New CSBS Paper: Overview of the Money Services Business

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In a new policy paper, CSBS describes the money services business (MSB), including its individual sectors, business models and industrywide data gathered through the Nationwide Multistate Licensing System (NMLS). Also described: how MSBs are supervised by state financial regulators.

The paper, Overview of the Money Services Business, is the latest in a series on reengineering nonbank supervision being developed by CSBS to examine the nonbank financial services industry and how it is supervised. State financial regulators are the primary regulators of most nonbank financial services companies operating in the United States.

Key findings from Overview of the Money Services Business include:

- The money services business (MSB) is a $1.4 trillion sector that dates back to the mid-1800s, comprised of: money transmission; the sale of payment instruments; prepaid or stored value cards; check cashing; and foreign currency exchange.

- Money transmission is large, growing and increasingly fintech-based. According to data collected by NMLS, money transmission represents roughly 60 percent of all MSB transactions...from 2017 to 2018, the dollar volume of money transmission transactions increased by 57 percent to $851 billion...and since 2010, 73 percent of new entities rely on an internet business model vs. agent-based.

- Roughly 55 percent ($749 billion) of all MSB transactions in 2018 were fintech-based, per NMLS data.

- For more than a century, state financial regulators have had exclusive prudential jurisdiction over MSBs. State supervision involves licensing, examination,
enforcement and complaint handling. Regulatory requirements focus on consumer protection, financial safety and soundness, and adherence to the Bank Secrecy Act/Anti-Money Laundering federal law. In supervision, state regulators coordinate with each other as well as the federal agencies CFPB and FinCen/IRS.

- The states have been working to improve the efficiency and effectiveness of MSB licensing and supervision, which benefits regulators and industry alike.

You can read the latest paper here. Prior papers -- Introduction to the Nonbank Industry; An Overview of State Nonbank Supervision; and Overview of Nonbank Mortgage -- can be found here.