Money Transmission Modernization Act Guidance
Tangible Net Worth and Virtual Currency

June 2025

Executive Summary

- When calculating the amount of tangible net worth required under Section 10.01 of the Money Transmission Modernization Act, money transmitters with virtual currency assets on their balance sheet must include all such virtual currency assets in total assets.
- When calculating a licensee's tangible net worth, a virtual currency asset need not be subtracted from total assets where the virtual currency asset has a corresponding customer liability denominated in the same virtual currency.
- Recognizing virtual currency as acceptable capital for the limited purpose of satisfying customer obligations contributes to the safe and sound operation of money transmitters.

Scope

This guidance is limited to the implementation of the following sections of the Money Transmission Modernization Act:

- Section 2.01(bb). "Tangible net worth" shall mean the aggregate assets of a licensee excluding all intangible assets, less liabilities, as determined in accordance with United States generally accepted accounting principles.
- Section 10.01 Net Worth. (a) A licensee under this [Act] shall maintain at all times a tangible net worth of the greater of $100,000 or 3 percent of total assets for the first $100 million, 2 percent of additional assets for $100 million to $1 billion, and 0.5 percent of additional assets for over $1 billion.

States that have passed the MTMA should utilize the Broad Administrative Authority provision in Section 4.01(b) to interpret their law in accordance with this guidance.

This guidance is not applicable to fiat-backed payment stablecoins.

Background

The Conference of State Bank Supervisors ("CSBS") Model Money Transmission Modernization

Act ("MTMA") requires licensees to maintain a tangible net worth ("TNW") – total assets minus total liabilities minus intangible assets – calculated in accordance with generally accepted accounting principles ("GAAP"). The TNW must be greater than a tiered percentage of the entity's total assets ("TNW Requirement").

Policy

The following policy positions are taken by CSBS and inform all model guidance.

1. All money transmitters must have capital commensurate with total assets to ensure the licensee can absorb losses. Capital commensurate with total assets enhances public confidence and protects customers from loss. Tangible net worth serves these purposes in the MTMA.
2. Money transmitters must maintain earnings and asset quality commensurate with growth. As money transmitters hold more customer funds, their tangible shareholder's equity should keep pace.
3. Intangible assets are insufficient sources of capital.

Questions Presented

1. How is the minimum Tangible Net Worth Requirement ("TNW Requirement") calculated?
2. How is tangible net worth calculated?
3. What is the appropriate accounting for virtual currency in the TNW Requirement?
4. Under what circumstances should virtual currency be subtracted from Total Assets when calculating TNW?

Brief Answers

1. The TNW Requirement is determined by applying the following percentages to a company's total assets:

Asset Range	TNW Requirement	Maximum TNW Requirement for Asset Range
Minimum Amount	$100,000	N/A
$0 - $100,000,000	3%	$3,000,000 ($100,000,000 * 3%)
$100,000,000.01 - $1,000,000,000	2%	$18,000,000 (($1 billion - $100 million) * 2%)
$1,000,000,000.01+	.5%	$21,000,000 + .5% of every additional dollar of total assets. (sum of previous max TNW Requirements plus .5% of every additional dollar of total assets over $1 billion)

All virtual currency assets should be included in total assets when determining the TNW Requirement.

2. A licensee's TNW is calculated by subtracting intangible assets and total liabilities from total assets.

(Total Assets – Intangible Assets) - Total Liabilities = Tangible Net Worth

3. Virtual currency assets are intangible assets and must be included in total assets when determining the TNW Requirement.
4. For the limited purpose of calculating a licensee's TNW, a virtual currency asset held to satisfy a corresponding customer liability denominated in the same virtual currency should not be subtracted from total assets. Conversely, virtual currency assets held for the licensee's own account – e.g. without a corresponding liability to a customer – must be subtracted from total assets as an intangible asset when calculating TNW.

Analysis and Guidance

At its core, the MTMA is designed to ensure the financial security of money transmission customers. When customers provide money or monetary value to a money transmitter, they should trust that their money will be accessible or safely transferred according to an agreement between the parties. Inadequately capitalized money transmitters pose a risk to the safety of customer funds by increasing the likelihood of insolvency, jeopardizing the timeliness[1] of the transmission or return of funds.

