STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF CONSUMER CREDIT PROTECTION
35 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0035

Janet T. Mills
GOVERNOR

Linda Conti
Superintendent

Testimony of Linda Conti, Superintendent

Bureau of Consumer Credit Protection.

In Support of LD 2112
"An Act to Replace the Money Transmitters Act."

Before the Committee on Health Coverage Insurance and Financial Services

Tuesday, February 13, 2024; 1:00 PM
Room 220, Cross Building

Senator Bailey, Representative Perry, and Members of the HCIFS Committee:

My name is Linda Conti, and I am the Superintendent of the Bureau of Consumer Credit Protection.

I am proud to bring forward LD 2112 on behalf of the Department of Professional and Financial Regulation and the Bureau of Consumer Credit Protection. The purpose of this bill is to enable timely, coordinated, and efficient regulation of money transmission companies allowing them to achieve financial stability and economic growth, while providing consumer protection. The bill will allow the State to share resources, data, and technology tools with other states to create a stronger multi-state system of financial regulation.

Money transmission has been around a very long time. It started as a way of sending money to a person across the country via telegraph networks and has evolved into a complex world of electronic payments on a global scale. Mainers use money transmitters to pay bills, purchase items online, or send funds to family members and friends domestically and abroad. Banks and credit unions also provide money transmission services.

Money transmitters are considered nonbank financial companies. Unlike traditional banks and credit unions, money transmitters do not accept deposits or make loans but provide alternative mechanisms for people to make payments or obtain money. Although money transmitters are regulated and licensed at the state level, there are a few specific federal laws apply to money transmitters, notably the Bank Secrecy Act, (BSA). Money transmitters have been regulated in Maine for decades.

The money transmission market has changed dramatically in recent years. The number of companies who have a multi-state/national presence has more than doubled since 2015 driven by the boom in fintech payments providers. According to the Conference of State Bank Supervisors (CSBS) 99.8% of the $4.9 trillion in reported money transmission volume in 2021 was transmitted by companies that are licensed in multiple states. These companies are transmitting trillions of dollars annually.

The increase in business volume and the patchwork nature of state regulation has led to attempts at federal regulation. In response, the CSBS established the Regulator-Industry Clearing House, a joint group of state regulators and industry experts to draft the model statutory language (Model Act) embodied in this bill. A common regulatory base line across the country is a crucial step in advancing multistate harmonization in the money transmission industry, as states will be better able to work together in the licensing, regulation and supervision of money transmitters operating across state lines. I speak regularly with my counter parts across the country on issues of enforcement. Our exam team already participates to the extent we can with the One Company One Exam Program. This process will be easier and more efficient when all states applying the same standards.

The Model Act focuses on standardization. Basic questions like "who needs a license" or "what constitutes money transmission", and "how are permissible investments calculated" exist in most state laws, but the answers vary. The model act standardizes:

- Definitions applicable to money transmitters, eliminating technical differences among states that make compliance difficult for companies operating in many states;
- Exemptions from money transmitter licensing to promote consistency among states:

- The licensing process, including standardized determinations of who is a "control person" of a licensee; and
- Safety and soundness requirements, including net worth, bonding and permissible investments.

Modernization is another feature of the Model Act. Virtual currencies that are accepted by multiple parties as a value that can be exchanged for money, goods or services fit squarely with the definition of money transmission.

Regulators and industry negotiated the Model Act over a two-year period, resulting in compromises from both sides. These compromises are embedded throughout the Model Act and so I encourage the Committee to adopt the Model Act in its entirety.

If you have any questions about any aspect of the Model Act, I am happy to answer them now or at the work session. Thank you.