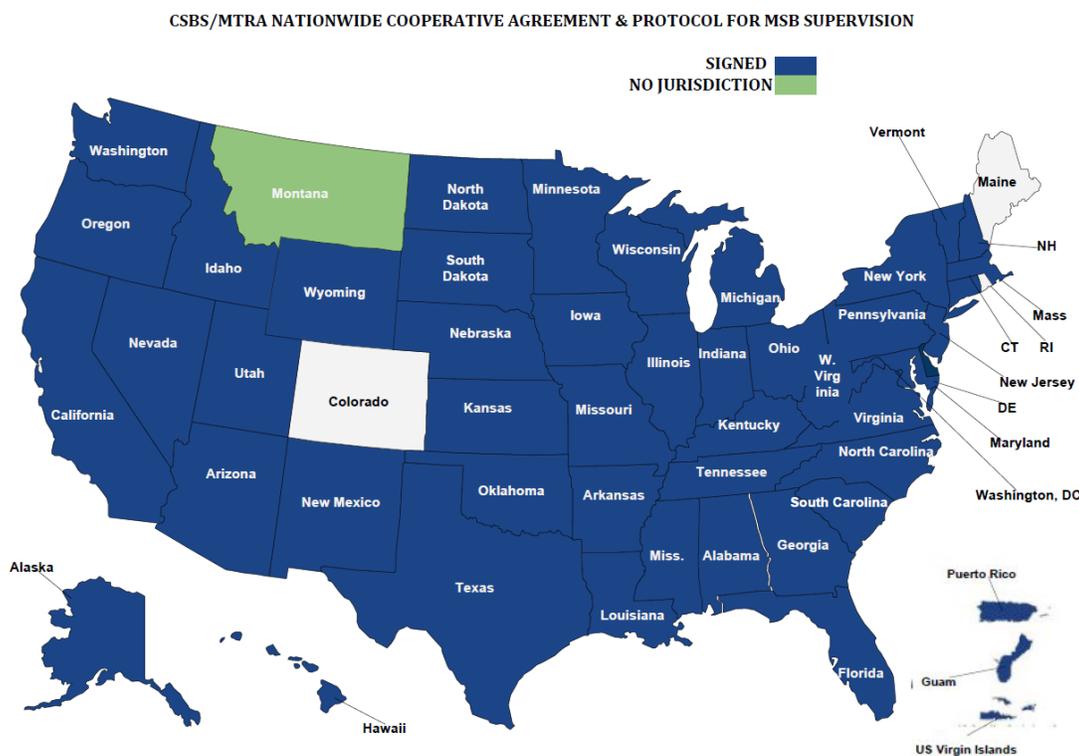


Figure 1.

Source: CSBS & MTRA

¹ Nationwide Cooperative Agreement for MSB Supervision (January 2012). Available at <https://www.csbs.org/regulatory/Cooperative-Agreements/Documents/MSB/MSB-CooperativeAgreement010512clean.pdf>.

Protocol for Performing Multi-state Examinations (January 2012). Available at <https://www.csbs.org/regulatory/Cooperative-Agreements/Documents/MSB/MSB-Protocol010512.pdf>.

MULTI-STATE MSB EXAMINATION TASKFORCE (“MMET”)

The MMET’s role of coordinating supervisory efforts is meant to assist state regulators in fulfilling their own regulatory responsibilities. In coordinating supervisory processes, MMET responsibilities include:

- Determining the risk profile of an MSB operating in multiple states (“Multi-State MSB” or “MMSB”);
- Facilitating and maintaining joint examination schedules;
- Assisting in the establishment of examination teams in consultation with participating state regulators;
- Facilitating the exchange of information between the joint examination state regulators and the concurrent examination states; and
- Supporting communications and facilitating development and implementation of joint or concurrent actions.