The MTMA ensures money transmitters are safe and sound — and customer funds are accessible and safe — by requiring money transmitters to have sufficient capital to continue operations in the event of challenging economic conditions.

1. Minimum Tangible Net Worth Requirement Determination.

The MTMA requires licensees to have a tangible net worth in excess of $100,000 or a tiered percentage of the licensee's total assets (TNW Requirement).

The TNW Requirement is based on total assets and makes no exception for the assets included in total assets.[2] Though only the first TNW tier (3%) explicitly references "total assets," the tiered structure logically implies that the "additional assets" subject to a 2% TNW Requirement

[1] Funds of failed money transmitters "are held in trust for the benefit of the purchasers and holders of the licensee's outstanding money transmission obligations . . . ." MTMA Section 10.03(c). The distribution of trust assets is designed to ensure funds are protected, but likely on a timeline outside of the agreement between the customer and the licensee.

[2] "(a) A licensee under this [Act] shall maintain at all times a tangible net worth of the greater of $100,000 or 3 percent of total assets for the first $100 million, 2 percent of additional assets for $100 million to $1 billion, and 0.5 percent of additional assets for over $1 billion."

and “additional assets” subject to a .5% TNW Requirement refer to Total Assets. “Additional” is not otherwise qualified (e.g. current assets) and therefore includes all assets.

Guidance: When determining the minimum tangible net worth requirement under MTMA Section 10.01, a licensee must:

i) **Sum all assets, including intangible assets, to determine Total Assets, and ii) Multiply Total Assets in accordance with the tiered percentages in Section 10.01(a).**

2. Calculating Tangible Net Worth.

To determine a licensee’s tangible net worth, the MTMA defines TNW as “the aggregate assets of a licensee excluding all intangible assets, less liabilities, as determined in accordance with United States generally accepted accounting principles.”

Guidance: To be compliant with the MTMA’s capital requirements, a licensee’s TNW must exceed the TNW Requirement.

The MTMA explicitly “exclude[s] all intangible assets” when calculating Tangible Net Worth.[3] Intangible Assets must be subtracted from Total Assets when calculating a company’s TNW.

Tangible Net Worth is not a GAAP term. The MTMA’s inclusion of the clause “as determined in accordance with United States generally accepted accounting principles” refers to the individual components of Tangible Net Worth — “aggregate assets,” “intangible assets,” and “liabilities.” Whether an asset is intangible is determined by GAAP.

Guidance: Intangible assets must be subtracted from total assets when calculating Tangible Net Worth.

3. Virtual Currency.

In General. FASB has confirmed[4] that virtual currencies are intangible assets. Virtual currency lacks physical substance and does not meet the definition of financial assets. Financial assets are defined as[5] cash, ownership interests of entities, or contracts for cash or financial instruments.

[3] MTMA Section 2.01(bb) (“‘Tangible net worth’ shall mean the aggregate assets of a licensee *excluding all intangible assets*, less liabilities, as determined in accordance with United States generally accepted accounting principles.”)

[4] *See* Financial Accounting Standards Board, Accounting Standards Update No. 2023-08, Accounting for and Disclosure of Crypto Assets (December 2023).

[5] Financial Accounting Standards Board, Accounting Standards Codification, Master Glossary (Financial assets are defined as “Cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to do either of the following: a. Receive cash or another financial instrument from a second entity, b. Exchange other financial instruments on potentially favorable terms with the second entity.”).

Virtual Currency in the TNW Requirement. The MTMA requires licensees to maintain "a tangible net worth of the greater of [a percentage] of **total assets** . . . ." This requirement relies upon a common understanding of total assets. Though not defined in the Accounting Standards Codification Master Glossary, total assets are commonly understood to include the aggregate assets of a company, both tangible and intangible. Accordingly, total assets include intangible assets, including virtual currency.

Guidance: When calculating the TNW Requirement, virtual currency must be included in the aggregation of a licensee's total assets.

Virtual Currency in TNW. To calculate tangible net worth, the licensee's intangible assets and total liabilities are subtracted from total assets. As an intangible asset, virtual currency generally must be subtracted from total assets when calculating tangible net worth.

However, money transmitters involved in the day-to-day business of virtual currency transmission present a tension between the accounting standards' codification of intangible assets and the principles on which the codification is based.

