

# Roadmap to Money Transmitter Licensing

A Spotlight on Obtaining Money  
Transmitter Licenses (MTLs) in the  
United States (US)



RISK | STRATEGY | CYBER | COMPLIANCE MANAGEMENT

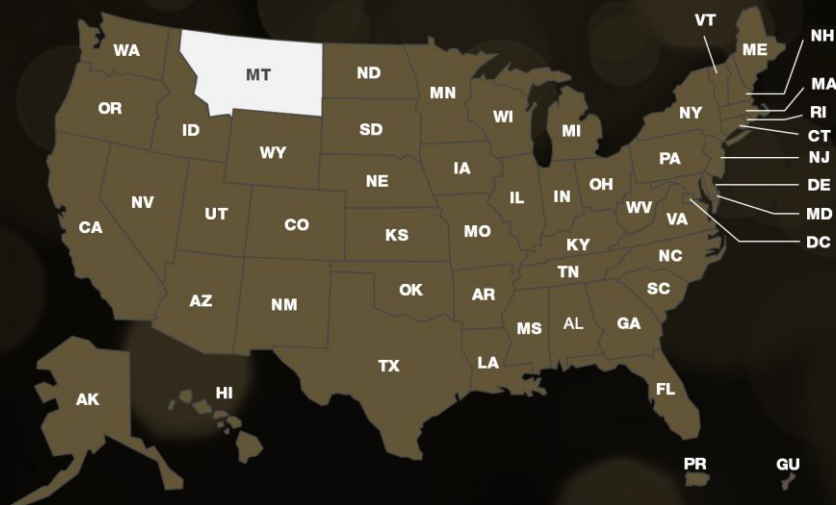


# Do You Need a Federal Registration, State License, or Both?

## MONEY SERVICES BUSINESS REGISTRATION

Does your business model include sending payments between your customers and third parties or holding your customer's funds in custody on their behalf? If so, in the US, you may need to register as a money services business (MSB) with the Financial Crimes Enforcement Network (FinCEN).

Although this process is straightforward, as a result, you must comply with the Bank Secrecy Act anti-money laundering (AML) program requirements once registered.



## US STATE MONEY TRANSMITTER LICENSE

Operating as a money transmitter, and depending on your specific business model, typically, you will need to obtain money transmitter licenses (MTL), or exemptions to licensure, in each state where you seek to operate.

As of January 1, 2025, all US States and territories regulate money transmission activity, except Montana. Separate from the MSB registration, MTL applications are an involved process based on unique, and evolving, state-specific requirements.



# Does your Business Model Meet the Definition?

## BROAD FEDERAL MONEY TRANSMISSION DEFINITION

The federal definition of money transmission services is very broad, specifically, the “acceptance of currency, funds, or other value that substitutes for currency from one person and the transmission of currency, funds, or other value that substitutes for currency to another location or person by any means.”

Absent limited exceptions, such as payment processing, prepaid access, accepting and transmitting funds only integral to the sale of goods or the provision of services, etc., businesses engaging in funds transfers that meet the definition of a money transmitter are required to register as an MSB.



## VARIED, NARROWLY TAILORED STATE MONEY TRANSMISSION DEFINITION

At the state level, MTLs are usually required if you *receive* customer funds to transmit them to third parties. Most states' definitions of money transmission are codified as "receiving money for money transmission." For example, company A debits \$5,000 from company B's bank account with instructions to send the \$5,000 to pay company C.

The receipt of funds by company A creates a liability, which is extinguished only when the intended beneficiary of the funds, company C, is fully paid. When you transmit customer funds, you take on this liability and MTL regulators seek to ensure that you exercise sufficient controls to protect your customers' funds until the transaction is settled.



# The MTL Roadmap: Applying for a License

## STRATEGY

The MTL journey begins with identifying the states you want to obtain licenses, when, and why. Key factors are your strategic priorities and ability to meet each state's application requirements. Once you have identified and prioritized your target states, the timeline to prepare the MTL applications, complete the regulatory reviews of the applications, and remediate any issues varies by state. Some states may take to 2-3 months, some 6-8 months, and others, such as California and New York, require pre-filing meetings before applying, yet perform thorough analysis resulting in a 12–24-month process with rounds of compounded inquiries.



