



Proposal: MSB Business-Specific Requirements



A Component of the
NMLS Modernization
Initiative

Comment Period: May 24, 2021 – July
23, 2021



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Request for Comments: MSB Business-Specific Requirements Proposal

On behalf of the NMLS Policy Committee¹, CSBS invites comments and feedback on the Money Services Businesses (MSB) Business-Specific Requirements Proposal.

Goals

CSBS is working to develop a next generation nationwide multistate licensing and supervisory technology system to anticipate and accommodate the evolving needs of the state system of financial regulation. The goal is to build a new system to:

- Empower state authority through data-driven solutions
- Promote efficient operations and networked supervision among regulators
- Create an optimized user experience

The modernized NMLS will require adapting to new ways of thinking about how regulators will work together. The concept of networked supervision – state regulators sharing information, data, and relying on each other’s work such that the system of supervision acts as a coordinated whole, without any of its parts foregoing their sovereignty – creates a framework for:

- Full information sharing
- Eliminating redundancies
- Interdependent reviews
- Common standards
- Data standardization

The NMLS Modernization Steering Committee² has developed this MSB Business-Specific Requirements Proposal to support the goals of the NMLS Launch Product³. On November 13, 2020, the SRR Board of Managers directed staff to build the MSB Launch Product to a national standard.

Introduction to Business-Specific Requirements

By building to a national standard, the modernized NMLS will achieve uniformity and standardization. The modernized NMLS will also create efficiencies through automated processes and the elimination of redundant reviews by multiple regulators.

In the modernized NMLS, companies and their key individuals and locations will be required to complete Business-Specific Requirements as part of their license applications.

¹ Information about the NMLS Policy Committee can be found [here](#).

² Information about the NMLS Modernization Steering Committee can be found [here](#).

³ The first phase of the modernized NMLS, will include an end-to-end system to serve money services businesses (MSB) regulators and industry.



Business-Specific Requirements are items generally required for licensing of specified Business Activities. All companies obtaining a license in that business must complete these requirements. Business-Specific Requirements are not configurable by state agency and are universal to all companies offering services or products in that business. All entities obtaining a license in that business through NMLS must complete these requirements.

Business-Specific Requirements supplement Core Requirements, which are generally demographic, and required of all nonbank entities licensed through NMLS, regardless of industry. Core Requirements are not configurable by state agency and are universal to all nonbank financial services companies.

[Business-Specific Requirements for a company](#) contain two categories:

- Additional Information
- Documents

[Business-Specific requirements for a Key Individual](#) contain two categories:

- Additional Information
- Documents

[Business-Specific requirements for location reporting](#) contain two categories:

- Identifying Information
- Contact Information

In addition to Core Requirements and Business-Specific Requirements, entities will be required to complete License-Specific Requirements during the license application process. License-Specific Requirements are information required by the state agency for their license type and are configured by state agencies. They must be unique and not duplicative of the items found in Core and Business-Specific Requirements.

Request for Comments

On behalf of the NMLS Policy Committee, CSBS invites comments and feedback on the MSB Business-Specific Requirements Proposal. In your response, please provide any specific concerns your company may have.

During the comment period, CSBS will schedule a town hall to provide an opportunity for open discussion regarding this proposal.

Keep the following in mind when commenting on this proposal:

- This proposal should be read in conjunction with the NMLS Core Requirements Proposal⁴.
- The goal is to develop a national standard that allows the system to operate as a whole.

⁴ More information about the NMLS Core Requirements Proposal can be found [here](#).



Each company should submit one response that represents its comments, feedback, and views on the proposal. Submissions must include the submitter's contact information. Comments received, as well as the submitter's name and company will be posted on the [NMLS Resource Center](#). All comments will be reviewed by the NMLS Modernization Steering Committee. The Steering Committee will consult with NMLS Policy Committee during the comment evaluation period. Based on comments received, the NMLS Modernization Steering Committee will send a final recommendation to the NMLS Policy Committee for evaluation and approval, or rejection.

Comments should be emailed to comments@csbs.org.

Comment submission deadline: July 23, 2021



Background

Networked Licensing Model

The Networked Licensing Model (the Model) is the foundation of the NMLS Launch Product. Inspired by and modeled after the [Multistate MSB Licensing Agreement Program \(MMLA\)](#), the Model strives to increase efficiencies in the licensing process for both state regulators and industry applicants/licensees, while recognizing the needs of both groups. Beginning with the MSB industry, the Model will be the basis for licensing all industries in the Modernized NMLS, including mortgage, debt, and consumer finance. Like the MMLA, the Model, allows state regulators to share and eliminate duplicative work, while retaining authority over licensing in their state. The Model greatly benefits applicants and licensees by increasing clarity around license requirements, providing an initial primary point of contact, and improving application turn times. [Click here](#) for more information.