The Conceptual Framework for Financial Reporting ("Framework") states "[t]he fundamental qualitative characteristics [of financial information] are *relevance* and *faithful representation*."[6] The Framework also makes clear that substance should be prioritized over form:

> Faithful representation means that financial information represents the substance of an economic phenomenon rather than merely representing its legal form. Representing a legal form that differs from the economic substance of the underlying economic phenomenon could not result in faithful representation.

For licensed money transmitters that hold virtual currency assets, portions of these virtual currency assets are held as assets to satisfy a corresponding liability to a customer in the ordinary course of business. The licensee is awaiting the customer's instruction to transfer the asset, which should result in the extinguishment of the liability and derecognition of the asset.

[6] Financial Accounting Standards Board, Statement of Financial Accounting Concepts No. 8, QC5 (August 2018) (emphasis in original).

Intangible assets do not typically have corresponding liabilities. Goodwill, patents, trademarks, copyrights, licensing agreements, brands, customer data, and software are common forms of intangible assets, and are not reserved by entities to satisfy liabilities to customers in the ordinary course of business. For companies engaged in the day-to-day business of transmitting virtual currency, the virtual currency recorded as both an asset under its control and liability owed to customers is not faithfully represented as an intangible asset.

In the limited circumstances where virtual currency is held as an asset for the business purpose of providing customers with financial transactions that result in the creation and extinguishment of a corresponding obligation to the customer, virtual currency is intangible in form only. Accordingly, in the limited circumstances described, there is a significant discrepancy between the accounting standards codification form and the substance of the asset classification. The MTMA provides regulators with broad administrative authority to address such a scenario, including the authority to interpret the MTMA.[7]

Where a discrepancy exists, MTMA interpretation should be based on the policies outlined above and focus on the safety and soundness of the money transmission industry.

Is virtual currency a sufficient source of capital?

In general, virtual currency is not a sufficient source of capital. Technical and market factors have led the Bank for International Settlements to assign a default risk weight of 1250% to crypto assets that would generally be considered virtual currency on a licensee's balance sheet.[8] This is consistent with CSBS's policy position that intangible assets are insufficient sources of capital.

However, in the limited circumstances where virtual currency assets are held, without encumbrance, to satisfy a corresponding customer liability denominated in the same virtual currency, the 1-to-1 nature of the asset and liability dictate that the virtual currency is sufficient capital for the specific liability. Further, a liability denominated in a virtual currency without a corresponding asset of the same denomination will require the licensee to manage significant market and liquidity risks when the customer acts on the obligation. A 1-to-1 like-kind asset is adequate to satisfy a money transmitter's virtual currency obligations.

Does virtual currency serving as capital protect consumers from loss?

[7] MTMA Section 4.01(b).

[8] *See* Basel Committee on Banking Supervision, Rule SC 60.84.

Customer holdings of virtual currency are risky and innately involve the risk of loss. Regulators must ensure that the risk of loss is market-based, not because of the actions of the licensee. Where a virtual currency asset is denominated in the same virtual currency as the obligation to the customer, the licensee cannot lose money because of market changes. The value of 1 unit of virtual currency may change against the dollar or other assets, but the value of 1 unit of virtual currency to 1 unit of the same virtual currency will remain the same.

Conversely, if a licensee is holding assets not denominated in the virtual currency for which a customer obligation is owed, the licensee will be highly sensitive to market risk. The customer is relying on the licensee to be able to accommodate a future transaction by securing the type of virtual currency, which is not guaranteed under extreme market conditions or fluctuations.

Accordingly, holding virtual currency assets as capital for the limited purpose of satisfying customer obligations denominated in the same virtual currency provides added customer protection.

Based on the foregoing, virtual currency should not be subtracted from total assets when calculating tangible net worth in the limited circumstances where:

1. A licensee's day-to-day business includes incurring obligations to customers denominated in the virtual currency,
2. The virtual currency asset has a corresponding liability denominated in the virtual currency,
3. The virtual currency is unencumbered, and
4. The virtual currency assets that are not subtracted from total assets are limited to those that have a corresponding liability denominated in the same virtual currency.

