NATIONWIDE MULTISTATE LICENSING SYSTEM & REGISTRY
nmls.org

Comments Received on MSB Call Report Form Version 5 Proposal

July 20, 2026

Comments Received on the MSB Call Report Form Version 5

On behalf of the the NMLS Policy Committee,[1] the Conference of State Bank Supervisors[2] ("CSBS") invited comments and feedback on proposed changes to Money Services Businesses Call Report (MSBCR). CSBS received four responses to its Request for Comment. Once a review is completed, a detailed response will be posted.

Click here to view the proposal.

Click on the organization name below to review their comments on the proposal.

JHA Money Center

Money Services Business Association (MSBA)

Paypal

The Money Services Round Table (TMSRT)

[1] Information about the NMLS Policy Committee can be found on the About NMLS page on the Resource Center.
[2] Information about CSBS can be found on its website.

To: **Conference of State Bank Supervisors**
comments@csbs.org

Date: July 17, 2026

From: JHA Money Center, Inc.

Re: **Comments to Proposed Changes to the MSB Call Report Form Version 5**

To Whom It May Concern:

I serve as the COO for JHA Money Center, Inc., ("JHAMC") a licensed money transmitter operating in all 50 U.S. states, the District of Columbia, Puerto Rico and Guam. We have reviewed CSBS Proposal 2026-1 (MSB Call Report Form Version 5 Proposal) and have the following comments.

1. Proposed new lines ST370 and ST371 would require money transmitters to provide the total number and dollar amount of outstanding transmissions for each state. For JHAMC, this is a separate, distinct report pulled individually for each state that is not part of our current quarterly reporting process. There is no requirement in the MTMA to provide this information to states on a quarterly basis. The proposal includes reference to Section 7.06 of the MTMA when addressing the proposed addition of this requirement; however, Section 7.06 is the "Records" section of the MTMA, not any sort of reporting requirement. JHAMC complies at all times with Section 7.06 and can pull and provide the records related to number and dollar amount of outstanding liability for any state at any time, but being compelled to provide it quarterly to every state is more than the MTMA and many state regulations require and will add a significant amount of time and labor to our quarterly reporting process.

2. When the MSB Call Report Form Version 4 was released in 2024Q3 it added new lines ST360 (Surety Bond) and ST361 (Total Average Daily Outstanding Transmission Liability (ADTL) in the State). At the time of that release, JHAMC raised the concern that 10.02(c) of the MTMA states that "A licensee that maintains a bond in the maximum amount provided for in [Section 10.02(b)(1) [or (2), as applicable]] shall not be required to calculate its average daily money transmission liability in this state for purposes of this [Section 10.02]." However, line ST361 doesn't allow for that section to be skipped or an "N/A" response to be included.

JHA MONEY CENTER

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JHAMC holds max bonds in all but two of the states that accept the MSB Call Report and have adopted the MTMA. Due to this reporting limitation, however, we are required to calculate the quarterly ADTL for all 43 states - rather than only 2 states - which creates a burden on our time and labor resources.

When I originally raised the issue at the 2024 MTRA conference and subsequently communicated with Esther James with CSBS, we were told that this item would be considered in future revisions to the MSB Call Report form in order to bring the Call Report into compliance with the requirements of the MTMA. However, it has not been addressed in the Form Version 5 Proposal. I respectfully request that the CSBS consider revising ST361 to allow for MSBs to skip or mark "N/A" line item ST361 when the max bond is held, in accordance with Section 10.02(c) of the MTMA.

If you have any questions regarding these comments, please do not hesitate to contact me at (417) 601-2011 or emiller@jhamoneycenter.com.

Sincerely,

Elizabeth Miller

Elizabeth Miller
Chief Operating Officer
JHA Money Center, Inc.

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Money Services Business Association

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July 20, 2026

Conference of State Bank Supervisors
Attn: NMLS Policy Committee / MSB Call Report Subcommittee
comments@csbs.org

Re: Comments on MSB Call Report Form Version 5 Proposal

Dear Members of the NMLS Policy Committee and MSB Call Report Subcommittee:

Thank you for the opportunity to comment on the proposed changes to the Money Services Business Call Report Form Version 5 ("FV5"). We appreciate CSBS's continued efforts to modernize the MSB Call Report and align reporting requirements with the Money Transmission Modernization Act ("MTMA"). The proposed revisions are intended to provide regulators with greater transparency regarding outstanding liabilities, customer-funded assets, and consumer risk—particularly in the event of a licensee failure.