Licensing Requirements Framework

To organize common and unique license requirements, the NMLS Modernization Steering Committee has developed the Licensing Requirements Framework (the Framework). The Framework is intended to segment licensing requirements in a way that standardizes data collection, while providing state regulators with the information they need to make educated licensing decisions. The Framework divides licensing requirements into three categories: Core Requirements, Business-Specific Requirements, and License-Specific Requirements. [Click here](#) for more information.

Business Activities

The MSB Business-Specific Requirements establish a national standard for licensure across the MSB industry. The following 14 business activities are currently categorized as MSB Business Activities. Companies selecting any of these business activities would be required to complete the MSB Business-Specific Requirements in the modernized NMLS:

- Bill paying
- Bi-weekly payment processing services
- Check Cashing
- Electronic money transmitting
- Foreign currency dealing or exchanging
- Issuing and/or selling drafts
- Issuing money orders
- Issuing prepaid access/stored value
- Issuing traveler's checks
- Selling money orders
- Selling prepaid access/stored value
- Selling traveler's checks
- Transporting currency
- Virtual currency exchanging and trading services



Analysis for the MSB Business-Specific Requirements Proposal

To develop the MSB Business-Specific Requirements Proposal, business activities and MSB State Licensing Requirements Checklists were analyzed.

The business activity analysis showed 13 of the 14 MSB Business Activities were permitted under a state Electronic Money Transmission License and 12 were mapped to a state Electronic Money Transmission License over 90% of the time. The check cashing business activity is mapped to a state Electronic Money Transmission License 31% of the time.

Based on this analysis, the MSB license types were grouped into two license categories for the modernized NMLS:

- Money Transmission⁵
- Check Cashing

MSB license checklists requirements on NMLS were reviewed to determine how frequently they fell into either a Money Transmission or Check Cashing license.

The NMLS Modernization Steering Committee determined that all requirements reviewed should be required for both the Money Transmission License Types and Check Cashier Licenses, with the exception of the Flow of Funds Structure, which should not be required by Check Cashers.

Review Standards

We are working toward developing review standards for criminal background checks (CBCs), credit reports, and financial statements that will drive uniform review across state agencies.

Review standards and thresholds will provide for:

Uniform Information: All agencies have access to the same information on shared requirements.

Standardized Review: Information reviewed is consistent in content and format and can be relied on by other agencies.

Minimum Acceptance Thresholds: Shared minimum criteria agreed upon by each agency, which defines a qualified applicant.

CBC Standard Review

CBC results will be reviewed during Phase 1, by the Lead Agency or another Application Agency with access to the results. Creating a CBC Standard Review process will ensure each background check is reviewed using a consistent process across all regulators. Establishing an

⁵ Money Transmission License Types includes: Money Transmission, Seller of Checks, Foreign Transmittal License, Currency Exchange, and Check Cashing and Currency Exchange.



agreed upon set of review standards, and a uniform process for capturing findings, enables the system to interpret the findings and trigger tasks for Application Agencies in Phase 2.

Credit Report Standard Review

Like CBC, credit report results will be reviewed during Phase 1, by the Lead Agency or another Application Agency with access to the results. Creating a Credit Report Standard Review process will ensure each credit report is reviewed using a consistent process across all regulators. Establishing an agreed upon set of review standards, and a uniform process for capturing findings, enables the system to interpret the findings and trigger tasks for Application Agencies in Phase 2.

Financial Statement Review Standards

The Financial Statement reviewer will complete a worksheet, built into the NMLS application review process, to document the findings during the review. This information will be shared with all relevant agencies. A glossary of relevant terms can be found in the appendix. ⁶

BSA/AML Policy Review Standards

The Review Standards will focus on the following pillars, and the information and/or documentation required:

- Policies and Procedures and Internal Controls
- Designation of a Compliance Officer
- Training of Appropriate Personnel
- Independent Testing Program for Compliance
- Appropriate Risk-Based Procedures for Conducting Ongoing Customer Due Diligence

Business-Specific Requirements Proposal

Company Requirements

Additional Information

Requirement - Information	Description
FinCEN Registration	Provide confirmation Number and filing date
Bank Account Information	Account(s) used for your money transmission activities, including operating, trust, and line or letter of credit accounts in the Bank Account section of the Company Form (MU1). The account(s) must be business accounts in the name of the applicant.



