MSB Multistate Licensing Agreement

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Recognizing the Need

This project was born out of the recognition by state regulators that there are pain points when it comes to money transmitters pursuing licensure from individual states.

- Differing legal requirements
- Differing resources and turn times
- Differing procedural requirements & interpretations
- Satisfying the similar requirements in each state
Taking Action

- May 2017, CSBS Vision 2020
  - Modernize the state regulatory system
  - Create efficiencies by recognizing standards across state lines

- Washington state evaluated the possibility of reciprocity or shared work
In September of 2017, Washington state proposed an MSB Licensing Agreement to a handful of states. Under the Agreement, we proposed to divide the licensing application review process into two phases of review.
The Agreement

Potential benefits to applying companies:

• Single state review of common application information
• 25 day turn time on Phase One Certification
• Potential savings of fingerprint fees
Participating States

Georga
Idaho
Illinois
Iowa
Kansas
Kentucky
Louisiana
Massachusetts
Mississippi
North Dakota
Ohio
Rhode Island
Tennessee
Texas
Utah
Vermont
Washington
Wyoming

* As of 9/10/18

Washington State Department of Financial Institutions
“Regulating financial services to protect and educate the public and promote economic vitality.”
Phase One Details

Phase One* captures most of the licensing requirements that are common to the states.

• A single state reviews the common licensing requirements in Phase One and issues a certification within 25 days from a complete application.

• The certification is relied upon by the other participating states who then begin the state-specific Phase Two reviews.

* Phase One means the state collects fingerprints and credit reports.
Phase One Details

The certification language goes in the external notes section of the company’s NMLS record:

[Date] [Phase One certifying state] certifies this applicant has successfully completed all MSB Licensing Agreement Phase One requirements.
Phase Two is conducted by each state and includes the requirements unique to particular states.

- States rely on a single state’s review of common licensing items in Phase One
- Phase Two is a more narrow review of the remaining items
- Licenses, if issued, follow Phase Two
Process – State Perspective

The goal is to keep as much review work in Phase One as possible.

- Development of Standards using the MU1 and 2, state checklists, and the NMLS Guidebook
- Resolve variances if possible
- Keep Phase Two very state specific
Process – State Perspective

Develop Communications:

• Intake form to assess companies
• Welcome letter
• Phase One certification letter
• Warning letters on timing
• Messaging on states’ website and NMLS resource page
Process – State Perspective

Interim Decisions:

- WA to handle inquiries until further notice
- Phase One shelf life is 60 days
- Significant changes to company following certification handled by Phase Two states
Outstanding Questions:

- How to determine the Phase One state:
  - Simple rotation?
  - Special circumstances?
  - Can a state “pass” on a turn?
  - The applicant’s choice?
Process – State Perspective

• Doing the work:
  • Weekly meetings
  • Review assignments
Process – Company Perspective

• Company contacts program administrator, fills out intake form
• Administrator assigns Phase One state with state’s input
• Company applies in Phase One state
• State issues certification
• Company applies in Phase Two states
• States issue licenses, if approved
First Pilot

- 9 potential participating companies
- 8 assigned to 6 Phase One states
- 1 company switched states
- 5 companies dropped out

As of mid-September 13 licenses had been issued with a potential for 32 licenses total.
Second Pilot

- Washington continues to compile interested companies
- Companies will be assigned October 11
First Pilot Survey

- Survey of 3 states conducting Phase One review – survey of Phase Two states is scheduled
- 3 participating companies
Initial Feedback - States

• Better communication between the states:
  • A place to keep final documents to cut down on the number of emails
  • Recaps of each meetings
  • Better communication of the certification
Initial Feedback - States

- Better communication to companies:
  - Make sure companies know they may not get licensed in some states even with certification
  - Finalize the Uniform Applicant Checklist
  - Develop language for the NMLS website
  - Develop language for states’ websites
Initial Feedback - Company

- Requirements for the program were clearly communicated
- Delays were caused by ongoing decision making
- Decision making during review caused rework
Ongoing work

- Messaging, messaging, messaging
- Complete review of resources
- Answer outstanding questions
Post Pilots

- More debriefing
- Fine tuning of standards and process
- Roll out?
Thank you!
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