



Date: September 2023

To: Minnesota Licensed Money Transmitters & Money Services Industry

From: Financial Institutions Division

RE: Minnesota Money Transmission Modernization Act

On May 24, 2023, Governor Tim Walz signed Minnesota Session Law 2023, Chapter 57, Senate File 2744 into law, which included the Minnesota version of the Money Transmission Modernization Act (MTMA). You can access a copy of law [here](#).

The MTMA was adopted by the Conference of State Bank Supervisors (CSBS) in August 2021. It was the result of a collaborative process that began in 2018 and involved a working group of state regulators and industry experts. The MTMA streamlines the licensing and regulatory standards applicable to money transmitters across the states. The new law:

- Provides regulators with the tools needed to regulate money transmitters of all sizes, including those that operate globally or small businesses operating locally.
- Standardizes:
 - Definitions applicable to money transmitters, eliminating technical differences between states that make compliance difficult for companies operating in multiple states.
 - Exemptions from money transmitter licensing to promote consistency between states.
 - The licensing process, including determinations of who is in control of a licensee and the vetting process.
 - Safety and soundness requirements, including net worth, bonding, and permissible investments.
- Enables:
 - Multistate licensing, ensuring the benefits of the Multistate MSB Licensing Agreement can be expanded and enhanced.
 - Multistate supervision, ensuring the benefits of the One Company, One Exam program can be expanded and enhanced.

Transition and Key Differences between MTMA and current Minnesota Money Transmitters Act

Transition Process: The new Minnesota Statutes Section 53B.68 (Article 3, Section 55 of the Session Law) states that any provisions that conflict with current law or establish new requirements not imposed under current law are not imposed until either renewal or five months after the effective date of the chapter, whichever is later. **The effective date being August 1, 2023. Conflicting or new provisions do not take effect until January 1, 2024.**

Key Differences (note this list is not exhaustive):

Area	Law as of 2023	Minnesota MTMA
Definitions	Control is 10% ownership	Control can be to exercise power to (1) vote 25% of outstanding voting shares, (2) elect a majority of those with managerial authority, or (3) exercise a controlling influence over management/policies There is also a new definition of a “passive investor”
	No definitions for “money” or “monetary value”	Definitions for “money” and “monetary value” Expanded definition of “money transmission” related to what counts as a Minnesota transaction
	“Payment instrument”, “outstanding payment instrument”, and “electronic instrument” defined	“Payment instruments” and “Stored Value” defined and clarified separately
Exemptions	Authorized delegates Other government agencies or jurisdictions Depository institutions	<u>Includes current exemptions, adds:</u> Payment processors Agent of the payee Securities/investment exemptions
Licensing	Background checks done outside of NMLS/FBI fingerprints Application processing time within 60 days from complete application	Background checks now allowed using NMLS/FBI fingerprints Application processing time within 120 days from complete application with licensee notification of complete application
Prudential Standards	<u>Net worth:</u> location-based with min. \$25,000 up to maximum \$500,000	<u>Net worth:</u> greater of \$100,000 or percentage of total assets size-scaled

	<p><u>Surety bond</u>: location-based with minimum \$25,000 up to maximum \$250,000</p> <p><u>Permissible investments</u>: cash, CDs, financial institution or government investment debt obligations, higher grade investments, money market mutual funds, receivables due to licensee that are not past due</p>	<p><u>Surety bond</u>: greater of \$100,000 or 100% average recent quarter daily money transmission liability in Minnesota up to \$500,000</p> <p><u>Permissible investments</u>: similar to current law, but adds letters of credit, limits receivables to 50%, and limits on certain types of investments and commercial paper</p>
Records and reporting	<p>Most quarter of activity prior to renewal</p> <p>Most recent audited financial statement filed with renewal</p> <p>No specific receipt requirements</p>	<p>File quarterly money services business call reports through the NMLS</p> <p>File audited financials within 90 days of each fiscal year</p> <p>Must file any reports required in the Bank Secrecy Act or other laws related to money laundering</p> <p>Specific receipt requirements, including use of NMLS ID number</p>
Networked Supervision	Use of general financial institutions authority	Specific authorization to participate in networked or multistate efforts related to licensing and supervision
Virtual Currency	Virtual Currency Guidance issued in 2021: https://mn.gov/commerce/money/industry/money-transmitters/ .	<p>Adoption of virtual currency module of the MTMA, <u>which includes</u>:</p> <p>specifically defines virtual currency and virtual currency activities;</p> <p>includes use of virtual currency to calculate net worth;</p> <p>includes a reasonably expected de minimus amount of \$5,000 annually;</p> <p>required disclosures</p>