Guidance: When calculating a licensee's tangible net worth, virtual currency assets need not be subtracted from total assets where there exists a corresponding virtual currency customer liability. This scenario is only applicable to licensees engaged in incurring virtual currency liabilities and holding corresponding virtual currency assets as part of the licensee's ordinary course of business, and only applies to virtual currency assets to the extent there is a corresponding liability denominated in the same virtual currency.

Scope Limitations

In General. The scope of this guidance is strictly limited to calculating TNW pursuant to MTMA Section 2.01(bb) and has no bearing on financial accounting and reporting requirements.

SAB 122. Virtual currency assets held as liabilities to customers are not contingent. Accordingly, compliance with SAB 122 is separate and apart from compliance with the MTMA's tangible net worth requirement.

Example

The following simplified example outlines the application of the policies in this Guidance.

Assets		**Liabilities**	
Cash	$8,500,000	Payment Instrument Obligations	$7,500,000
Bitcoin	$25,000,000	Bitcoin Obligations	$2,500,000
Litecoin	$5,000,000	Litecoin Obligations	$5,000,000
Goodwill	$500,000	Intercompany Payables	$100,000
Total Assets	$39,000,000	Total Liabilities	$15,100,000

Tangible Net Worth Requirements = $39,000,000 * .03 = **$1,170,000**

Tangible Net Worth = Total Assets – Total Liabilities – Goodwill – Intangible Crypto Assets = $39,000,000 - $15,100,000 - $500,000 – ($25,000,000 BTC assets - $2,500,000 BTC liabilities) = **$900,000**

In this example, $2,500,000 of bitcoin is held to satisfy corresponding obligations to customers and should not be subtracted from Total Assets when calculating the TNW. The remaining $22,500,000 of bitcoin assets does not have corresponding liabilities to customers and must be subtracted from total assets when calculating TNW.

Appendix

Model Statutory Language

TNW Requirement: Section 10.01
Net Worth.

(a) A licensee under this [Act] shall maintain at all times a tangible net worth of the greater of $100,000 or 3 percent of total assets for the first $100 million, 2 percent of additional assets for $100 million to $1 billion, and 0.5 percent of additional assets for over $1 billion.

(b) Tangible net worth must be demonstrated at initial application by the applicant's most recent audited or unaudited financial statements pursuant to [Section 5.03(b)(6)].

(c) Notwithstanding the foregoing provisions of this [Section 10.01], the [Commissioner] shall have the authority, for good cause shown, to exempt, in-part or in whole, from the requirements of this [Section 10.01] any applicant or licensee.

Tangible Net Worth ("TNW"):
Section 2.01(bb) "Tangible net worth" shall mean the aggregate assets of a licensee **excluding all intangible assets**, less liabilities, as determined in accordance with United States generally accepted accounting principles.

Accounting Standards Codification

Accounting Standards Codification, Glossary:

Contingency
"An existing condition, situation, or set of circumstances involving uncertainty as to possible gain (gain contingency) or loss (loss contingency) to an entity that will ultimately be resolved when one or more future events occur or fail to occur."

Financial Asset
"Cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to do either of the following:

a. Receive cash or another financial instrument from a second entity
b. Exchange other financial instruments on potentially favorable terms with the second entity."

Financial Instrument
"Cash, evidence of an ownership interest in an entity, or a contract that both:

a. Imposes on one entity a contractual obligation either:
    1. To deliver cash or another financial instrument to a second entity

2. To exchange other financial instruments on potentially unfavorable terms with the second entity.

b. Conveys to that second entity a contractual right either:

1. To receive cash or another financial instrument from the first entity
2. To exchange other financial instruments on potentially favorable terms with the first entity."

Intangible Assets
"Assets (not including financial assets) that lack physical substance. (The term intangible assets is used to refer to intangible assets other than goodwill.)"

SEC Staff Accounting Bulletin 122

The Securities and Exchange Commission issued Staff Accounting Bulletin 122 ("SAB 122") to outline the SEC's accounting views on "Accounting for Obligations to Safeguard Crypto-Assets an Entity Holds for its Platform Users." SAB 122 rescinds SAB 121 and states that entities with crypto assets should apply:

> the recognition and measurement requirements for liabilities arising from contingencies in Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Subtopic 450-20, Loss Contingencies, or International Accounting Standard ("IAS") 37, Provisions, Contingent Liabilities and Contingent Assets, under U.S. generally accepted accounting principles and IFRS Accounting Standards, respectively.