

General Comments

Remitly, Inc. (“**Remitly**”), an digital international money transfer company, licensed as an MSB throughout the United States, applauds the CSBS’ proposals to modernize the USMA to reflect changes in licensee operations resulting from technological advancements and believes that these revisions are timely and necessary. The proliferation of online business models and smart phone adoption were not envisioned when the most recent version of the USMA was adopted in 2004.

Specifically, Remitly is strongly in favor of modernizing and expanding the definition of Permissible Investments under the USMA to reflect these technological changes that have given rise to changes in money transmitter business models. Inconsistency from state to state as to what may be counted by a licensee as a “Permissible Investment” creates uncertainty and unevenness to a licensee’s overall capital as licensees seek to maintain sufficient Permissible Investments to match its Outstanding payment obligations according to a number of divergent methods.

This uncertainty translates directly into inefficiency in licensee capital structures as licensees seek comply with the more stringent interpretations, even though many States have evolved their approaches in recognition of changes in the market. Regardless of how this additional capital is financed, it comes at a cost that is ultimately borne by consumers in the form of higher costs and creates barriers to entry for new competitors.

Card and ACH Receivables

Remitly supports the proposal to expansion of Permissible Investments to include ACH and debit/credit card receivables is now a trend that many States, such as California and Washington, have honored for several years and are increasingly important as business models rely on online payments via bank accounts or debit cards rather than in-person cash transactions. Therefore, Remitly supports the CSBS’s proposal to expressly include of cash, bank and credit card receivables within the definition of Permissible Investments.

Adopting this approach would be consistent with the trend among other states, whether by statute or by regulatory order, now accept in transit ACH and Card-funded payments as a component of Permissible Investments. In California, for example, the law was changed in 2013 to explicitly include ACH and card funds owed by a bank as a way for money transmitters to meet the Permissible Investment requirement. In making this change, the legislature found ACH and credit card-funded payments to be sufficiently secure and predictable to be placed on an equal footing with cash when calculating a licensee’s permissible investments. The States of Washington and Michigan have both recently adopted similar positions. Finally, we note that the NMLS Money Services Business Call Report includes a line item for “Cash on hand and in transit” within the Permissible Investments section, which while non-binding on any States’ specific requirements, is a welcome development towards including these funds within Permissible Investments.

Inclusion of Foreign Deposits

Remitly strongly agrees with the FIAP’s that “Many licensees transact business globally and may have significant assets on deposit at a foreign institution that previously were not included in ULC’s types of

permissible investments.” Remitly is encouraged that the and the CSBS’s proposal recognizes that the the USMA should be updated to recognize the inclusion of foreign deposits in the calculation of Permissible Investments.

Many international money transmitters, Remitly included, choose to “pre-fund” their daily transaction volume in order to provide a faster delivery of funds to designated recipients as orders are received from customers during the course of each day. This method provides a better overall customer experience to customers by greatly expediting the delivery of funds once those orders are submitted by the licensee’s customers.

These pre-funding balances are held by the licensee in cash in local bank accounts. These cash balances are used to pay out funds as customer orders come in during the course of the day, thereby creating a situation in which outstanding payment instruments are extinguished in nearly real time. As these balances are not yet attached to any particular payment instrument, the full balance of the pre-funding account is capable of being withdrawn on demand from the foreign banks and back to the domestic accounts of the licensee. It is also worth noting that since customer orders are placed in local currency, holding local currency in anticipation of that demand reduces a licensee’s foreign exchange exposure, making pre-funding not only desirable from a customer experience perspective, but also from a risk mitigation perspective.

In this fashion these deposits act like deposits held at any other bank account and are at the discretion and control of the licensee, with the limited difference that the time to withdraw funds back from the foreign accounts may take longer on account of international wire transfer timelines. Beyond that, there is no underlying functional reason to treat domestic and foreign bank balances differently for Permissible Investment calculation purposes.

By failing to allow these foreign deposits to be counted as Permissible Investments, international money transmitters are faced with a challenge. Because they cannot count these deposit they must secure Permissible Investments and place those assets in domestic accounts simply to meet this requirement even though significant cash assets are held overseas. This additional working capital need can be met through multiple means, such as through the holding of additional equity or the use of debt instruments, any of which carry real costs that are then passed through to consumers in the form of higher prices.

Given the above, Remitly respectfully submits that Section (3) of the proposed Permissible Investments model language should not be subject to a reduction. However, if a “haircut” to this asset is deemed necessary this asset should be allowed to be counted in full subject only to the general “asset haircut” of Section (5) of the Permissible Investments, which would cap out the total possible use of this asset to 50%.

A proposed revision to Template 13 is provided as an Appendix.

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Remitly appreciates the ability to comment on these well-considered proposals. We believes that the proposed reforms, as modified by our recommended changes, will significantly modernize the USMA to account for evolutions in technology and MSB business models while continuing to protect U.S. consumers.

Appendix – Revised Template 13 – [Remitly Proposed Revisions](#)

Types of Permissible Investments.

(1) Except to the extent otherwise limited by the [superintendent] pursuant to [the section on maintenance of PI], the following investments are permissible under [the section on maintenance of PI]:

(a) cash, bank and [ACH, debit card, and](#) credit card receivables;

(b) savings deposits, demand deposits, certificates of deposit, or senior debt obligation of an insured depository institution, as defined in Section 3 of the Federal Deposit Insurance Act [12 U.S.C. Section 1813 (1994 & Supp. V. 1999)] or as defined under the federal Credit Union Act [12 U.S.C. Section 1781];

(c) an investment security that is an obligation of the United States or a department, agency, or instrumentality thereof; an investment in an obligation that is guaranteed fully as to principal and interest by the United States; or an investment in an obligation of a State or a governmental subdivision, agency, or instrumentality thereof; and

(d) receivables that are payable to a licensee from its authorized delegates in the ordinary course of business, pursuant to contracts, which are less than seven days old.

(2) The following investments are permissible under [the section on maintenance of PI] if the investment does not exceed 30 percent:

(a) A short-term (up to six months) investment bearing a rating of one of the three highest grades as defined by a nationally recognized organization that rates securities;

(b) Commercial paper; and

(c) An interest-bearing bill, note, bond, or debenture of a person whose equity shares are traded on a national securities exchange or on a national over-the-counter market

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(3) Savings deposits, demand deposits, or certificates of deposit at a foreign depository are permissible under [the section on maintenance of PI] ~~if the investment does not exceed XX percent [percentage needs to be determined]~~.

(4) Any other investment the [superintendent] designates is permissible under [the section on maintenance of PI], to the extent specified by the [superintendent].

(5) The aggregate of investments under subsections (2)-(4) may not exceed 50 percent of the total permissible investments of a licensee calculated in accordance with [the section on maintenance of PI].