## Phase 01



### STRATEGY

## Phase 02



### EXECUTION

## Phase 03



### MAINTENANCE

## Phase 04



### EXAMINATIONS

## EXECUTION

The minimum set of mandatory requirements for MTL applications includes establishing a transactional bank account, completing the underwriting due diligence for surety bonds, evidencing minimum net worth and capitalization, and providing financial statements (some states require audited), submitting written policies and procedures, AML and cyber risk assessments, independent reviews, personal financial statements and criminal background checks for executives and beneficial owners. Different states add additional MTL requirements based on their specific money transmission statutes.



# The MTL Roadmap: New York Maintains Enhanced Requirements

## Pre-Meeting

Prior to submitting your MTL application you will need to provide the New York State Department of Financial Services (NYS DFS) with your organizational structure, business plan, flow of funds and planned activity with New York consumers for regulatory review and address any questions in prequalification meetings.



## Organizational Operational Readiness

To succeed with your MTL application your product will need to be ready for launch during the review process; and your AML program needs to be compliant with federal and NYS DFS regulations on the date of your first New York transaction, if you are granted an MTL. You will need to demonstrate to NYS DFS operational, albeit non-transactional, compliance with Part 500 and Part 504.



## Part 504: Transaction Monitoring

New York money transmitters must maintain a program to monitor and filter transactions for AML and sanctions risks in compliance with Part 504; this includes the requirement to annually assess your data mapping, transaction coding, detection scenario logic, model validation, data input and output, and to annually certify compliance.



## Part 500: Cybersecurity

New York money transmitters must also maintain a cybersecurity program, absent a limited exemption, in compliance with Part 500 which, among other things, includes an annual risk assessment, penetration testing, vulnerability management, incident reporting, data retention, awareness training, and to annually certify compliance.



# The MTL Roadmap: Tips & Tricks for MTL Applications

Applicants for MTLs often make costly and timely mistakes that raise red flags for regulators and can delay or derail the application review and approval process. These include:

Business strategy and customer funds flow descriptions that lack information needed to identify the execution of money transmission activity can undermine regulatory review of the application.



Submitting incomplete or inaccurate documentation, which can lead to prolonged review times or outright rejections.

Providing inconsistent information across different applications can significantly delay or even derail the licensing process.

Failure to thoroughly understand and comply with the specific regulatory requirements of each state, as these can vary widely and may involve complex financial and operational criteria.

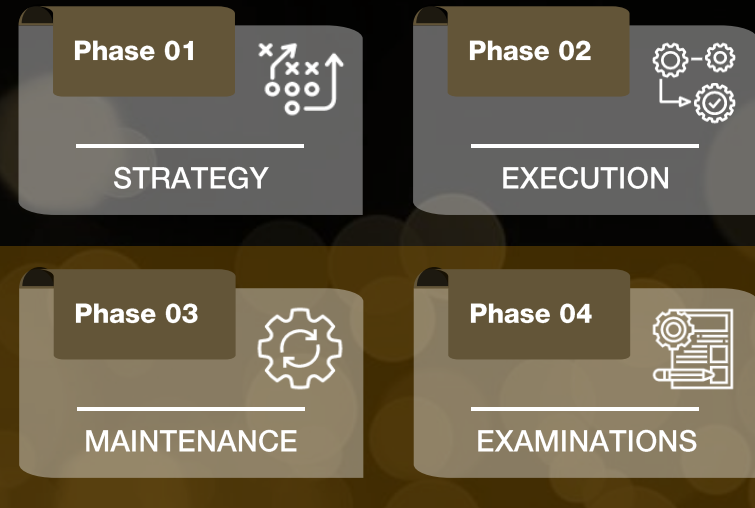
Plan ahead to ensure supporting documentation such as fingerprints, personal financial statements, certified or audited financial reports, and state certificates of good standings do not age out by the time you are ready to submit your MTL application. Managing the various timelines across the MTL process is critical to successful and timely applications.



# The MTL Roadmap: Maintaining an Active License

## MAINTENANCE

An active MTL enables state regulators to oversee your business activity. The liability you take on when you receive funds for transmission, and the effectiveness of your compliance programs, are monitored by means of statutory-required reporting and licensee examinations. Most states require filing of quarterly MSB call reports, which cover information from your financial statements and your customer transaction activity. This information is shared in the Conference of State Bank Supervisors network supervision platform and the State Examination System. This means all your information is available and can be reviewed by any state regulator in preparation or as a basis for an examination.