The MMET elected Ohio Superintendent of Financial Institutions Charles Dolezal as its 2016 Chair, and Robin Lobb of the Kansas Office of the State Bank Commissioner as the Vice Chair. Following Charles Dolezal’s departure from the Ohio Department, Robin Lobb assumed the Chair. The 2016 participating state regulators comprising the MMET included the following state regulatory agencies:

- California Department of Business Oversight
- Office of the State Bank Commissioner of Kansas
- New York State Department of Financial Services
- North Carolina Office of the Commissioner of Banks
- Ohio Division of Financial Institutions
- Pennsylvania Department of Banking and Securities
- Tennessee Department of Financial Institutions
- Texas Department of Banking
- Washington Department of Financial Institutions
- West Virginia Division of Financial Institutions

The MMET held its annual meeting in Savannah, Georgia in January 2016, and met via teleconference throughout the year to improve procedures and policies for conducting multi-state examination supervision.

COORDINATION AND ENGAGEMENT

For the MMET, 2016 was a year of operational streamlining focusing primarily on MMSB identification, scheduling, and examinations.

2016 MMSB Identification

In 2016, the MMET identified 456 money transmitters, 243 of which operate in multiple states. Of the money transmitters operating in multiple states, about 50% are licensed in two to nine states, about 20% are licensed in 40 or more states, and the remaining 30% are licensed in 10 to 40 states.

Licensing States	Number of Companies
40 or more	50
20 to 39	32
10 to 19	42
2 to 9	119
Total Multi-state MSBs	243

Figure 2.

Source: MMET

2016 Scheduling & Examinations

The Protocol for Performing Multi-State Examinations requires the MMET to “facilitate and maintain Joint Examination schedules . . .” The MMET updates the multi-state exam schedule on an ongoing basis, which includes quarterly calls to facilitate coordination.

In 2016, 293 state examinations were reported complete, 56 of which were joint exams consisting of examiners from multiple states.² Twenty-four states participated in joint examinations, with 12 states taking the role of lead state.

MMSBs that underwent examination varied in size, with 64% of companies licensed in 40 or more states being examined by multistate exam teams. Eighty-two percent of these multistate exams were administered at companies that held licenses in more than 20 states. Still, 10 joint

2016 EXAM SNAPSHOT

Industry Coverage: States reported 293 MMSB examinations

State Coordination: 56 exams conducted by multi-state exam teams at 54 MSBs

Risk Coverage:

- 98% of MMSBs licensed in 40 or more states examined
- 78% of money transmitters licensed in 20 or more states were examined multiple times

Figure 3.

Source: MMET

² 54 MMSBs were examined by multi-state teams, 2 of which were examined twice in 2016.

exams were performed at companies licensed in 19 or fewer states.

Coordination with Federal Agencies

The MMET continued its engagement with FinCEN on several issues, ranging from supervision processes to de-risking.³ MMET members coordinated with FinCEN in a variety of forums, including continued engagement with Treasury’s Bank Secrecy Act Advisory Group, explaining the legal, regulatory, and supervisory structures of state MSB supervision and its relation to the risks facing banks that offer services to money services businesses. To provide ongoing education and transparency, state representatives have conducted trainings for the Federal Reserve, Office of the Comptroller of the Currency, and Federal Financial Institutions Examination Council on the state regulatory system and licensing information available at www.nmlsconsumeraccess.org.

The MMET also continued its relationship with the Office of Foreign Asset Control (“OFAC”). As a result, OFAC offers states access to a training series on sanctions issues. Topics covered have included updates on customer due diligence, beneficial ownership, and Syria sanctions.

Additionally, 2016 included two coordinated exams with the CFPB, the continuation of significant process and scheduling work by the MMET, the State Coordinating Committee, and the CFPB. Through MOUs, a supervisory framework, and protocols and agreements, state regulators and the CFPB are now positioned to minimize burden on the MSB industry and leverage the resources available to regulators.

Uniform Report of Examination Template

In 2016, the MMET provided the “Uniform Joint MT Examination Report Template” to states for optional use in issuing a money transmitter multi-state report of examination. The MMET encourages all states to use this template when drafting and issuing multi-state reports of examination in order to foster consistency and coordination. The MMET’s goals for the Uniform Template are to provide consistent communications to licensees and federal counterparts, as well as to better facilitate/enable the sharing and accepting of reports of examination among state regulators.