Overall, we support the objective of improving regulatory visibility and creating a more consistent reporting framework. However, we believe several proposed state-specific reporting requirements require clarification before implementation to ensure consistent reporting across the industry and to avoid unnecessary operational burden.

1. Clarification Needed for ST371 and ST374 – Unique Customers - For Fiat Outstanding Liability and Virtual Currency Outstanding Liability

The proposal adds Line Item ST371, requiring licensees to report the "Total # unique customers with fiat outstanding liability in the state." However, the corresponding definition states that licensees should report the "total number of outstanding fiat money received for transmission" not yet paid, refunded, or escheated.

The problem: The definition appears inconsistent with the line-item title. The title references "unique customers," but the definition could reasonably be interpreted as requiring a count of outstanding transactions rather than a count of unique customers.

We respectfully request that CSBS revise the definition to explicitly reference **unique customers** and clarify:

- Whether a customer should be counted once regardless of the number of outstanding transactions attributable to that customer.
- Whether multiple accounts belonging to the same customer should be consolidated and counted as a single customer.
- How licensees should treat joint accounts, business accounts, and omnibus account structures.

- Whether customer ownership should be determined by using the same standards applied for Bank Secrecy Act and customer identification purposes.

Additional scenario requiring guidance: A seller (customer) may maintain multiple accounts, for example, two business accounts and one personal account, potentially using the same or different tax identification numbers. If each account has outstanding money transmission liability, should the licensee count each account as a separate unique customer, or consolidate them as a single customer?

Although the proposal includes an FAQ definition of "unique customer," additional operational guidance would improve consistency across licensees and reduce implementation uncertainty.

2. Clarification Needed for ST372 – Outstanding Payment Instruments and Stored Value

We also request clarification regarding proposed Line Item ST372, which requires reporting the "Total # of outstanding payment instruments in the state." The proposed definition includes both payment instruments and stored value that have not yet been paid, negotiated, refunded, or escheated.

The problem: The proposal does not clearly explain how licensees should count outstanding stored value balances, particularly where a single stored-value obligation is partially redeemed over time.

Illustrative example:

- A customer receives $100 of stored value.
- The customer later redeems portions of the balance through multiple transactions ($10, then $20, then $20).
- At quarter-end, $50 remains outstanding.

In this scenario, it is unclear whether the outstanding item count remains one instrument, whether each redemption affects the count, or whether alternative counting methodologies are permitted. We believe that the count should be determined to be 1, but guidance is needed and consistent interpretation by the states is required,

We recommend that CSBS provide illustrative examples addressing:

- Stored value accounts
- Reloadable prepaid products
- Digital wallets
- Partial redemptions
- Split transactions and multiple beneficiaries

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Also, the new line items include the totals for Money Orders and Travelers checks that were previously reported separately. How will the new report manage the merger of these categories?

Providing such examples would help ensure consistent industry reporting and minimize divergent interpretations.

3. Clarification on FC90, FC94 or FC 96

To maintain like-kind virtual assets, a company often holds digital assets that exceed matched customer obligations (e.g., an operational buffer in the same wallet/custody structure FBO of its customers).

Could NMLS confirm if the excess assets used for this purpose should be reported entirely under the **non-customer-funded line (FC90, FC94, or FC96)**, even though they originate from the same pool as the customer-funded line? Is any disclosure of the reason for the excess expected elsewhere on the form?

4. Alignment with Section 7.06 of the MTMA

Section 7.06 of the MTMA focuses on categories of outstanding liabilities but does not expressly reference reporting of "unique customers." Questions therefore arise regarding the relationship between the statutory provisions and the newly proposed customer-count reporting requirements.

We encourage CSBS to provide additional explanation regarding:

- The policy objective served by the unique customer metrics.
- How regulators intend to use the information in supervision or resolution contexts.
- Whether the customer-count requirements derive from MTMA authority or represent an independent regulatory initiative.

A clearer articulation of purpose would help licensees develop appropriate methodologies and controls aligned with regulatory expectations.

The company's outstanding liabilities and the Surety Bonds required, provide coverage to the consumers in the event of an insolvency.

5. Minimize Redundant Reporting and Regulatory Burden

We support the goal of providing regulators with information necessary to assess consumer risk. At the same time, reporting requirements should be carefully calibrated to avoid creating duplicative, inconsistent, or excessively burdensome reporting obligations.

