



## 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.