

Statement by the Money Transmitter Regulators Association to the National Conference of Commissioners on Uniform State Laws, October 24, 1997.

My name is Greg Gonzales. I am General Counsel for the Tennessee Department of Financial Institutions. I am also a board member of the Money Transmitter Regulators Association and I am here representing that association. On behalf of the MTRA board and membership, I want to thank you for the opportunity to observe and participate in these meetings.

We believe it would be helpful if I could briefly speak to the background of MTRA and our general perspective on the regulation of the money transmitter industry.

MTRA is an association of state regulators who have the responsibility in their respective states for the oversight of non-bank financial institutions. Presently, there are 23 member states of MTRA including the states of New York, California, Illinois, Texas and Florida which have significant industry presence. MTRA was formed in 1989 by state regulators to some degree in response to a failure of a regional money order issuer in the mid 1980s that affected a number of states. This failure pointed out the need to better coordinate state action by exchanging information and developing a greater understanding of the money transmitter industry. The MTRA statement of purpose is "to enhance the ability of state regulatory authorities to protect the interests of consumers and maintain public confidence in the money transmitter industry."

The money transmitter industry includes the sale or issuance of payment instruments, such as drafts, travelers checks and money orders. It also includes domestic and foreign transmissions of money, electronically or by other means. While check cashing and foreign currency exchange houses may also be included and are regulated by some of our member states, these activities have not been a focus up to this point for MTRA.

The objectives in establishing MTRA were to develop interstate cooperation in the regulation of money transmitters through exchange of information, development of model legislation, model examination formats, a cooperative examination program and continued awareness of changes in the money transmitter industry. Committees were formed to work in these areas. I was appointed to chair the model legislation committee made up of a number of our member states to attempt to develop legislation that would bring more uniformity to the laws across the country. Industry representatives were a valuable resource throughout our deliberations. In 1991, MTRA formulated the Model Legislation Outline as a guideline for those states desiring to update their laws on a more uniform basis. This outline was not intended to be the final word, but rather the beginning of a process to develop more uniform laws. Since then, several state legislatures have used this outline to either amend existing statutes or in their deliberations to do so. Thus, it is our belief that states have made some progress in making state law more uniform and responsive to the changes and new developments in the money transmitter industry.

To further this trend, MTRA holds annual conferences to promote the exchange of information. Attendees at these conferences have included state regulators, representatives of FinCEN, the Department of the Treasury and other regulatory agencies. The industry is well represented with participants from national, regional and local transmitters. Topics covered have included money laundering, bonding and permissible investments, cyber technology, state and federal legislation updates and industry concerns.

MTRA looks forward to working with you on how money laundering can be addressed from the state perspective. There are member states who have taken a leading role in addressing this

problem, while others have had no formal state mandate to do so. Due to that diversity of experience, MTRA would refrain at this time from speaking to whether proposed legislation will be effective in deterring money laundering. However, I would like to draw some attention to the issue of unfunded mandates. As specific ideas are considered, we would request that you and relevant observers recognize the practical and real issue of limited state resources and training needs.

In sum, state regulators are taking the lead in monitoring transmitter safety, soundness and adherence to consumer protection statutes. State regulators, working in concert with state and federal authorities as well as with industry are committed to coordinating their efforts so as to ensure effective and efficient regulation of the industry. By providing a uniform approach to the supervision of money transmitters, MTRA is striving to foster an environment whereby those who attempt to use transmitters for illegal purposes are discovered, illegal and unscrupulous operators are removed and legitimate commerce flourishes without unreasonable regulatory burden. We look forward to working with you and we hope that the work by the states in this area will be recognized and given consideration during your deliberations.