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Some proposed metrics may require licensees to develop new data-tracking processes without a corresponding supervisory benefit. Accordingly, we encourage CSBS to:

- Ensure that new reporting requirements are clearly distinguished from existing recordkeeping obligations.
- Avoid requiring multiple methods of measuring substantially similar risks.
- Provide standardized definitions and FAQ guidance before implementation.
- Confirm that reported data elements will be interpreted consistently across participating states.

6. Interaction with Existing State-Specific Requirements

Several states maintain their own reporting requirements outside the NMLS framework. The proposal does not address how the call reporting will interact with existing state-specific obligations.

We encourage CSBS to:

- Work with participating states to harmonize definitions and reporting periods.

- Provide a crosswalk or mapping document to help licensees understand overlapping obligations.

7. Implementation Timing

The proposal states it is planned for implementation during the first half of 2027.

Given the scope of the proposed state-specific reporting requirements and the clarifications still needed regarding customer counts, liability classifications, and operational methodology, we respectfully recommend that any reporting changes become effective at the beginning of a calendar year, preferably **January 1, 2027.**

Calendar-year implementation better aligns with fiscal reporting cycles, system development schedules, and data validation processes. Licensees will need adequate time following publication of final definitions to:

- Update internal systems and data architecture
- Develop appropriate counting methodologies
- Train compliance personnel
- Conduct testing and validation

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Conclusion

We appreciate CSBS's efforts to harmonize the MSB Call Report with the MTMA and support the objective of improving regulatory transparency regarding outstanding liabilities and consumer protection. We respectfully request:

1. Clarification of the proposed definitions for ST371, ST372 and ST374 including explicit reference to "unique customers" and guidance on counting methodologies.
2. Additional examples addressing stored-value products, partial redemptions, and multi-account customers.
3. Explanation of the policy objectives underlying the new customer-count metrics.
4. Implementation timing that provides adequate lead time following publication of final guidance, preferably with a January 1 effective date.

Thank you for considering these comments. We welcome the opportunity to discuss these issues further and assist with the development of clarifying guidance.

Sincerely,

Kathy Tomasofsky

Kathy Tomasofsky

Executive Director

Money Services Business Association, Inc.

PayPal

July 20, 2026

By Email to comments@csbs.org

Conference of State Bank Supervisors
Attn: Dave Dwyer, Senior Vice President, Business Services
1300 I Street NW, Suite 700 East
Washington, DC 20005
comments@csbs.org

Re: Request for Public Comment: Proposed Changes to Money Services Business Call Report Form Version 5 (Proposal 2026-1)

Dear Mr. Dwyer:

PayPal Inc. ("PayPal") appreciates the opportunity to comment on the proposed changes to the NMLS Money Services Businesses Call Report Form Version 5 ("MSBCR5") issued by the Conference of State Bank Supervisors ("CSBS").

PayPal is a global leader in digital payments, enabling consumers and merchants to send, receive, hold, and manage funds safely and efficiently. PayPal provides a trusted platform for secure digital commerce and financial services. In addition to traditional payment solutions, PayPal has expanded into digital assets, allowing eligible users to buy, sell, hold, and transfer select cryptocurrencies. Through these innovations, PayPal continues to bridge traditional finance and the evolving digital asset ecosystem while delivering secure and accessible financial services to consumers and businesses globally.

PayPal supports fair, efficient, and effective regulation of money services businesses that promotes consumer protection, safeguards customer funds, and helps ensure that licensed money transmitters operate in a safe and sound manner. The proposed amendments to MSBCR5 ("Proposal") represent a meaningful step toward modernizing the call reporting framework by enhancing the usefulness and consistency of the data collected, promoting greater regulatory harmonization among state regulatory agencies, and aligning the MSBCR with the Money Transmission Modernization Act ("MTMA").[1]

In particular, PayPal commends the proposed revisions to the call report that distinguish customer-funded virtual currency assets (FC91) from non-customer-funded virtual currency assets (FC90), together with the corresponding customer liability reporting requirement (FC231). The Company believes that this approach will provide state regulators with enhanced transparency into the nature of virtual currency activities conducted by licensees while appropriately reflecting the economic substance of customer money transmission and stored value arrangements.

