



## ***Request for Public Comments*** **Uniform Authorized Delegate Reporting**

October 1, 2012

On behalf of the state regulatory agencies participating in NMLS (or “the System”)<sup>1</sup>, the State Regulatory Registry LLC<sup>2</sup> (SRR) invites public comments on functionality that would provide a uniform and automated method for state licensed Money Service Businesses to report information concerning Authorized Delegates to NMLS participating state agencies<sup>3</sup>.

### **Goal**

The goal of developing Uniform Authorized Delegate Reporting functionality in NMLS is twofold:

1. Enhance the monitoring and supervision of Money Service Businesses (“MSBs”) <sup>4</sup> by improving the information available to state regulators concerning the Authorized Delegates used by their licensees.
2. Allow MSBs to provide information concerning Authorized Delegates to the appropriate regulators through the System in a more efficient manner.

### **Background**

Currently 51 states and territories require nonbank entities that provide alternative mechanisms for persons to make payments or to obtain currency or cash in exchange for payment instruments to be licensed as Money Service Businesses. MSBs engage in the following types of financial activities:

- Money transmission (e.g. wire transfers)
- Sale of payment instruments (e.g. money orders, traveler’s checks, and stored-value)
- Check cashing; and
- Foreign currency exchange.

An MSB may contract with independent third party locations as sales outlets to perform the function of receiving and dispensing funds on behalf of the licensed MSB. These third parties are known as “Authorized Delegates”.<sup>5</sup>

<sup>1</sup> Information about NMLS can be found at <http://mortgage.nationwidelicencingsystem.org/Pages/default.aspx>.

<sup>2</sup> Information about the State Regulatory Registry LLC can be found at <http://www.csbs.org/srr/Pages/default.aspx>.

<sup>3</sup> Currently 58 state agencies participate on NMLS. The Oklahoma Department of Banking begins managing MSB licenses in NMLS on October 1, 2012. The complete list of these agencies can be found at <http://mortgage.nationwidelicencingsystem.org/contact/Pages/StateAgencyContacts.aspx>.

<sup>4</sup> The Uniform Money Services Act, drafted by the National Conference of Commissioners on Uniform State Laws and last amended in 2004, refers to these entities collectively as “money service businesses.” For the sake of consistency, this Request for Public Comments uses the phrase “money service business” or “MSB” in a similar manner. More information regarding the Uniform Money Services Act, including the text of the Act itself, can be found at <http://uniformlaws.org/Act.aspx?title=Money%20Services%20Act>.

<sup>5</sup> These third party outlets are also sometimes referred to as “agents.” For the sake of consistency, this Request for Public Comments follows the Uniform Money Services Act, which refers to these outlets as Authorized Delegates.

An Authorized Delegate can be a large corporate chain with multiple locations or a small, independent business with just one location. In some instances, an Authorized Delegate can be an entity physically located in one state and doing business on behalf of a licensed MSB in other states (such as through an internet portal).

Virtually all state agencies collect information regarding the Authorized Delegates through which licensed MSBs conduct business in their respective jurisdictions. This information is collected at different intervals – generally on a quarterly or annual basis. Some state agencies require the information be provided on a more frequent basis. Some states require MSBs to request approval and/or provide notice prior to transmitting funds through a particular Authorized Delegate. The functionality described in this Request for Public Comments does not replace or supplant existing state regulations that require some form of Authorized Delegate preapproval.

Many states receive Authorized Delegate location information from MSBs in roster form through spreadsheet files submitted electronically. These files must be manually reviewed and do not provide an efficient manner with which to track Authorized Delegate locations used by multiple MSBs. An MSB is required to replicate this submission process for each state in which it holds a license.

State agencies collect information on Authorized Delegates for a number of reasons, including:

- Examination purposes
- Assessment purposes
- Public information purposes (e.g. providing a list of authorized delegates to the public through the agency's website)

MSBs are also required to register with the Financial Crimes Enforcement Network (FinCEN), and renew that registration biennially.<sup>6</sup>

#### Expansion of NMLS for other non-depository financial service industries

As part of the expansion of NMLS to allow state agencies to manage license types for non-depository financial service industries beyond the mortgage industry, an updated Uniform NMLS Company License application form (formerly known as the “MU1 Form”) was implemented in NMLS in April 2012. These changes allowed state agencies to begin managing their MSB license authorities on NMLS. To date, 9 state agencies<sup>7</sup> have either begun managing or announced the intention to manage their MSB license authorities on NMLS in 2012. Another 8 state agencies have indicated they will begin licensing MSBs through NMLS in 2013.

