

Money Transmission Modernization Act

Legislative Guide

Background

- The Money Transmission Modernization Act (“MTMA”) is a set of nationwide standards and requirements for money transmission designed to protect consumers and enable local innovation.
- The MTMA:
 - establishes a common baseline to be used across the country;
 - advances harmonization in the money transmission industry, making it easier for companies to operate across state lines;
 - enables states to better work together in the licensing, regulation and supervision of money transmitters;
 - strengthens consumer protection through enhanced prudential standards and disclosure requirements.

The MTMA makes money transmission regulation more efficient and effective for a growing industry.

Multistate Coordination Key to
Success

99.8% OF THE \$4.9 TRILLION
IN REPORTED MONEY
TRANSMISSION VOLUME IN
2021 WAS TRANSMITTED BY
COMPANIES LICENSED IN
MULTIPLE STATES

- Over the past several decades, the money transmission market has changed dramatically:
 - States have licensed and regulated transmitters of money for over 100 years.
 - Nationally operating companies have more than doubled since 2015 driven by the boom in fintech payments providers, transmitting trillions of dollars annually.
- Common standards will allow the state system to expand its use of technology platforms, increasing efficiency in the licensing process and enhancing risk detection to ensure consumer funds are protected.
- Common standards eliminate unnecessary barriers to interstate commerce and protect state interests from federal incursions.



The MTMA streamlines regulatory standards across the state system.

- Provides regulators with the tools needed to regulate money transmitters of all sizes, including those that operate globally or small businesses operating locally.
- Standardizes:
 - Definitions applicable to money transmitters, eliminating technical differences between states that make compliance and reporting difficult for companies operating in multiple states.
 - Exemptions from money transmitter licensing to promote consistency among states.
 - The licensing process, including standardized determinations of who is in control of a licensee and the vetting process.
 - Safety and soundness requirements, including net worth, bonding, and permissible investments.
- Enables:
 - Multistate licensing, ensuring the benefits of the Multistate MSB Licensing Agreement can be expanded and enhanced.
 - Multistate supervision, ensuring the benefits of the One Company, One Exam program can be expanded and enhanced.
- Facilitates the development of technology and data analytics necessary to supervise at scale with local accountability.

Consistent:

- ☑ DEFINITIONS
- ☑ LICENSING
- ☑ PROTECTIONS
- ☑ SUPERVISION

The MTMA is a collaborative response to widespread criticism of state regulation of money transmitters.

- Criticism of state regulation in the money transmission industry has been paramount for the past decade with continued calls for federal preemption.
- To identify the pain points driving criticisms, CSBS formed the Fintech Industry Advisory Panel in 2018, which made specific recommendations, including the development of model legislation for money transmitters.
- Because the pain points were rooted in variation between state laws, CSBS committed to drafting a model law.
- To ensure such a model law would be collaborative, CSBS Board established the Regulator-Industry Clearing House, a joint working group of state regulators and industry experts, to draft statutory language that meets the policy objectives set by the CSBS Board.

The MTMA improves operating conditions for companies, supervisory capabilities for regulators, and protections for consumers.

- Common standards make it easier for companies to operate in multiple states, a key pain point for industry and a key talking point for proponents of preemption
- Common licensing and regulatory standards will add efficiencies to the multistate process, allowing states to leverage common practices, analysis, and data:



- 50 separate sets of standards and analyses currently exist to answer common questions like “who needs a license?” and “how are permissible investments calculated?”; The MTMA provides a common standard to apply to all issues of state licensing and regulation of money transmission.
- The MTMA enhances information sharing, better positioning states to increase focus on consumer harm and examine risk on a nationwide basis.
- Common standards will make it easier to share examination resources across the state system and give greater access to a diversity of expertise.
- Consumer protections will be improved by protecting the public from financial crime, increasing the safety of customer funds, and guaranteeing adequate capitalization of licensees.
 - The standardization of safety and soundness requirements across the states ensures that industry maintains a high level of competency, integrity and security.