However, as discussed below, the Proposal does not expressly confirm a money transmitters' ability, and in some cases requirement, to report virtual currency off-balance sheet. For this reason, PayPal believes there is an opportunity for CSBS to further clarify the accounting treatment of virtual currency under the proposed MSBCR5 framework, and to update the relevant NMLS MSB Call Report FAQs accordingly. Such clarification would help ensure consistent reporting across licensees. Specifically, we respectfully request CSBS to consider the following:

[1] *See* CSBS, Money Transmission Modernization Act.

1) Confirm that the proposed MSBCR5 framework is consistent with the U.S. Securities and Exchange Commission's ("SEC") Staff Accounting Bulletin No. 122 ("SAB 122")[2] and does not mandate on-balance-sheet treatment of virtual currency held on behalf of customers;

2) Issue clarifying guidance that the proposed supplemental reporting line items (FC91, FC231, and PI140) are designed to function alongside off-balance-sheet treatment under generally accepted accounting principles ("GAAP"); and

3) Update relevant NMLS Call Report FAQs to reflect SAB 122 and the current state of federal accounting guidance.

PayPal believes that confirming these points would promote consistency with established accounting standards under GAAP and advance the regulatory policy objectives that underpin the MTMA and the MSBCR reporting framework—namely, transparency into licensee financial condition and the protection of customer assets that are outstanding liabilities.

A. Requiring On-Balance Sheet Treatment of Virtual Currency Is Inconsistent With Federal Accounting Principles and Sound Regulatory Policy.

PayPal respectfully urges CSBS to confirm that the proposed MSBCR5 framework does not require—and should not be interpreted to require—on-balance-sheet recognition of virtual currency held on behalf of customers. On-balance-sheet treatment would be inconsistent with both applicable accounting standards, federal guidance, and sound regulatory policy for the reasons set forth below.

a. Federal accounting principles and guidance recognize money transmitters' ability to maintain customer virtual currencies off-balance sheet.

Applicable federal accounting standards and guidance expressly recognize a money transmitter's ability to report customer virtual currencies off its balance sheet, and in some cases require it. In January 2025, the SEC issued SAB 122, which allows companies to decide how to account for safeguarding digital assets, taking into account the related risks and uncertainties. SAB 122 rescinded prior SEC guidance issued in March 2022 (SAB 121),[3] which had required entities that safeguard crypto-assets held for platform users to recognize a safeguarding liability on their balance sheet, measured at fair value.

As indicated in the Proposal itself,[4] the SEC's rescission of SAB 121 in its entirety reflects the agency's determination that requiring on-balance sheet recognition of safeguarded crypto-assets was inconsistent with the economic substance of custodial arrangements in which the platform does not own or bear the risks associated with the underlying assets. Specifically, if the licensee does not control the digital asset and/or bear the risk, then it cannot recognize such asset on balance sheet.

Further, under FASB standards, "control" of an asset for accounting purposes refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Money transmitters that maintain crypto-assets on behalf of customers typically do not have such control—customers retain legal title, bear the risk of loss, and enjoy economic benefits such as price appreciation. The reporting entity's role is limited to safekeeping and facilitating transactions at the direction of its customers. Accordingly, off-balance sheet treatment is the appropriate accounting treatment for crypto-assets held on behalf of customers under both GAAP and SAB 122.

Additionally, such treatment under GAAP and SAB 122 is not in conflict with MSBCR5, which, from a regulatory perspective, and consistent with the MTMA, captures outstanding liabilities, including those crypto-assets held off-balance sheet, along with the corresponding permissible investments held for the benefit of customers. In

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[2] *See* SEC Staff Accounting Bulletin No. 122 (January 2025).

[3] *See* SEC Staff Accounting Bulletin No. 121 (March 2022).

[4] *See* CSBS, MSB Call Report Form Version 5 Proposal at 4.

essence, treatment of crypto-assets under federal accounting standards should not impact the roles and responsibilities of a money transmitter. As you know, the MTMA explicitly recognizes that audited financial statements should be prepared in accordance to GAAP.[5]

b. On-balance-sheet treatment would create adverse legal and practical consequences for money transmitters' customers.

In addition, on-balance-sheet recognition generally indicates that the reporting entity possesses the economic risks and rewards of ownership, including the ability to direct the use of the asset and obtain substantially all of its remaining benefits. Requiring money transmitters to record customer crypto-assets as their own assets would imply an ownership interest in, or meaningful economic exposure to, those assets—including the inherent volatility in the value of digital assets. This implication is typically directly contradicted by the terms of service governing these customer relationships, which expressly preserve customer title and disclaim any ownership interest by the licensee.