---

<sup>6</sup> According to FinCEN, “[a]fter an MSB completes its initial registration, the form to renew its registration must be filed by December 31 of the second calendar year preceding the 24-month renewal period and is accomplished by filing the Registration of Money Services Business Form, FinCEN Form 107. Thereafter, registration renewal must be filed every 24 months by December 31.” 31 CFR 1022.380(b)(2)

<sup>7</sup> These agencies include the Idaho Department of Finance; Kentucky Department of Financial Institutions, Louisiana Office of Financial Institutions; Massachusetts Division of Banks; Oklahoma Banking Department; Pennsylvania Department of Banking; Rhode Island Division of Banking; Vermont Division of Banking; and Washington Department of Financial Institutions. A complete list of state agencies participating in expansion, and the license types they will manage through NMLS, can be found at [http://mortgage.nationwidelicencingsystem.org/news/Pages/ExpandedUse.aspx?SortField=Start\\_x0020\\_Date&SortDir=Asc&View=%7b8D13B106-7CF9-4535-9F26-604C09625CAF%7d](http://mortgage.nationwidelicencingsystem.org/news/Pages/ExpandedUse.aspx?SortField=Start_x0020_Date&SortDir=Asc&View=%7b8D13B106-7CF9-4535-9F26-604C09625CAF%7d).

## Money Service Business Working Group

At the direction of the NMLS Policy Committee, SRR convened a Money Service Business Working Group, comprised of state regulators (see Appendix B), to advise SRR staff on the expansion of NMLS to ensure that MSB licenses can be managed efficiently for both regulators and industry. The Working Group quickly identified the reporting of Authorized Delegate information as a process that is not properly addressed by NMLS' existing functionality. Through both internal deliberation and consultation with industry, the Working Group has developed proposed functionality in NMLS that would allow MSBs to submit required information on Authorized Delegate locations to the appropriate regulators in a standardized format. Additionally, the Working Group is contemplating additional functionality to allow MSBs to submit business volume information to the appropriate state regulators through NMLS.

SRR expects Uniform Authorized Delegate Reporting functionality implemented in NMLS by the end of the first quarter of 2013.

### **Policies**

1. Each NMLS Participating State agency will decide whether or not to require MSBs to report Authorized Delegates through the NMLS Uniform Authorized Delegate Reporting functionality.
2. This functionality will only be available in NMLS for Companies managing money service business licenses. Companies exclusively in other industries, such as mortgage, consumer lending, or debt management do not utilize Authorized Delegates and thus will not have access to this functionality and will not be required to follow the reporting policies and process described below.
3. MSBs licensed through NMLS will be responsible for the reporting of Authorized Delegate information in NMLS. Authorized Delegates will not create or maintain an account on NMLS nor submit information directly to NMLS. An Authorized Delegate may hold licenses for other activities in which it is engaged and thus may obtain an account on NMLS, but will not be able to report Authorized Delegate activities through its own account.
4. The Uniform Authorized Delegate Reporting will consist of two reports:
  - Authorized Delegate Location Information (see Appendix A).
  - MSB Business Volume Information – future functionality that will allow MSBs to provide standardized reports to relevant states regarding the number and nature of transactions taking place within a specified reporting period. This functionality is still being considered and outside the scope of the Request for Public Comments. An additional Request for Public Comment regarding business volume information will be issued at the appropriate time.

