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## Senate Bill 754

Date: March 3, 2020  
Committee: Senate Finance Committee  
Bill Title: Financial Institutions – Consumer Protection – Money Transmissions and Currency Exchanges  
Re: Letter of Support

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Senate Bill 754 modernizes Maryland's money transmission laws. Since the enactment of most of Maryland's money transmission laws, the money transmission industry has experienced significant changes driven by advancements in financial technology (e.g., the advent of virtual currencies). Senate Bill 754 modernizes areas of the law that apply to those advancements, increases Maryland's appeal to financial technology industries, and enhances consumer protections. The bill makes the following changes:

Lowers Fees for Branches and "Kiosks" – Existing law does not differentiate the cost for licensing a money transmitter's main location from that of its branches or kiosks. Currently, licensees must pay a \$2,000 fee for each individual branch and kiosk. This proposal aligns the fee schedule with the applicant's activity which results in a reduction of the fee for a subsequent branch to \$1,000, and the fee for an automated kiosk to \$500.

Revises Mandatory Penalties for Compliance Violations – Current law requires licensees to get OCFR's approval prior to changing their approved place of business. If a licensee fails to timely notify OCFR of a location change or makes the change without OCFR approval they are subject to a mandatory penalty of \$500 and cancellation of their license – forcing them to cease business operations and acquire (and OCFR to issue) a new license in order to operate at that new location. Identical to the recently enacted changes in the Maryland Mortgage Lender Law (see Md. FINANCIAL INSTITUTIONS Code Ann. Section 11-512), this proposal retains the fine but eliminates the mandatory loss of license penalty because OCFR has ample authority to address such situations of non-compliance.

Increases Remittance Time for Stored Value Cards – Longstanding Maryland law requires agents to remit the funds they receive for stored value cards "within 48 hours after the next regular business day" after their receipt. This requirement fails to recognize current commercial practice where consumers receive instant access to funds despite the fact that retailers may only remit funds to card issuers once per week. Giving retailers an expanded time frame (five business days) to remit funds to licensees recognizes commercial reality with no additional risks to consumers' funds.

Updates Relevant Money Transmission Definitions – The bill amends the definitions of "money transmission," "payment instrument," and "stored value device" to respond to significant market changes regarding the use of technology in financial transactions. The amendments are necessary to harmonize Maryland law with other state and federal regulatory regimes, accurately reflect each respective transaction, and ultimately account for the inevitable evolution in the payments and money transmission field.

Centralizes Reporting Requirements with the Nationwide Multistate Licensing System and Registry ("NMLS") – This provision requires licensees to file financial information quarterly and electronically through the NMLS rather than follow the current, semi-annual paper process. This change gives OCFR access to improved, timely information about regulated companies, and it will give Maryland-licensed companies the ability to provide streamlined, uniform information at the same time and in the same way as the information is reported by all licensees and in other states.

Mandates Enactment of Policies and Procedures for Compliance Programs – The proposal requires money transmitters to maintain policies and procedures that will promote and support safe and sound operations – such as required maintenance of information security, programs regarding operational security and disaster recovery, as well as anti-money laundering protocols.

Creates a New Category of Licensed Activity - Currency Exchanges - Persons providing currency exchange services, including both fiat currency and virtual currency, will be subject to licensing as they are in other states. This new category replicates, in many ways, Maryland's check cashing licensing and supervisory structure; which is well aligned with the type of risk associated with the activity to be supervised. The bill also provides consumer protections regarding privacy and confidentiality of information, mandates use of the NMLS, and lays out remedies and other avenues of redress for violations of its provisions. Enactment of these provisions follows the recommendation of the Maryland Financial Consumer Protection Commission.