Importantly, on-balance-sheet recognition could suggest that customer crypto-assets form part of the licensee's bankruptcy estate in an insolvency proceeding, thereby exposing those assets to claims of the licensee's general creditors. By contrast, off-balance-sheet treatment accurately reflects the economic reality that customer crypto-assets are held by the licensee solely for the benefit of its customers in connection with authorized money transmission activities. This treatment preserves the legal distinction between customer property and the licensee's own assets and supports the policy objectives underlying state money transmission licensing requirements.

B. CSBS Should Clarify that the Proposed MSBCR5 Framework Does Not Require On-Balance-Sheet Recognition of CRYPTO-ASSETS Held on Behalf of Customers.

The Proposal's own structure validates the off-balance sheet approach: by creating distinct line items for customer-funded crypto-assets (FC91) and corresponding customer liabilities (FC231), it establishes a supplemental regulatory reporting framework that captures information necessary for regulatory oversight without requiring on balance-sheet recognition. Yet the Proposal falls short of expressly stating this principle, and PayPal believes CSBS should do so to promote regulatory clarity and certainty for licensees and reinforce the MTMA's clear and unambiguous policy objectives of supporting GAAP reporting standards. Specifically:

- In June 2025, CSBS published guidance acknowledging SAB 122 with respect to the MTMA's tangible net worth requirements.[6] CSBS should consider issuing new guidance clarifying that the proposed MSBCR5 framework does not require money transmitters to report crypto-assets held in transit or in a custodial capacity on the balance sheet, and that the proposed reporting line items (FC91, FC231, and PI140) are designed to function as supplemental regulatory data fields consistent with off-balance-sheet treatment under GAAP and SAB 122.

- CSBS should consider updating the relevant NMLS Call Report FAQs[7] to expressly reflect SAB 122 and confirm that the proposed MSBCR5 framework is designed to accommodate off-balance-sheet treatment of customer crypto-assets consistent with current accounting standards.

A dual-reporting approach—in which customer crypto-assets is reported off-balance sheet for GAAP purposes and simultaneously captured through supplemental call report line items—will enable state regulators to monitor the adequacy of customer asset protections while respecting established accounting principles and safeguarding consumers' crypto-assets in the event of a licensee's insolvency.

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[5] *See* MTMA Section 7.02(a)(1).

[6] *See* CSBS, Money Transmission Modernization Act Guidance Tangible Net Worth and Virtual Currency (June 2025).

[7] *See* NMLS, MSB Call Report Frequently Asked Questions (FAQ).

PayPal appreciates the opportunity to comment on this important Proposal. We would welcome the opportunity to discuss these matters further with CSBS staff at their convenience.

Best regards,

/s/ Andrew C. McElmeel

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July 20, 2026

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Re: Request for Public Comment: Proposed Changes to the Money Services Businesses Call Report

To Whom It May Concern:

This letter is submitted on behalf of The Money Services Round Table ("**TMSRT**")[1] in response to the request for comments on proposed changes to the Money Services Businesses Call Report ("**MSBCR**") issued by the Conference of State Bank Supervisors ("**CSBS**"). Such changes would be implemented through a new Form Version 5 ("**FV5**").

TMSRT supports the fair, efficient, and effective regulation of money services companies that helps ensure that customer funds are protected as appropriate, financial services providers are safe and sound, and money laundering, terrorist financing, and other illicit activity is detected and prevented to the extent reasonably possible. Consistent with that position, we consistently engaged with and provided feedback to CSBS throughout the drafting of the "Money Transmission Modernization Act" (the "**MTMA**"), and have been involved in efforts to encourage states to adopt the MTMA in its entirety and to interpret it consistently across states.

In this regard, TMSRT supports the implementation of the MTMA on a state-by-state basis, as appropriate, to facilitate harmonized licensing, examination, and supervision of money transmitters. Consistent implementation requires, as CSBS acknowledges, an MSBCR that aligns with the MTMA's requirements and that enables licensees to report in a manner sufficient to reflect compliance with the MTMA's specific, prescriptive requirements in areas such as tangible net worth, outstanding money transmission obligations, and permissible investments. In the spirit of facilitating implementation and harmonization of state money transmission regulation, the MSBCR FV5 proposal expressly addresses two areas: clarification of asset types, and owners and liabilities; and addition of state-specific outstanding liabilities.