Documents

Requirement - Information	Description
Financial Statements	<p>Upload audited financials for most recent year, prior two years, if any, plus interim financials, if needed. If audited financials are unavailable, upload all financials requested in the unaudited financials box. If providing consolidated financials, the financials must include a separate breakdown of all entities.</p> <ul style="list-style-type: none"> • Audited financials <ul style="list-style-type: none"> ○ Most recent copy or Form 10K if publicly traded, and prior two years, if available ○ Interim financials: If fiscal year ended 120 or more days prior to date of application. ○ Must be dated within 90 days of application • Unaudited financials <ul style="list-style-type: none"> ○ Financial statement as of most recent quarter end (at a minimum: balance sheet and income statement)
Flow of Funds Structure	<p>Submit a description of each type of transaction or service to be conducted. It may be presented in the form of a diagram, a narrative, or a combination of both. For each type, describe each step starting with the first encounter with the consumer and ending at the completion of the transaction when money is received by the beneficiary.</p>
Authorized Agents (Delegates) Screening Process	<p>If you will be using authorized agents, upload a full description of the screening process you use to select authorized delegates, including any forms used, and the method used to screen for criminal history.</p>
BSA/AML Policy	<p>Upload current Bank Secrecy Act (BSA) / Anti-Money Laundering (AML) Policy and the most recent independent review, if any.</p> <p>The BSA/AML Policy must have a company risk assessment included or as a stand-alone document. The risk assessment should evaluate all risk areas of the company, including areas such as products, services, customers, entities, volume, and geographic locations. While the provisions of the Bank Secrecy Act do not require a risk assessment in writing, in order to ensure an adequate anti-money laundering program is in place to prevent money laundering and/or terrorist financing the risks associated with a company must be evaluated.</p> <p>Submission of this policy must include, the company's OFAC Policy, PATRIOT Act Policy, and Relevant and Ongoing Training of Employees Policy.</p>



Policies and Procedures – Check Casher

Upload document(s) including information on staffing and internal policies and procedures.

Policy	Description
Financial Policies/Internal Controls	Recordkeeping Policies
Consumer Protection	Consumer Inquiries and Grievances
Employee-Related	Compliance Affidavit (one per applicant – control individual must sign)

Policies and Procedures – Money Transmission License Types

Upload document(s) including information on staffing and internal policies and procedures.

Policy	Description
Financial Policies/Internal Controls	Flow of Funds Structure
	Internal Auditing Plan (including Financial Reporting and Record Keeping)
	Gramm-Leach-Bliley Act
Disaster Recovery/Business Continuity	Disaster Recovery/Business Continuity Policy/Manual
Consumer Protection	Consumer Inquiries, Grievances, and Dispute Resolution
Employee-Related	Third-party Authorized Agent Information

Document Samples – Check Cashers

Upload copies of documents used in the regular course of business.

Document	Description
Operating Agreements	Operating Agreement (including all amendments)



Document Samples – Money Transmission License Types

Upload copies of documents used in the regular course of business.

Document	Description
Agent Contract	Sample form of contract for authorized delegates, if applicable
Agent/Delegation Affiliation Notice	Authorized delegate affiliation notice
Consumer Complaint Notice	Consumer complaint notice that complies with the requirements
Customer Agreements	Disclosure and Agreements
Operating Agreements	Operating Agreement (including all amendments)
Payment Instrument	Sample form of payment instrument(s), or instrument(s) upon which stored value is recorded
Receipts	Sample of Receipts
Third-Party Contracts	Sample contracts for consultants, solicitors, and third-party providers

Additional Required Functionality

Requirement - Information	Description
UAAR ⁷	Periodic reports based on the state's reporting requirements regarding authorized agents. Reporting includes any changes to current authorized agent locations or reporting no changes to current authorized agent locations.
MSB Call Report	The MSB Call Report is a report of nationwide and state-level MSB activity, financial condition, and permissible investments of state-licensed money services businesses.
ESB	A three-party agreement whereby one party (the surety) is bound with the entity bonded (the principal) to a third-party (the obligee). The bond guarantees the surety's performance or monetary compensation to the obligee should there be a failure by the principal to perform specified acts within a stated time period. In the context of ESB tracking, the surety bond is electronically managed in NMLS.

⁷ UAAR will have a different naming convention when being used for Check Casher branches.



