

WASHINGTON DFI LEADS EFFORT TO STREAMLINE MULTI-STATE LICENSING FOR MONEY SERVICE BUSINESSES

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Agreement between seven states launches a new national approach to license MSBs

Olympia – Today the Washington State Department of Financial Institutions (DFI) announced it has entered into a multi-state Agreement for Money Service Businesses (MSB) Licensing with Georgia, Illinois, Kansas, Massachusetts, Tennessee, and Texas.

Money service businesses include money transmitters, payment service providers, and currency exchangers. Generally speaking, MSBs have to apply for a license in each state in which they want to offer their services. As technology in the financial services area has advanced, state regulators have heard complaints from innovative startups providing money services about the difficulties of varying licensing requirements in multiple states and challenges of having their full application reviewed separately by each individual state before they can offer their services nationwide.

Recognizing this problem, last year the Conference of State Bank Supervisors (CSBS), of which the Washington DFI is a member, began a campaign called “Vision 2020” to transform the licensing process, harmonize supervision, and engage fintech companies. In September of 2017, the DFI approached a hand-full of states around the country to enter into the Agreement to streamline the licensing process for money service businesses (MSBs).

The Agreement for MSB Licensing is closely aligned with the Vision 2020 initiative because it will create efficiencies in the multistate licensing process by allowing participating states to rely on each other’s work during the license application review process. The Agreement divides the multistate licensing process into two phases. Phase One allows states to rely on each other’s work regarding licensing requirements that are common across state lines, leaving the few remaining state-specific licensing requirements to an expedited Phase Two that will be performed by each individual participating state.

The goal of the Agreement is to create efficiencies in the licensing process and streamline supervision, and was drafted so that other states across the country can sign on.

“While Washington took the lead in drafting the Agreement, other participating states quickly embraced the effort and contributed greatly to the project,” DFI’s Deputy Director Charlie Clark noted “This didn’t really surprise me because state regulators are very supportive of the Vision 2020 initiative, and this Agreement is closely aligned with its goals.

“When the Washington DFI initially proposed this concept, we found that the current participating states expressed real interest,” Clark continued. “We worked hard to get consensus among that initial group of states in order to get the project off the ground, but the participating states are still encouraging other states to join the Agreement.”

Under the Agreement, DFI will still require that MSBs satisfy state licensing standards.

“While we are streamlining the licensing process, there are no shortcuts in consumer protections or ensuring a company’s fitness to provide financial services,” DFI’s Director Gloria Papiez said, “This Agreement will create a multistate licensing process that supports innovative companies and helps them get off the ground, which is good for those businesses and good for Washington State.”

The multistate streamlined licensing process will be voluntary for both states and applicants. Participating states will likely undertake a pilot licensing project around April of this year. After making any adjustments based upon the pilot project, states will offer multistate licensing under the Agreement more broadly to new applicants.

The Conference of State Bank Supervisors (CSBS) also issued a media release this morning on the agreement: <https://www.csbs.org/state-regulators-take-first-step-standardize-licensing-practices-fintech-payments>(link is external).

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