TMSRT appreciates CSBS' efforts to facilitate the development of a harmonized system of regulation for money transmitters, including its efforts relating to the MSBCR. Our comments herein address the two sets of changes proposed by CSBS as well as noting certain additional opportunities for further aligning the MSBCR with the MTMA.[2]

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[1] TMSRT is comprised of leading non-bank money transmitters RIA Financial Services, American Express Travel Related Services Company, Inc., Western Union Financial Services, Inc. and Western Union International Services, Inc., and MoneyGram Payment Systems, Inc.

[2] TMSRT notes that other aspects of NMLS, including information required through the MU1 form and the process for changing or updating key individuals, will also benefit from updates to align with the statutory requirements implemented across states through the adoption of the MTMA.

Virtual Currency and Stablecoins – Financial Condition Report

- **Item 1 – FC90-FC92.** TMSRT generally agrees with the approach of differentiating virtual currency assets based on whether they are held on the licensee's own behalf or to cover an outstanding customer money transmission/virtual currency obligation. The revised/new definitions of assets covered by FC90 and FC91 accurately reflect the distinction between assets associated and not associated with corresponding customer liabilities. However, assets in FC91 are not necessarily *customer-funded* virtual currency assets and we respectfully suggest that the description and definition should be revised accordingly. A customer may fund a transaction in fiat currency and request that the licensee exchange the value to virtual currency. The virtual currency asset is not necessarily "customer-funded." It would be clearer if FC91 simply reflected the amount of virtual currency assets held by the licensee to cover a corresponding outstanding liability to customers.

- **Items 2 and 3 – FC93 and FC94.** The same considerations as discussed above apply here. That is, the licensee's stablecoin assets held on behalf of users is not necessarily the same as the amount of stablecoins "funded" by customers to the licensee. FC93 and FC94 should simply represent stablecoin digital assets that are held by the licensee on its own account and not to cover an outstanding customer obligation; the customer may fund a transaction in stablecoins but the licensee may then exchange or settle fiat currency to the customer (or another party) and maintain control of the stablecoin asset. In this type of scenario the stablecoin *was* customer funded but is now held by the licensee on its own account. Defining terms based on how the licensee *uses* the asset (i.e., to cover a corresponding customer liability, or not) will provide more clarity than a definition based on how the licensee *acquired* the asset (i.e., from a customer, or not).

- **Item 5 – FC230-FC233.** Again, while the liability side of these definitions make sense ("customer virtual currency liabilities" and "customer payment stablecoin liabilities"), such liabilities exist regardless of whether they are subject to an "equal customer-funded asset." Therefore, we respectfully believe that language relating to whether the liabilities is subject to a corresponding customer asset should be removed, or at least modified to clarify that such liabilities are subject to a corresponding obligation to maintain an equivalent amount of value as an asset. Additionally, the FC232 definition refers only to a "customer asset" while FC231 refers to a "customer-*funded* asset." It is not clear if this distinction is intentional and, if so, what it is intended to differentiate with respect to the two categories.

State-Specific Outstanding Liabilities

With respect to Item 6 – State-Specific Items, we respectfully offer the following comments on the line items as indicated:

- **ST370 Total $ fiat outstanding transmission liability in the state**. First, this line item should be amended to accurately reflect that *it is not actually requesting the licensee's outstanding transmission liability in the state* but, rather, only outstanding liability with respect to money received for transmission. It should read something to the effect of "**Total $ fiat outstanding money received for transmission liability in the state**." Second, the definition should track the MTMA with precision, and therefore read:

  > Report licensee's total amount of fiat money received for transmission from a person located in the state that has not been received by the payee or refunded to the sender, or escheated in accordance with applicable abandoned property laws.