Additional Required Reporting

All MSB licensee’s will be required to complete the following periodic reports:

Report	Frequency
MSB Call Report	Quarterly
Uniform Authorized Agent Information	Quarterly
Audited Financial Statements	Annually

Business-Specific Key Individual Requirements

The Multistate MSB Licensing Agreement (MMLA) includes CBCs and credit reports as part of requirements for vetting key individual or control people.

Although many states do not currently require CBCs or credit reports because of existing statutory limitations, they are included with the proposed MSB Business-Specific Requirements for NMLS Modernization to align with the application requirements set forth in the MMLA.

Key individuals will be identified in the management, ownership and functional area sections of the Key Individual Wizard.

In the management section, the applicant will identify the Highest Ranking Executive for each applicant and based on the entity type, the table below details additional key individuals to be identified in the management section for the applicant.

Applicant Entity Type	Key Individual
Corporation	<ul style="list-style-type: none"> Chairman of the Board Board Members, excluding those that are advisory
General Partnership	<ul style="list-style-type: none"> All General Partners, unless there are Managing General Partners, in which case, Managing General Partners
Housing Authority – Local Non-Profit	<ul style="list-style-type: none"> Chairman of the Board Board Members, excluding those that are advisory
Housing Authority – State Chartered Non-Profit	<ul style="list-style-type: none"> No one is vetted
Limited Partnership	<ul style="list-style-type: none"> All General Partners, unless there are Managing General Partners, in which case, Managing General Partners
Limited Liability Company – Manager Managed	<ul style="list-style-type: none"> All Managers
Limited Liability Company – Member Managed	<ul style="list-style-type: none"> All Members with a 10% or more interest in the Applicant, unless they are passive investors
Limited Liability Partnership	<ul style="list-style-type: none"> All partners with a 10% or more interest in the Applicant, unless they are passive investors



Non-Profit Corporation	<ul style="list-style-type: none"> • Chairman of the Board • Board Members, excluding those that are advisory
Trust	<ul style="list-style-type: none"> • Trustee • If the Trust is revocable, the Grantor

Requirement – Information	Description
Credit Reports	Key Individuals identified will be required to submit Credit Reports
FBI Criminal Background Check Authorization	Key Individuals identified will be required to complete a criminal background check

Documents

Requirement - Information	Description
Third-Party Investigatory Background Checks	<p>If the Individual has resided outside the United States at any time in the last ten years, the Individual shall also provide an investigative background report prepared by an independent search firm that meets the following requirements:</p> <p>(A) At a minimum, the search firm shall:</p> <ol style="list-style-type: none"> 1. Demonstrate that it has sufficient knowledge, resources, and employs accepted methodologies to conduct the research of the background report; and 2. Not be affiliated with or have an interest with any Individuals it is researching. <p>(B) At a minimum, the investigative background report shall be written in the English language and shall contain the following:</p> <ol style="list-style-type: none"> 1. If available in the Individual's current jurisdiction of residency, a comprehensive credit report, or any equivalent information obtained or generated by the independent search firm to accomplish such report, including a search of the court data in the countries, provinces, states, cities, towns, and contiguous areas where the Individual resided and worked; 2. Criminal records information for the past ten years, including, but not limited to, felonies, misdemeanors, and violations in the countries, provinces, states, cities, towns, and contiguous areas where the Individual resided and worked; 3. Employment history; 4. Media history, including an electronic search of national and local publications, wire services, and business applications; and 5. Regulatory history, including but not limited to, securities, banking, insurance, and mortgage-related industries.



Location Reporting

All companies in NMLS will be required to provide various types of locations where licensed activity will be performed, records are stored, or where support staff for licensed activity are located. The following represents the types of locations that would be required for all companies:

- **Main Office** – The applicant/licensee will provide the location of their company headquarters.
- **Company Owned/Leased/Managed Work Locations** – The applicant/licensee will provide all location under their control where licensed activity is or will be performed. This may also include the Main Office.
- **Non-Company Owned/Agents** – The applicant/licensee will provide all agent/authorized delegate locations that conduct business on their behalf.
- **Books and Records Locations** – The applicant/licensee will provide all locations where physical or virtual records are or will be stored, including servers.
- **Cloud Services** – The applicant/licensee will provide details regarding cloud storage services used for data collected from customers.
- **Legal** – The applicant/licensee will provide the primary office location for those that provide them legal services. This should include internal and third-party legal services.
- **Accounting** – The applicant/licensee will provide the primary office location for those that provide them accounting services. This should include internal and third-party accounting services.
- **Web Address** – The applicant/licensee will provide all web sites where service is advertised or conducted online.

