CSBS Releases Model for the Future of Payments Regulation

PRESS RELEASES

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Washington, D.C.—The Conference of State Bank Supervisors (CSBS) today released the Money Transmission Modernization Act for state adoption as part of states' broader effort to modernize the state financial regulatory system.

In addition to supervising 79% of U.S. banks, state financial agencies are the primary regulator of the nation's nonbank financial sector, which includes mortgage lenders and servicers, consumer finance companies, debt collectors and money transmitters.

The Money Transmission Modernization Act, also known as the Money Transmitter Model Law, aims to replace 50 sets of state-specific money transmitter laws and rules with one single set of nationwide standards and requirements created by state and industry experts.

"This model law streamlines regulation for an evolving payments space where the number of companies operating nationwide has doubled since 2015," said **CSBS President and CEO John W. Ryan**. "States that implement the model law will be better positioned to regulate new developments in a rapidly changing financial services market."

The model law is a result of ongoing discussion between state regulators and industry that started under CSBS' Vision 2020, which convened a Fintech Industry Advisory Panel (FIAP) to identify pain points in the state system. The FIAP's report was approved by the CSBS Board of Directors as the basis of a model law, with draft statutory language released for comment in 2019. To address industry comments and concerns, a joint working group of regulatory and industry experts was formed in 2020 to draft new statutory language. The final model law was approved by the CSBS Board on Aug. 9, 2021.

The model law will establish a common regulatory floor for money transmission, including stored value, sale of payment instruments, and transmission of fiat and virtual currency. As a result, companies that offer digital wallets, prepaid cards, money orders and cash or virtual currency transmissions will benefit from the law's standardized and risk-based requirements, and their customers will benefit from strong consumer protections that cross state lines.

Today's announcement follows the release of model state regulatory prudential standards for nonbank mortgage servicers. Both initiatives are priorities under the states' Networked Supervision initiative, which aims to create a more uniform state system that preserves local accountability.

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The Conference of State Bank Supervisors (CSBS) is the national organization of bank regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico and U.S. Virgin Islands. State regulators supervise roughly three-quarters of all U.S. banks and a variety of non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial service providers in the mortgage, money services businesses, consumer finance and debt industries.