5. Each Authorized Delegate location will have a unique record in NMLS. The creation of the unique record will be driven by an Authorized Delegate's Employer Identification Number (EIN) and physical address as provided by the MSB. This will allow NMLS to support regulators' ability to properly supervise an Authorized Delegate that has multiple physical locations (e.g., a chain of convenience stores). A unique identifier will be applied to each Authorized Delegate location for regulator tracking purposes. Two MSBs providing information on the same Authorized Delegate location, as defined by the combination of EIN and physical address, will not create two separate records. Instead, NMLS will associate both submissions with the same unique Authorized Delegate record. Additionally, updates submitted on a shared Authorized Delegate location will not automatically alter information previously submitted by another MSB. NMLS will make all information, including the date of Authorized Delegate location information updates, available to the regulator. The regulator, at its discretion, will take such steps as deemed necessary to address any resulting Authorized Delegate location information discrepancies.
6. MSBs will only submit Uniform Authorized Delegate Reports containing Authorized Delegate location information relevant to license authorities managed in NMLS. MSBs will not be required to submit and maintain Authorized Delegate location information for those Authorized Delegates covered by license authorities managed outside of NMLS.
7. Initially, the MSB will submit and attest to the accuracy and completeness of a containing all relevant Authorized Delegate locations. In subsequent filings, the MSB will only submit Uniform Authorized Delegate Reports containing updates to that initial report. Updates include new Authorized Delegate locations, changes to existing Authorized Delegate locations, and termination of existing Authorized Delegate locations. Authorized Delegates with no changes to the required information will not be resubmitted. NMLS will allow an MSB with no additions, terminations or changes to Authorized Delegate location information to attest that it has no updates to report.
8. An MSB who operates in states that require either prior notification, preapproval or licensure of Authorized Delegates will continue to meet those state specific requirements. Such requirements will be managed outside of NMLS. Once such Authorized Delegates are approved and/or licensed, the MSB will report the new Authorized Delegate locations in the next required Uniform Authorized Delegate Report filing.
9. Once an MSB has submitted its initial Uniform Authorized Delegate Report filing, NMLS will require the MSBs to submit Uniform Authorized Delegate Report filings containing any changes (new Authorized Delegate locations, changes to existing Authorized Delegate locations, or termination of Authorized Delegate locations) on a quarterly basis.
10. MSBs will use this process to indicate which, if any, Authorized Delegates do business outside of the state in which it is physically located and are thus relevant to multiple regulators.

## Process

1. An MSB will create a single electronic file containing required Authorized Delegate location information in accordance with a file specification document that defines the format, constraints and requirements for each field (e.g., the "Phone Number" field cannot contain alphabetical characters). An MSB will not be required to submit multiple files for each state in which it holds a license through NMLS. SRR will provide both a technical specifications document containing field formats, constraints and requirements and a Uniform Authorized Delegate Report template prior to implementation.
2. Information will be submitted directly in NMLS via a CSV file (typically created in Microsoft Excel or similar spreadsheet program).
3. NMLS will validate that data in all fields is an acceptable format (e.g., no alphabetical characters in a Zip Code field).
4. NMLS will verify that Authorized Delegate Physical Location addresses are valid via an address verification service supported by the United States Postal Service.
5. This verification service will standardize common variations among submitted Physical Location addresses (e.g. "St." and "Street," "New York, NY" and "New York City, NY")
6. In addition to rejecting records that do not meet certain formatting rules as defined by the file specification document, NMLS rejects records with invalid Physical Location addresses.
7. NMLS will accept Authorized Delegate mailing addresses as submitted by the MSB and will not validate mailing addresses upon submission.
8. NMLS will provide the MSB a "results file" indicating which records were successfully validated, which records have been rejected, and reason for rejection (e.g. incorrect format, invalid Physical Location address). If necessary, the MSB will correct any rejected records and resubmit the entire file.
9. Upon validation of the entire Uniform Authorized Delegate Report, NMLS will assign a distinct identifier to new Authorized Delegate locations, based on a unique combination of address and EIN, for regulator tracking purposes and tie the submitted record to the NMLS ID of the submitting MSB.
10. NMLS will automatically place a license item at the end of every calendar quarter prompting the MSB to either submit of a Uniform Authorized Delegate Report containing any changes (new Authorized Delegate locations, changes to existing Authorized Delegate locations, or termination of Authorized Delegate locations) or attest that no changes took place. Agencies that require more frequent reporting of changes will have the ability to independently set license items at more frequent intervals.
11. If an entity with an MU1 (e.g., licensed check casher) is also an authorized delegate, the entity will see it has a valid authorized delegate record, and who submitted it, but has no way to amend that information in NMLS.
12. An MSB will have access to only Authorized Delegate contact information it submits; it will not be able to access Authorized Delegate information submitted by other MSBs.

