Washington Update
2019 MTRA Annual Conference
Pittsburgh, PA
Overview

• Congressional Focus

• OCC Fintech & Trust Charters

• Facebook/Libra

• Treasury Innovation Report
Congressional Priorities

Government funding expires Sept. 30th
- 13 working days before 9/30
- Talk of CR through Nov. or Early Dec.
- 2-year deal struck in August sets top level numbers and suspends debt ceiling through July 2021

Export-Import Bank
- Funding lapses Sept. 30th
- Major political hurdles
House Financial Services Committee

National Money Transmitter License

- Democrats taking lead:
  - Supported by testimony from Prof. Adam Levitin
  - Distrust of Administration leaves door open for SAFE Act-like model
  - Interest in supporting Multistate MSB Licensing Agreement
  - Interest in state adopted common definitions & standards, preempting states that do not adopt
OCC Fintech Charter

Limited Purpose Non-Depository Bank Charter

- Designed to preempt state licensing
- Broadly redefines business of banking
- CSBS & NYDFS have both challenged in federal court as exceeding the National Bank Act
Efforts Underway with MSBs

- Fintech Industry Advisory Panel
- Model Law
- Multistate MSB Licensing Agreement
- One Company, One Exam

VISION 2020

Integrated System
- 50-state licensing & supervisory System
- Leverage Technology
- Smart Policy

Minimize Friction
- Consistency
- Data Driven Solutions
Vision 2020

Fintech Industry Advisory Panel

Formed to identify actionable steps to improve:

- Licensing
- Regulation
- Supervision
- Support for innovation
Fintech Industry Advisory Panel Recommendations

- Develop a “plain-language” multi-state repository
- Risk-based harmonization
- Rationalize against federal & system standards (FinCEN & NACHA)
- Principles-based standards
- Harmonize PI
- Risk-based principles to calculate/maintain PI
- Rationalize net worth and surety bond requirements
- Drive broad adoption of NMLS functionality
- Standardize reporting methodologies, formatting, timing, and delivery methods
- Incentivize self-reporting & positive collaboration
- Harmonize control events, notification requirements, and timing
- Uniform treatment of control persons
- Best practices for processing control events/persons
- Drive broad adoption of NMLS functionality
- Standardize reporting methodologies, formatting, timing, and delivery methods
- Incentivize self-reporting & positive collaboration
Vision 2020

Model Law

- FIAP recommendations reflect diverging state laws
- UMSA adopted by only 12 states/territories
- State working group has drafted preliminary language covering the FIAP recommendations
- More work to be done in the coming weeks, but will be released for public comment
- May serve as basis for coordinated interpretations, policy decisions, and processes
Vision 2020

Multistate MSB Licensing Agreement

- Collaborative licensing process
- 26 states participating
- 15 companies have received 117 licenses – 45 more licenses possible
- 3rd pilot to start in fall
Vision 2020

One Company, One Exam Pilot

- On-site portion of exam complete, ROE in development
- 12 states accepting the exam – a record
- Model exam acceptance policies and procedures will be distributed in Sept.
- MMET already successfully expanded concept to several low risk, nationally operating companies
State Examination System Pilots Beginning Next Month

End-to-end functionality for both regulators and industry
Senate Banking Committee

• BSA reform (incl Beneficial Ownership)
  • Draft bipartisan bill
  • Expect introduction this month

• Libra

• Data privacy
Treasury Innovation Report

- No reference to National Money Transmitter License
- Support states’ work on consistency and streamlining
- Suggests Congress preempt the states if not enough meaningful progress is made in 3 years
Summary

Congress & Federal Regulators seeking authority over money transmitters

States have the opportunity to meaningfully coordinate to eliminate the need for federal action

Absent progress, preemption should be expected