

Model Money Transmission Modernization Act Guidance

Right of Use Leases

March 2026

Executive Summary

- When calculating a licensee's tangible net worth, right of use lease assets should not be subtracted from total assets where the assets arise due to a lessee's lease of a tangible asset (e.g. building or equipment) per existing GAAP rules.
- Conversely, when calculating a licensee's tangible net worth, right of use lease assets where the assets arise due to a lessee's lease of an intangible asset must be treated like intangible assets and subtracted from total assets.

Scope

This guidance is limited to the implementation of the following sections of the Money Transmission Modernization Act:

- Section 2.01(bb). "Tangible net worth" shall mean the aggregate assets of a licensee excluding all intangible assets, less liabilities, as determined in accordance with United States generally accepted accounting principles.

Background

The Conference of State Bank Supervisors ("CSBS") Model Money Transmission Modernization Act ("MTMA") requires licensees to maintain a tangible net worth ("TNW") – total assets minus total liabilities minus intangible assets – calculated in accordance with generally accepted accounting principles ("GAAP"). The TNW must be greater than a tiered percentage of the entity's total assets ("TNW Requirement").

Policy

The following policy position is taken by CSBS and informs all model guidance.

Consistency. Where possible, the MTMA should be interpreted to be consistent with the requirements and/or standards applicable to banks or publicly traded companies.

Question Presented

What is the appropriate accounting for Right of Use Leases in the TNW calculation?

Brief Answer

ROU Leases should be considered tangible if the underlying asset is tangible and should follow the standard tangible asset accounting for the TNW Requirement.

Banking Standards for ROU Assets

FFIEC. The Federal Financial Institutions Examination Council has addressed ROU lease accounting in the call report.

To the extent an ROU asset arises due to a lessee's lease of a tangible asset (e.g., building or equipment), the ROU asset should be treated as a tangible asset not subject to deduction from regulatory capital.¹

BIS. The Bank for International Settlements has also addressed ROU lease accounting for capital calculation purposes in the form of Q&A.

Question: Most intangible assets are deducted from regulatory capital, while tangible assets generally are not. Is the lessee's recognised asset under the new lease accounting standards (the ROU asset) an asset that is tangible or intangible?

Answer: For regulatory capital purposes, an ROU asset should not be deducted from regulatory capital so long as the underlying asset being leased is a tangible asset.²

Accordingly, ROU leases are distinct assets on bank balance sheets.

Analysis and Guidance

To ensure consistency across financial services, right-of-use leases that arise due to a lessee's lease of a tangible asset (e.g., building or equipment) should be reported as a distinct asset on the balance sheet. When calculating TNW, the ROU lease of a tangible asset should be included as an asset, and the corresponding lease liability should be subtracted in the TNW calculation, matching the treatment of all tangible assets under the TNW Requirement. ROU leases that arise due to a lease of intangible assets cannot be included as an asset in the TNW calculation.

Conclusion

To best protect money transmitter customers and the integrity of the money transmission industry ROU leases should be treated consistently with federal guidelines and existing GAAP rules. Accordingly, ROU leases that arise due to a lessee's lease of a tangible asset should not be deducted from total assets when calculating a licensee's TNW and should follow the standard tangible asset accounting for the TNW Requirement.

¹ Federal Financial Institutions Examination Council, [Supplemental Instructions, June 2021 Call Report Materials](#) (2021).

² Bank for International Settlements, [Frequently asked questions on changes to lease accounting](#) (April 6, 2017).