MSB companies will commonly provide work locations in two categories, Company Owned Work Locations, and Non-Company Owner/Agent locations. The data required for these two location types are detailed in the tables below.



Non-Company Owned/Agent Locations (UAAR)

Field	Format/ Description	Required?
Business Activities	Selected from Business Activities reported by the company.	Yes
Operating Under which License Authority?	Selected from License Authority held or applied for by the company.	Yes
Company Legal Name	The current legal name of the Authorized Agent.	Yes
Employer Identification Number (EIN)	The IRS-assigned Employer ID Number (or a Social Security Number if the agent is a sole proprietor) of the Authorized Agent.	Yes
Principal Provided Identifier	A text field that a company may use to correspond NMLS authorized agent submissions with any internal identifying system used by the company to track agent locations.	No
Physical Address Street	Street Address where the Authorized Agent is physically located.	Yes
Multiple Agent Location ID	Information to identify an agent that shares the EIN and physical address with another agent.	No
Mailing Address	Street Address for the Authorized Agent's Mailing location if different from physical address.	Yes
Conducts Business In Other States	"Y" or "N". This field indicates whether the identified Authorized Agent offers services on behalf of the Principal in states other than the one in which it is physically located.	Yes
Doing Business As (DBA)	If applicable, name of DBA under which the Authorized Agent commonly operates.	No
Contact Person Name	Last name of the individual designated to receive any inquiries from the appropriate state regulators regarding the Authorized Agent location.	Yes
Contact Phone Number	Phone number for the individual designated to receive inquiries from the appropriate state regulators regarding the Authorized Agent location. Must be in the format ###-###-#### or ###-###-####x#### or #-###-###-####.	Yes
Contact Person Email Address	Email of the individual designated to receive any inquiries from the appropriate state regulators regarding Authorized Agent location (e.g. Text@text.com).	No
Start Date	Date that represents the starting date that the Authorized Agent location began operating at the physical address.	Yes
End Date	Date that represents the ending date that the Authorized Agent location was no longer located at the physical address.	No



Company Owned Locations

Field	Format/ Description	Required?
Business Activities	Selected from Business Activities reported by the company.	Yes
Operating Under which License Authority?	Selected from License Authority held or applied for by the company.	Yes
Physical Address Street	Street Address where the Company Owned Location is physically located.	Yes
Mailing Address	Street Address for the Company Owned Location's Mailing location, if different from physical address.	Yes
Books and Records Information	Selected from books and records locations reported by the company or provide a new record custodian for this location.	
Doing Business As (DBA)	Selected from names of DBA(s) reported by the company under which the Company Owned Location commonly operates.	No
Branch Manager Name	Name of the individual responsible for licensed activity at the Company Owned Location.	Yes
Phone Number	Primary phone number for the Company Owned Location.	Yes
Email Address	Primary email for the Company Owned Location.	No
Start Date	Date that represents the starting date that licensed activity began at the physical address.	Yes
End Date	Date that represents the ending date that licensed activity was no longer performed at the physical address.	No

The following Branch (MU3) Form fields are currently not included in the MSB Business-Specific Requirements Proposal:

Field	Format/ Description
Operation Information	Will this branch office and/or individuals at this branch office operate pursuant to a written agreement or contract with the main office?
	Will this branch office have sole responsibility for decisions relating to individuals participating in financial-related services with respect to employment?
	Will this branch office have sole responsibility for decisions relating to individuals participating in financial-related services with respect to compensation?
	Other than the entity, does anyone have responsibility for the expenses or have a financial ownership/liability interest in the activities of this branch?
Expense Information	Provide all parties, other than the entity, which are responsible for the expenses or have a financial ownership/liability interest in the activities of this branch.

Appendix 1: Financial Statement Glossary

Term	Definition
Audited Financials	A provider's financial statement that has been prepared in accordance with generally accepted accounting principles and that has been audited by an independent certified public accountant in accordance with generally accepted auditing standards and includes notes to the financial statements.
Compilation	The preparer simply takes the information from the client's records and presents it in the proper format for the financial statements. The accountant does not attempt to verify the correctness and accuracy of the data and does not make any assurances about the information in the financial statements. The effectiveness of internal controls is not tested in a compilation.
GAAP	Generally Accepted Accounting Principles
Review	A review produces financial statements that are slightly more reassuring than a compilation. Under a review, the auditor uses limited analytical procedures and makes a few inquiries to management to determine that the financial statements are reasonable, and no material modifications are needed. The auditor confirms that the company's accounting practices are in conformity with GAAP but does not test internal controls.