
Senate Bill 219

Date: March 24, 2021
Committee: House Economic Matters Committee
Bill Title: Financial Institutions – Commissioner of Financial Regulation – Money Transmissions
Re: **Letter of Support**

Maryland’s money transmission laws have undergone little change while that industry has experienced significant changes driven by advancements in financial technology. This legislation modernizes laws that apply to those advancements, increases Maryland’s appeal to fintech industries and financial firms deploying new technologies, enhances consumer protections, and gives the Office of the Commissioner of Financial Regulation (“OCFR”) the ability to improve the efficiency of its industry oversight. The bill:

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 legislation 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.

Clarifies Qualifications for Money Transmission License Applicants - This legislation clarifies that applicants must satisfy the Commissioner that they maintain a certain “tangible” net worth for their respective main locations and each additional branch location.

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 changes previously made to the Maryland Mortgage Lender Law (see Md. FINANCIAL INSTITUTIONS Code Ann. Section 11-512), this legislation retains the fine, but eliminates the mandatory loss of license penalty for a failure to obtain prior notice 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 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. Affording 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 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 harmonize Maryland law with other state and federal regulatory regimes,

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accurately reflect each respective transaction, and ultimately account for the 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.

This legislation will benefit the industry because it recognizes technological changes in the marketplace and harmonizes Maryland’s money transmission law with federal law and those of other states. **For these reasons, the Department respectfully requests a favorable report from the Committee on Senate Bill 219.**