## **Request for Public Comments**

On behalf of the state regulatory agencies using NMLS, the State Regulatory Registry LLC is seeking comments from the public, including licensees and regulatory agencies, on the functionality that is being developed to allow money service business licensees to submit information regarding Authorized Delegates and future functionality that would allow licensees to provide business volume information. SRR seeks comment on any aspect of the proposed functionality and in particular seeks information and comments on the following items:

1. If an MSB, how many states do you currently operate in and approximately how many Authorized Delegate locations do you use?
2. What challenges, if any, would MSBs face when collecting and maintaining Authorized Delegate location information, as defined in Appendix A?
3. What technology challenges, if any, would MSBs face when electronically submitting both initial Authorized Delegate location rosters and subsequent updates to those Authorized Delegate locations?

Persons submitting comments are requested to include their contact information. Comments received, as well as the submitter's name and company or organization (if applicable), will be posted on the NMLS Resource Center for public view. Comments submitted without contact information will not be considered.

All suggestions will be reviewed by the Money Service Business Working Group and discussed with all state regulators. The Money Service Business Working Group's recommendations will be sent to the NMLS Policy Committee for evaluation and approval or rejection.

Comments can be submitted by email to: [comments@stateregulatoryregistry.org](mailto:comments@stateregulatoryregistry.org)

Comments may also be submitted in physical form to:

Regulatory Actions Public Comments  
Attn: Tim Doyle, Senior Vice President  
State Regulatory Registry  
Conference of State Bank Supervisors  
1129 20<sup>th</sup> Street, N.W.  
9<sup>th</sup> Floor  
Washington, D.C. 20036-3403

**Comment submission deadline: November 1, 2012**

## Appendix A

### Uniform Authorized Delegate Reporting Fields

Under the Uniform Authorized Delegate Reporting functionality, the following information would be provided by MSBs on a quarterly basis (or more frequently, if required by a specific state) for each of their Authorized Delegate locations. These definitions are intended to provide a sense of what information will be required. Specific technical information regarding field formats, constraints and requirements and a file template will be provided prior to implementation.

<b>Field Name</b>	<b>Field Definition</b>
Legal Name	The legal name of the entity acting as an Authorized Delegate for the submitting MSB.
EIN	The IRS-assigned Employer ID Number of the Authorized Delegate.
Physical Address	The street, town, state and zip code (and suite number, if applicable) of the specific Authorized Delegate location submitted by the MSB. If the Authorized Delegate has multiple branches or locations through which the MSB operates, the MSB would identify and report each location separately.
MSB Provided Identifier	Industry has requested the ability to provide a company-specific identifier so that the MSB can associate filings to NMLS with its internal systems. This field would be optional, and for use only by the specific MSB. It would not replace or impact the NMLS-assigned identifier.
Mailing Address	The street, town, state and zip code (and suite number, if applicable) used by the Authorized Delegate to receive mail if it does so at a different location. This would only be completed if a different address exists.
DBAs	Any DBA under which the Authorized Delegate commonly operates, if any exist.
Phone Number	The telephone number for the specific Authorized Delegate location being reported.
Contact Person	Individual designated to receive any inquiries from the appropriate state regulators regarding business activity at the Authorized Delegate location.
Start Date	Date on which the MSB began a relationship with the Authorized Delegate (or Authorized Delegate location, if the MSB uses multiple branches or locations of the Authorized Delegate). This field is only required for new Authorized Delegates.
End Date	Date on which the MSB ended a relationship with the Authorized Delegate. Once reported, the MSB's association with this specific Authorized Delegate (or Authorized Delegate location, if the MSB uses multiple branches or locations of the Authorized Delegate) will be ended in NMLS and the MSB would not include the Authorized Delegate on any subsequent reports
Conducts Business in other states?	Y/N. Indicates whether the identified Authorized Delegate conducts licensed activity on behalf of the MSB in states other than the one in which it is physically located.

## Appendix B

### Money Service Business Working Group Membership

Participating state agencies include:

- California Department of Financial Institutions
- Connecticut Department of Banking
- Idaho Department of Finance
- Louisiana Office of Financial Institutions
- Massachusetts Division of Banks
- Maryland Office of Financial Regulation
- Michigan Office of Financial and Insurance Services
- Nebraska Department of Banking and Finance
- New Hampshire Banking Department
- New York Department of Financial Services
- Oklahoma Banking Department
- Rhode Island Department of Business Regulation
- Tennessee Department of Financial Institutions
- Texas Department of Banking
- Vermont Department of Banking
- Washington Department of Financial Institutions
- Wyoming Division of Banking