2016 Training

Based on a training need identified by the MMET, the CSBS IT Examiner School was conducted twice in 2016, first in San Diego in May, and again in San Francisco in November. This was the fourth and fifth time the IT Examiner School was held since 2014. Combined, 69 examiners participated in the school. The IT Examiner School is for examiners from all financial disciplines with limited or no information technology experience or training, and for those looking for a

³ There is no common definition of de-risking, but it is commonly understood to refer to the practice of financial institutions terminating relationships with clients or categories of clients to avoid risk.

refresher. The course addressed technology, risk assessments, operations, security, risk management, and other core information technology issues.

An MTRA Advanced School was conducted in August 2016 in Portland, Oregon on Emerging Payment Risks with 46 examiners from 26 states attending. Four of those examiners were awarded scholarships to attend. The faculty was composed of four instructors, including a speaker from the Federal Reserve Bank of Atlanta, and a specialist in blockchain technology. Presenters covered electronic payment systems, prepaid and virtual prepaid cards, ACH payments risk, and virtual currency analysis. Students received a hands-on dive into the blockchain.

An Examiners and Licensing Staff School was also conducted at the September 2016 MTRA annual meeting in Tucson, AZ. Representatives from 29 state agencies attended the school. The school covered the unique challenges in licensing, overseeing fintech licensees for OFAC and BSA compliance, information on the CFPB remittance rule, and discussion on fraud prevention.

Additionally, CSBS conducted its long-standing Bank Secrecy Act and Anti-Money Laundering (BSA/AML) Examiner course in June and November 2016. Examiners from five states participated in the course, which provided an overview of various products as well as BSA/AML and OFAC requirements for prepaid access and money transmitters. CSBS also provided the course to requesting states throughout the year.

Upcoming Training Events		
Class	Date	Location
MTRA Operations (Beginner's) School	April 24-27, 2017	Austin, TX
BSA/AML Examiner School	June 12-16, 2017	La Quinta, CA
Cyber & Technology Risk Management Forum	September 18-21, 2017	Phoenix, AZ
MTRA Examiners and Licensing Staff School	September 25-26, 2017	Savannah, GA
MTRA Annual Conference	September 26-28, 2017	Savannah, GA
IT Examiner School	October 2-6, 2017	San Diego, CA
IT Examiner School	November 6-9, 2017	Salt Lake City, UT

Figure 4.

Source: CSBS & MTRA

LOOKING FORWARD

In 2017, the MMET will continue to improve exam coordination efforts, utilizing new information provided by the NMLS Call Report. The NMLS developed the Money Services Business Call Report with the goal of enhancing and standardizing the information available to state regulators concerning the activities of MSBs. Licensees will be able to complete the report directly in NMLS, including national and state specific MSB activity information reported on a quarterly and annual basis. With initial reports due May 15, 2017, the MMET will begin to have standardized financial and transactional data available to improve risk profiling and the exam process. For more information on the NMLS Call Report, please see the NMLS Resource Center.⁴

In addition to leveraging NMLS Call Report Data, the MMET will continue to focus on training. As part of a joint effort between CSBS and MTRA, the MMET is working toward a defined training path for MSB examiners from Day 1 to Examiner-in-Charge. This effort will also include training for seasoned examiners. The MMET is also exploring opportunities for webinars to leverage trainings that occur at state departments around the country.

Lastly, the MMET is seeking to improve the number of states participating in the multi-state process. Work is underway to determine how mentoring programs and shadow examinations can be utilized for states developing exam programs.

Building on the success of 2016, the MMET is confident the states will continue to work toward coordinated supervision that is effective and efficient in 2017 and beyond.

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⁴ <http://mortgage.nationwidelicensingsystem.org/slr/common/Pages/MoneyServicesBusinessesCallReport.aspx>.