



Chair C.T. Wilson  
Room 231  
House Office Building  
Annapolis, Maryland 21401

**HB1204: Financial Institutions - Decentralized Financial Regulatory Sandbox Program**  
**Testimony on Behalf of MD|DC Credit Union Association**  
**Position: Opposed**

Chairman Wilson, Vice-Chair Crosby, and Members of the Committee:

The MD|DC Credit Union Association, on behalf of the 70+ Credit Unions and their 2.2 million members that we represent in the State of Maryland, appreciates the opportunity to testify on this legislation. Credit Unions are member-owned, not-for-profit financial cooperatives whose mission is to educate and help members achieve financial well-being. We are respectfully **opposed**.

We support the bill's intent to foster innovation in the financial industry; however, it pursues its intent in a redundant, unsafe, and unfair manner to the regulated financial entities operating in Maryland.

As to redundancy, since 2018, the Commissioner of Financial Regulation's Office has had an "innovation contact." According to the Commissioner's website,

"The Innovation Contact can assist entrepreneurs, fintech officials, and new fintech companies in navigating the licensing process, reviewing business concepts, evaluating risk management and compliance management systems, and providing feedback on business plans. The Innovation Contact can also provide information about doing business in Maryland and is available to answer questions about Maryland's financial laws, rules, and regulations as they might affect financial products in fields such as money transmission, virtual currencies, payments or lending."

The innovation contact allows legitimate unlicensed fintechs to directly communicate with the Commissioner's Office, who may then show them how to operate legally in Maryland.

More importantly, allowing any financial institution or fintech to operate without proper licensing and supervision goes against all safety and soundness practices upon which the financial industry is built and which the state has worked so diligently to uphold. To that point, where this bill becomes unsafe and unfair are on Page 2, Lines 15 – 21,

- "Enable a person to obtain limited access to the financial market in the state without obtaining a license or other authorization."
- "A participant in the program may enter into agreements with or follow the best practices of the consumer financial protection bureau; or, similar programs in other states."



In short, this allows a company to test a product on the citizens of Maryland with no oversight and with the option of implementing undefined best practices. Not only is this a bad practice for obvious consumer protection reasons, but it is also unfair to financial institutions that operate legally in Maryland. The financial industry is one of the most highly regulated industries globally. Allowing a potential competitor to enter the market without having to pay compliance costs and work within the stringent regulatory framework creates an uneven playing field for those who have invested so heavily in the State of Maryland.

Credit unions invest in various financial technology types, including blockchain, cryptocurrency, digital banking, data analytics, artificial intelligence, and machine learning. We would appreciate being able to take a more active role in developing these technologies in the state. We would be happy to work with the sponsor and the Commissioner's Office to discuss ways to help financial institutions already licensed in Maryland test innovative products and push the industry forward.

Please do not hesitate to contact me at 443-325-0774 or [jbratsakis@mddccua.org](mailto:jbratsakis@mddccua.org), should you have any questions. Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Bratsakis", with a stylized flourish at the end.

John Bratsakis  
President/CEO – MD|DC Credit Union Association