State Regulators Roll Out One Company, One Exam for Nationwide Payments Firms

PRESS RELEASES

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Money transmitters operating in 40 or more states will benefit from streamlined state examinations in 2021.

The Conference of State Bank Supervisors (CSBS) announced today the launch of a state-initiated program whereby nationwide payments firms will undergo one comprehensive exam in 2021 that seeks to satisfy all state examination requirements. Known as MSB Networked Supervision, the initiative applies to 78 of the nation's largest payments and cryptocurrency companies that currently meet the 40-state threshold. These companies combined move more than $1 trillion a year in customer funds.

Building on years of multistate coordination, this exam protocol will enable states to fine tune a risk-based approach to each company's operations. When compliance issues arise, the states will be better positioned to follow up throughout the year.

Each exam will be led by one state overseeing a group of examiners sourced from across the country. By relying on experts across the state system — including in cyber security and anti-money laundering — regulators will gain more insight while also freeing up state resources.

This initiative has broad support from the full CSBS and Money Transmitter Regulators Association (MTRA) membership, which spans all state regulators that regulate money transmission.

The program is being launched after the completion of the One Company, One Exam pilot, which was conducted in 2019 and early 2020 and included several companies, including Western Union.

Rosemary Gallagher, Western Union associate general counsel, shared, "Western Union was a proud participant in the CSBS's successful One Company, One Exam pilot. We firmly believe that the impact of this new approach to multistate exams will be significant in terms of driving harmonization and streamlining of state supervision across the board."

Kevin Hagler, Georgia Department of Banking and Finance commissioner and CSBS Board chair, said, "MSB Networked Supervision is a significant and important shift in how state regulators will ensure compliance with consumer protection and safety and soundness standards for the largest payments companies. By working together and relying on the excellent work of fellow state regulators, we will be able to do even more."

Rick St Onge, Money Transmitter Regulators Association Board president and Washington State Department of Financial Institutions examinations chief, said, “This announcement represents years of work by state agencies to move networked supervision forward. The next stage will be equally important as we raise the bar for multistate exam coordination. For over a century, state regulators have responded to evolutions within the money transmission industry, and networked supervision is the logical next step to more effectively and more efficiently supervise the growing number of nationally operating companies.”

MSB Networked Supervision is one of several state-driven programs based on recommendations from the CSBS Fintech Industry Advisory Panel, which emphasized the need to increase multistate exam coordination. See more recommendations and the states’ response here.

Soliciting and implementing industry recommendations is part of CSBS Vision 2020, a collection of initiatives driving toward a networked system of nonbank licensing and supervision.

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