Introduction

The Multi-State MSB Examination Taskforce (MMET) is the state representative body charged with coordinating and facilitating multi-state supervision of money services businesses (MSBs). Established by the Nationwide Cooperative Agreement for MSB Supervision (Agreement) and its companion Protocol for Performing Multi-State Examinations (Protocol), the MMET is tasked with leveraging the state system as a whole for money services businesses supervision, protecting consumers and state economies while fostering consistency in supervision. The MMET continued working towards its foundational goals in 2014, promoting a nationwide framework for cooperation and coordination among MSB State Regulators.

Through collaboration and implementation of the Protocol, the MMET continues its work to:

- protect consumers;
- ensure the safety and soundness of MMSBs;
- deter money laundering and fraud;
- supervise and examine in a seamless, flexible and risk-focused manner;
- minimize regulatory burden and expense; and
- foster consistency, coordination and communication.

By the end of 2014, 48 state regulatory agencies, including D.C., Guam, Puerto Rico, and the Virgin Islands had signed the Agreement and Protocol.

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1 For the purposes of the Agreement and Protocol, MSB includes currency dealers or exchangers, issuers of traveler’s checks, money orders, prepaid access and/or stored value, sellers or redeemers of traveler’s checks, money orders, prepaid access and/or stored value and money transmitters.
Multi-State MSB Examination Taskforce (MMET)

The MMET consists of representatives of 10 Participating State Regulators, five of which are appointed by the Conference of State Bank Supervisors (CSBS) and five of which are appointed by the Money Transmitter Regulators Association (MTRA). The MMET’s role of coordinating supervisory efforts is meant to assist state regulators in fulfilling their own regulatory responsibilities. In coordinating supervisory processes, the MMET is responsible for:

- Determining the risk profile of an MSB operating in multiple states;
- Facilitating and maintaining joint examination schedules;
- Assisting in the establishment of examination teams in consultation with participating state regulators;
- Coordinating the collection of consumer complaints and working to ensure that such activity is given due consideration when drafting and scoping the examination plan;
- Facilitating the exchange of information between the joint examination state regulators and the concurrent examination states; and
- Supporting communications and facilitating development and implementation of joint or concurrent actions.

The MMET elected North Carolina Commissioner of Banks Ray Grace as its inaugural Chair, with Karen Heede of the Virginia Bureau of Financial Institutions, the Vice Chair. The 2014 Participating State Regulators comprising the MMET were:

- California Department of Business Oversight
- Florida Office of Financial Regulation
- New York State Department of Financial Services
- North Carolina Office of the Commissioner of Banks
- Ohio Division of Financial Institutions
- Pennsylvania Department of Banking and Securities
- Texas Department of Banking
- Virginia Bureau of Financial Institutions
- Washington Department of Financial Institutions
- Wyoming Division of Banking

The MMET held its second annual meeting in Phoenix, Arizona in January and met throughout the year to operationalize operating procedures and policies for conducting multi-state examination supervision. The year culminated in the MMET assuming responsibility for multi-state MSB exam scheduling, which will be ongoing.

Building on a Foundation of Cooperation and Coordination

The MMET used 2014 as an opportunity to put procedures into practice. Only the second year for the MMET, 2014 focused on building out tools, executing joint examinations, training examiners, and creating baselines for multi-state exams.
2015 Examination Scheduling
A central task of any multi-state effort, the Protocol for Performing Multi-State Examinations requires the MMET to “facilitate and maintain Joint Examination schedules . . .”\(^2\)
The MMET assumed responsibility of scheduling exams from the MTRA starting with the 2015 exam schedule. The first MMET scheduling call took place in December 2014, with quarterly calls scheduled thereafter in accordance with the Protocol.

2014 Examinations
Under the prior MTRA Examination Committee, 57 joint examinations were completed in 2014 with 12 lead states and 21 participating states. Six states participated in five concurrent exams.

Guidelines for Joint Examinations
To put the Operating Procedures developed by the MMET into practice, the MMET developed a guide for lead states and the examiners in charge of multi-state exams. The “Guidelines for Joint Examinations” were developed to provide this guidance, clarifying the responsibilities of both EICs and participating state examiners during the joint examination process. The Guidelines include information on:

- Scheduling
- Exam Preparation
- On-site Procedures
- Producing the Report of Examinations
- Duties of the EIC

The Guidelines pave the path for examiners tasked with working on a multi-state basis, fostering consistency and cooperation across state lines and across multi-state exams.

