

## **LETTER OF SUPPORT\_ Financial Institutions – Commis**

Uploaded by: Cunningham, Joseph

Position: FAV

---

## Senate Bill 219

Date: January 20, 2021  
Committee: Senate Finance 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, it enhances consumer protections, and it 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, 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 by, among other things, making corresponding changes to the branch fee structure, including the reduction of certain fees. The legislation also harmonizes Maryland’s money transmission law with federal law (and the laws of other states) so that national and multi-state businesses can more easily operate in Maryland. For example, while requiring financial reporting through the NMLS will result in more frequent reporting to OCFR by affected companies, those companies are already required to use the NMLS reporting system by the majority of the other states in which they do business, and hence they currently file reports for those other states using the NMLS. However, they file Maryland’s reports separately. This legislation will permit licensees to file, and for Maryland to use, the NMLS financial reports that are already being filed.

**For these reasons, the Department respectfully requests a favorable report from the Committee on Senate Bill 219.**

# **TMSRT Letter Re SB 219.pdf**

Uploaded by: Cunningham, Joseph

Position: FAV

January 19, 2021

Writer's Direct Contact  
+1 (202) 887.8781  
AFleisher@mofo.com

Senator Delores Goodwin Kelley  
Chair, Finance Committee  
Miller Senate Office Building  
11 Bladen St.  
Annapolis, MD 21411

**Re: Comments regarding SB 219 (Amending Maryland Money Transmission Law)**

Dear Chair Kelley:

I write on behalf of The Money Services Round Table ("TMSRT")<sup>1</sup> in regard to SB 219, which would make a number of changes to the Maryland Money Transmission Act, Md. Code. Ann. Financial Institutions, § 12-401 *et seq.*, (the "Act"). TMSRT was founded in 1988 as an information sharing and advocacy group for the nation's leading non-bank money transmitters. Since it was founded more than 30 years ago, TMSRT has worked collaboratively with states and others to assist in the passage of more than 27 state licensing laws, as well as countless revisions and amendments to such laws and their implementing regulations.

SB 219 would modify the Act to, among other things, update the definition of "money transmission" activity subject to regulation under the Act and incorporate the definitions of "prepaid access" from the federal Bank Secrecy Act. SB 219 would also eliminate state-specific reporting requirements and instead require licensed money transmitters only to submit call reports through the Nationwide Multistate Licensing System ("NMLS") on a quarterly basis on the dates required by, and containing the information required by, NMLS. Similarly, the legislation would affirm that licensees are to provide information regarding their authorized agents through NMLS on a quarterly basis in accordance with the NMLS process.

---

<sup>1</sup> TMSRT is comprised of the leading non-bank money transmitters RIA Financial Services, Sigue Corporation, American Express Travel Related Services Company, Inc., Viamerica Corporation, Western Union Financial Services, Inc., and MoneyGram Payment Systems, Inc. These companies offer a variety of funds transmission services including bill payments and funds transfers (domestic and international) through retail points of sale, the Internet, and mobile devices, as well as the sale and reloading of stored value products and other money transmission services. Each of these companies is a licensed money transmitter under the Maryland Money Transmission Act, Md. Code. Ann. Financial Institutions, § 12-401 *et seq.*, and is treated as a "Money Services Business" under the Bank Secrecy Act, 31 U.S.C. § 5311 *et seq.*, and its implementing regulations, 31 CFR Chapter X (collectively, the "BSA").

January 19, 2021  
Senator Delores Goodwin Kelley  
Page Two

TMSRT supports efforts to create harmonized and modernized regulation and supervision of money transmitters, including through the use of NMLS to process licensing applications, renewals, authorized agents, and related recordkeeping and reporting. TMSRT also believes, however, that it is important that technological mechanisms to manage the regulation and oversight of money services companies are aligned with the underlying statutes and regulations with which such companies must comply. Otherwise, the adoption of uniform technological solutions can create confusion if they attempt to override or otherwise conflict with state law. In this regard, we believe that the above-noted proposed amendments to the Act relating to the use of NMLS are a positive development.

We also believe there is opportunity for Maryland to subsequently consider a comprehensive modernization of the state's money transmission laws in light of recent developments in the provision and regulation of payments services. These developments include the efforts by the Conference of State Bank Supervisors ("CSBS"), through its Vision2020 initiative, to harmonize regulation of non-bank financial services companies. As part of this initiative, CSBS convened a Fintech Industry Advisory Panel (the "FIAP"), which developed a number of recommendations, embraced by CSBS and state banking departments, for harmonized regulation of payments services companies.<sup>2</sup> Building on these efforts, CSBS is also in the process of developing model payments language to facilitate harmonization of state money transmission laws and in turn enable more consistent oversight and regulation through NMLS.

Drawing on the collective experience of its members, TMSRT would welcome the opportunity to work with the Office of the Commissioner of Financial Regulation and to provide input in connection with a process of updating the Maryland money transmission law to reflect the recent efforts of CSBS and the FIAP and to more closely align with newer money transmission laws in other U.S. jurisdictions.

+ + +

If you have any questions or would like to further discuss the matters raised herein, please do not hesitate to contact me at [afleisher@mofo.com](mailto:afleisher@mofo.com) or (202) 887-8781.

Sincerely,



Adam J. Fleisher  
Counsel to The Money Services Round Table

---

<sup>2</sup> The summary of the Fintech Industry Advisory Panel Recommendations and Next Steps, including the response of regulators, is available here: <https://www.csbs.org/sites/default/files/2019-02/FIAP%20Chart%20and%20Next%20Steps.pdf>.