- **ST371 Total # unique customers with fiat outstanding liability in the state**. We respectfully request that this proposed line item be removed. The MTMA does not require licensees to report their number of *unique* customers per state and licensees do not necessarily track or have any ability to track this information. Licensees are required to maintain a record of each transaction (i.e., each money transmission "sold") and CSBS should not go beyond that requirement. CSBS does not have a lawful basis to make new law through the MSBCR and should not impose a massive new requirement on the entire money transmission industry. Such requirements should be imposed by state legislatures through the appropriate processes, or by state banking departments through lawful rulemakings, not by CSBS by fiat.[3]

- **ST372 Total # of outstanding payment instruments in the state.** This line item is intended to capture payment instruments and stored value, which are distinct concepts under the MTMA (and money transmission laws more generally). Additionally, it may be impossible for licensees to maintain a coherent count of the actual number of payment instruments and stored value that have outstanding balances (as opposed to reporting, consistent with historical precedent, load/sale transactions and *amounts* outstanding). This is because licensees must count reloads of stored value as additional transactions, but there can be multiple reloads to the same device. Licensees will therefore need to track loads and reloads separately to be able to count each device that still has value associated with it. Again, this is not a requirement imposed by the MTMA and risks creating a substantial operational burden for licensees. The line item should read something to the effect of **Total # of outstanding payment instruments and stored value sold in the state**." Furthermore, the definition should, again, align with the MTMA and (if this provision is not deleted in its entirety consistent with ST371) it should read:

  > Report licensee's total number of payment instruments or stored value issued or sold in the state that has not yet been paid or refunded by or for the licensee, or escheated in accordance with applicable abandoned property laws.

- **ST373 Total $ virtual currency outstanding transmission liability in the state**. Given that the Financial Condition report differentiates stablecoins and other virtual currencies, if ST373 is intended to include stablecoins within the scope of virtual currency, the MSBCR should expressly state as such.

- **ST374 Total # unique customers with virtual currency outstanding liability in the state.** Please see above comments regarding the proposed new requirements to count unique customers. TMSRT opposes such requirements.

We also note that removing references to unique customers will better align state-specific reporting with the total aggregate reporting in TA10 – TA100.

Permissible Investments

- **PI62 Due from all authorized delegates in excess of 10% of outstanding transmission liability**. We understand that this provision is intended to implement Section 10.04(b)(2) of the MTMA (as enacted in applicable states) by reflecting that "receivables that are payable to a licensee from a single authorized delegate in the ordinary course of business may not exceed 10% of the aggregate value of the licensee's total permissible investments." We believe that the line item can be further clarified by revising the line item title to read "Due from **any single** authorized delegate in excess of 10% of the licensee's total permissible investments." The definition can be revised

[3] In the sense of a decree or diktat, not in the way that "fiat" is used to refer to government-issued money.

accordingly to more clearly indicate that the relevant information is any receivables due from a particular authorized delegate that include more than 10% of the licensees total permissible investments, as follows:

> Include all receivables that are payable to the licensee from **any** authorized delegate in the ordinary course of business that are less than seven days old **and** that**, with respect to any particular authorized delegate,** exceed 10% of the aggregate value of the licensee's total permissible investments.

Surety Bond

Item 9 – ST362 states that the "surety bond is intended to cover ADTL per Section 10.2 of the MTMA." This provision is *optional.* A licensee *may* include the amount of the surety bond that exceeds the licensee's average daily money transmission liability in a particular state. However, a licensee that maintains the maximum required surety bond in the state (assuming that the state has faithfully enacted the MTMA into law) is "not required to calculate its average daily money transmission liability in the state" per 10.02(c). Therefore, in addition to correcting the negative value that is appearing in ST362, CSBS should modify ST361 so that it can be left blank if the licensee maintains the maximum required surety bond amount in the particular state. In such case, ST362 should also automatically populate "0" instead of the amount in ST360 or some other amount.

Additional MSBCR Comments

We appreciate the opportunity to offer the following suggestions on existing MSBCR items in light of the adoption of the MTMA and the effort to revise to enhance the clarity and usefulness of the MSBCR.

- **FC200 Outstanding money received for transmission liability**. CSBS should revise the definition to remove the inconsistency between the first sentence ("Report licensee's total amount of **money received for transmission** and not yet paid to beneficiaries") and the second sentence (this "amount should include **all outstanding transmission liability**.") Consistent with the above comment regarding ST370, this definition should align with the definition of outstanding money received for transmission liability in the United States as follows:

  > Report licensee's total amount of fiat money received for transmission from persons located in the United States that has not been received by the payee or refunded to the sender, or escheated in accordance with applicable abandoned property laws.

  FC210 and FC220 should also be revised to reflect the MTMA definitions of outstanding payment instrument and store value liability, respectively.