Examination Resource Survey
Departmental resources are a crucial component of multi-state examinations. To build a baseline for multi-state resources and to understand the MSB supervision environment, MMET conducted an Examination Resource Survey. Extrapolating reported information, the MMET concluded that there are approximately 80.5 full time examiners available to conduct money transmitter exams, a sizeable but scarce pool to draw on from the state system. The survey also signaled continued interest in examiner training across the states.

2014 Training
Based on a training need identified by the MMET, the first IT Examiner School was conducted in Los Angeles, California in October 2014. There were 34 examiners from 8 states that participated. The IT Examiner School is for examiners from all financial disciplines with limited or no Information Technology experience or training or for those looking for a refresher. The course addressed technology, risk assessments, operations, security, risk management, and other core information technology issues. Due to the success of the pilot program, a second IT Examiner School will be held March 30 – April 3 in Raleigh, North Carolina.

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\(^2\) Protocol for Performing Multi-State Examinations.
An MTRA senior examiner school was conducted in March in San Diego, California with 28 examiners, 2 of whom were awarded scholarships to attend, and 6 regulator instructors attending. The school focused on the risks and examination steps for prepaid card programs, foreign currency trading firms and information technology.

An MTRA Operations School was held in July in Denver, Colorado, with 42 examiners and 6 regulator instructors attending. Attendees learned the inner workings of a money transmitter’s operations from receipt to delivery of the funds, with special emphasis on the foreign currency function. Other operations topics covered were a money transmitter’s agent operations, IT system and related internal control risks. This school also included an in-depth introduction to the money transmission industry, as well as AML/BSA compliance and safety and soundness issues, including financial statement and permissible investments analysis.

A school was conducted at the November 2014 MTRA annual meeting in Boston, Massachusetts. There were 78 state agency representatives that attended the school. The school focused on licensing, but also addressed the CFPB remittance rule, quantitative risk models, EIC procedures, and the MTRA Work Program. The 2015 Examiner’s School and MTRA Annual Conference will take place October 5 – 8 in Kansas City, Missouri.\(^3\)

Additionally CSBS conducted its long-standing Bank Secrecy Act and Anti-Money Laundering (BSA/AML) Examiner Classes in May and September 2014. Over the past two years, over 110 examiners have completed the course. The class provided an overview of various products as well as BSA and OFAC requirements for prepaid access and money transmitters.

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**Industry Advisory Group & Survey**

Recognizing the importance of industry input and transparency, the MMET established an Industry Advisory Group and performed a small survey to solicit feedback on multi-state examinations and off-site examinations. The Chair and Vice Chair of the Industry Advisory Group reviewed the results of the survey at the November 2014 MTRA conference. Through this process MMET confirmed the importance of selecting experienced, well-trained examiners-in-

charge to lead multi-state exams, which results in better communication between states, and more efficient exams.

Coordination with Federal Agencies
Historically, state Regulators who examine and license MSBs coordinate with the Internal Revenue Service (IRS) and the Financial Crimes Enforcement Network (FinCEN) utilizing information sharing agreements. In 2014, this included a webinar hosted by FinCEN reviewing Virtual Currency guidance, a topic of great interest to the MMET.

In addition to IRS and FinCEN coordination, the MMET has been preparing for coordination with the Consumer Financial Protection Bureau (CFPB). The CFPB gained jurisdiction over certain money transmitters after issuing a larger participant rule, which it estimates will include approximately 25 of the largest nonbank money transmitter providers. The rule took effect December 1, 2014, paving the way for coordinated supervision of money transmitters with the states in 2015.

On behalf of the SCC, the MMET will participate in the selection of coordinated examination targets and facilitate multi-state examinations of those targets with the CFPB.

Looking Forward
In 2015, the MMET anticipates continually refined multi-state MSB examinations and opportunities to leverage technology and communications across the states. With operating procedures, examination guidelines, and a solid understanding of state MSB examiner resources, the coming year will be an opportunity to increase efficiency for the MMET and the state system.

Contact Information

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4 Examples of these agreements can be found on the CSBS website at http://www.csbs.org/regulatory/Cooperative-Agreements/Pages/Agreements.aspx.