November 28, 2022

To: Members of the Iowa General Assembly

From: Superintendent Jeff Plagge

Re: Modernization of Iowa Money Services Act

Iowa adopted the Uniform Money Services Act, Iowa Code chapter 533C, in 2003. Traditionally this statute covered licensing for money services businesses (MSBs) like Western Union, but recent years have seen the proliferation of new businesses in this space including online and mobile payments companies (e.g., PayPal/Venmo) and virtual currency wallet providers (e.g., Coinbase).

The emergence of these new national entities led the states, through the Conference of State Bank Supervisors (CSBS), to work with industry to draft a new model law that provides for **more efficient and consistent regulation** by the states and **reduces regulatory burden** for the MSBs. Building on the uniform law Iowa already has, the new model law incorporates the principle of networked supervision by harmonizing the licensing and regulation of money transmitters with other states. Highlights of the model law, released in 2021, include:

* Establishing uniform definitions and exemptions for when a state MSB license is required.
* Modernizing the process for multistate MSB licensing using a single application with uniform licensing requirements including prudential standards regarding net worth, permitted investments, etc.
* Adding processes for joint multistate examination and supervision of MSB licensees. The “One Company, One Exam” concept would allow for one examination of a MSB as compared to 50 exams.

The Division of Banking believes it is important for Iowa to adopt this model law to retain the state’s authority to supervise the activities of these entities as they affect Iowans while also facilitating multistate licensing and regulation in a way that enables these companies to thrive and provide Iowans with the best products and services.