

[The Money Transmission Modernization Act: A Powerful Story of State and Industry Collaboration](#)

BLOG POST

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Over the last decade, money services businesses like Western Union and PayPal have increased in size and scope across the United States. In 2021, they handled \$6 trillion in payments for U.S. consumers, a 117% increase from 2020. State financial regulators, who license and regulate these companies, have taken action to meet the changing needs of this growing sector.

Several years ago, state financial regulators saw the need for greater consistency and harmonization across the nonbank financial industry and engaged in several initiatives to achieve this goal. One of these initiatives focuses on creating a streamlined state licensing system of money transmitters through the [Money Transmission Modernization Act \(MTMA\)](#), a set of nationwide standards and requirements designed to protect consumers and enable local innovation. State legislatures are now enacting this model legislation across the country.

Currently, each state has its own laws and rules to license and regulate money transmission. The variation among 50 states has resulted in differing standards, which has created an unnecessarily complex compliance environment for companies operating in multiple states. In 2021, the number of nationwide money transmission licensees grew by 13%, and the majority of state financial regulators licensed companies that resided outside of their state.

As money transmission evolves and more companies operate in multiple states, the inconsistency of the current system and siloed approach to supervision becomes a threat to economic growth and a drain on state resources. As leaders in developing innovative state supervisory practices, state regulators created the MTMA as a means for the regulatory landscape to develop and adapt to these changes.

The MTMA represents many years of collaborative and innovative work between state regulators and industry stakeholders. In 2018, the Fintech and Innovation Advisory Council, a panel of industry experts designed to support state regulators' increased efforts to engage with financial services companies involved in fintech, called for a more streamlined and harmonized supervisory framework for the money transmission industry. These recommendations subsequently led CSBS to form the Regulator Industry Clearing House, which brought industry experts and key state banking supervisors together to draft model money transmission legislation. The committee spent months discussing the pain points and successes of the current framework, ultimately creating a comprehensive product that satisfied the needs of all participants.

Since the formal approval of the MTMA by the CSBS Board of Directors in August of 2021, state regulators have continued a collaborative partnership with industry stakeholders to ensure full implementation of the model legislation across the country. CSBS hosted educational workshops for state regulators to learn about the details of the MTMA and invited industry to provide insight on the hidden interdependencies included throughout the model legislation. Industry and state regulators have engaged in conversations throughout the drafting process to ensure that the proposed state legislation matches the spirit of the MTMA.

The submission of industry support letters to state representatives encouraging passage of the MTMA represents the most recent iteration of this collaboration among industry stakeholders and state regulators. These letters provide general support for the full implementation of the MTMA across the country and emphasize the importance of streamlining the regulatory framework for the money transmission industry. This action marks an important step towards informing state officials of the collaborative work and extensive support for the enhancement of money transmission supervision.

As state regulators work through their various legislative and regulatory processes, they will maintain this collaborative relationship with industry stakeholders to ensure the establishment of a networked and improved supervisory system for money transmission.

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