- **TA10 – TA40.** These items require information regarding money received for transmission transactions. The definitions should be revised to align with the MTMA and for consistency. For example, the definitions of TA10, TA20, and TA30 refer to transactions from the U.S. "to" the destination (e.g., U.S. or foreign countries). But TA40 requests that the licensee report the total dollar amount "***to be sent***" to foreign countries. It is not clear if this added language is intentional and, if so, what it is intended to cover that is distinct from what the licensee must report for the other line items. Furthermore, the TA10 and TA30 line items and definitions should be aligned with TA20 and TA40 to reflect that the required information is the total # of money received for transmission transactions and not just "total number of transactions."

- **TA90 & TA100.** The definition of reportable stored value transaction volume and dollar amounts should be clarified to reflect that "includes reloads" means that a licensee should report a stored value reload as a transaction (for purposes of counting the total number of transactions in TA90) and report the corresponding dollar amount of the reload as part of the total dollar amount of stored value transactions (for purposes of TA100 reporting). "Does not include withdrawals" is vague and confusing and we respectfully suggest language along the lines of "Stored value spending/redemptions transactions are not counted toward the number/dollar amount of stored value transactions." In addition, we respectfully refer CSBS to our comments above on ST371 and ST372; licensees are not required to count the number of instruments with outstanding obligations (nor the number of unique customers) and the new proposed state-specific reporting requirements, in addition to being extremely burdensome and inconsistent with the MTMA, will also cause misalignment with the TA reporting requirements and require complex reconciliations between the two.

- **TA300 & TA310**. These line items should not use the phrase "virtual currency stored value" because virtual currency and stored value are two separate and distinct concepts. Stored value is a term of art under the MTMA that refers to fiat currency, specifically "monetary value representing a claim against the issuer evidenced by an electronic or digital record…" Virtual currency that is controlled by an intermediary on behalf of a user is more generally understood to be custodied virtual currency and we respectfully request that CSBS consider clarifying language such as "number of virtual currency transaction in which the licensee custodies and controls virtual currency on behalf of the customer." **ST373** more accurately reflects the requirement to report outstanding virtual currency liabilities, i.e., virtual currency custodied by a licensee on behalf of customers—and does not use the fiat money "stored value" concept to establish this requirement.

- **PI60 Due from agents (net of allowance for doubtful accounts).** This line item should be revised to reflect that it does *not* include items covered by PI61, i.e., receivables due from authorized delegates. We also note, for CSBS's consideration, that amounts owed to the licensee from receiving and paying agents (other than receivables due from authorized delegates and reported in PI61) are not necessarily permissible investments as defined by the MTMA or by state money transmission statutes.

  Relatedly, the **PI105 Subtotal for Permissible Investment Calculation** should include PI61 and not PI60; PI61 is receivables due from authorized delegates, which is a permissible investment as defined by applicable laws, while PI60 is receivables due from agents, which is not.

- **PI70 Investments rated A or its equivalent and above**. These provisions are not consistent with the MTMA. For purposes of the MTMA (and state money transmission laws based on the MTMA) a permissible investment (for purposes of this item) includes "Money market mutual funds rated less than "AAA" and **equal to or higher than "A-"** by S&P, or the equivalent from any other eligible rating service." Accordingly, PI70 should be amended to include investments rated **A-** or higher, and PI74 should be revised to accurately reflect the MTMA and include asset rated **A- or higher**, as opposed to "*higher than* A-."

- **PI120 Total Outstanding Transmission Liability**. The definition for the line item is "total amount of money received for transmission and not yet paid to beneficiaries." This definition is incorrect as it, on its face, excludes stored value and payment instrument liabilities. The definition should be revised to accurately reflect that a licensee is required to report (1) the total amount of money received for transmission in the United States that has not yet been paid or refunded by or for the licensee, or escheated in accordance with applicable abandoned property laws; and (2) the total amount of payment instruments and stored value issued or sold in the United States that has not yet been paid or refunded by or for the licensee, or escheated in accordance with applicable abandoned property laws.

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The MTMA creates an opportunity to harmonize the regulation of money transmission in the United States through a single electronic system based on consistent statutory authority. However, we believe that NMLS must be consistent with the MTMA, and with underlying harmonized state money transmission laws. TMSRT intends to continue to support efforts to harmonize the regulation of money transmission companies based on consistent state statutory authority through the MTMA. The implementation of NMLS must be consistent with this underlying authority.

Should you have any questions concerning the above comments please do not hesitate to contact me at afleisher@cooley.com or (202) 776-2027.

Sincerely,

Adam J.

Adam J. Fleisher
Counsel to The Money Services Round Table