## EXAMINATIONS

You can expect a notice of a licensee examination by the State regulator to land in the first 12-18 months after your MTL is approved. The application is just the beginning of your licensee journey. Examinations focus *extensively on operational execution* and involve management and staff interviews, sampling of your transaction and customer records, evaluation of your financial standing and compliance training, and an in-depth review of your customer funds flow, regulatory reporting, risk assessments and audits, board meeting minutes and board reports, among others.

		FEDERAL	STATE	
		Title 31	Single State	Multi-State
Financial Condition			●	●
Internal Controls and Auditing			●	●
Legal and Regulatory Compliance		●	●	●
Management			●	●
Systems and Technology			●	●
State-Specific	Single State		●	●
	Multi-State			●



# Operating as a Licensed Money Transmitter

## LICENSEE OPERATIONAL PROGRAMS

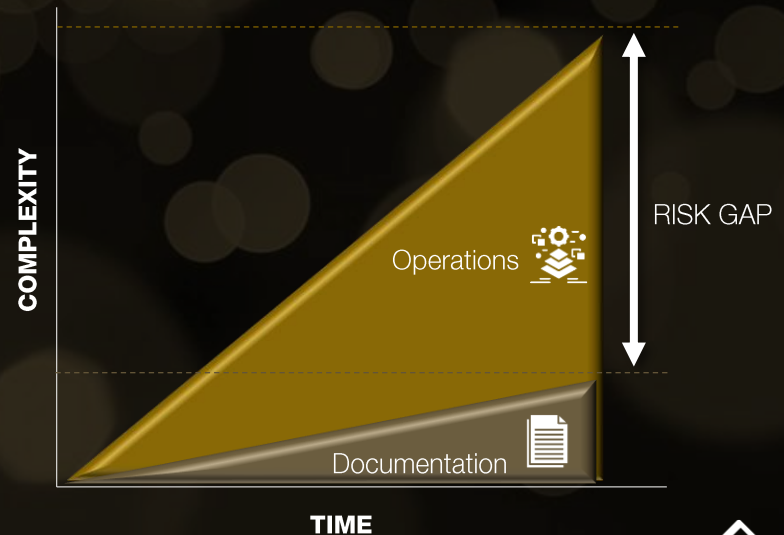


As a licensee, the clock starts on operationalizing all your processes to align with the operating model and actual transactional activity.

Typically, issues begin to percolate when the licensee does not mature, grow, and scale compliance programs from basic documentation to operationalized processes. Examinations cover governance, operations, finance, cybersecurity, and compliance. Poor examination ratings result in costly remedial measures, possible public civil money penalties or settlements, and enhanced oversight or de-risking from your bank partner.

To successfully operate your business as a licensee, you will need to plan for *ongoing operational capacity* of capital, governance, processes, systems and staff to appropriately oversee, manage and resource the work of building and executing regulatory and risk management programs. This entire suite is expected to scale consistent with your business growth.

## OPERATIONAL SHIFT FROM APPLICANT TO LICENSEE





Discover  
what  
Stratis  
Advisory  
can do  
for you



## Money Transmitter Licensing Strategy

Depending on the business model, you may be required to register as an MSB and/or achieve US state money transmitter licenses. For more 10 years, Stratis has helped companies from early-stage startups to Fortune-ranked conglomerates determine their regulatory positioning by ascertaining the types of licenses required, prioritize the states to seek licensing, and develop their licensing roadmaps that optimally fit strategic business drivers, while balancing regulatory requirements and timeframes.



## Money Transmitter License Application Execution

Applying for money transmitter licenses necessitates your business plan, company structure, financial positioning and control persons to meet regulatory requirements, but also sustain extensive regulatory review and any associated mitigation. Stratis has executed US state, inclusive of New York, and territories applications to licensure demonstrating the knowledge and expertise to successfully navigate through the strategic, operational, and tactical complexities of this process end-to-end.



## Ongoing Money Transmitter License Maintenance

After your money transmitter license applications are approved, ongoing success for operating as a regulated entity will hinge on your ability to maintain continued alignment between your evolving business and its applicable regulatory requirements. Stratis can support your finance, cybersecurity, and compliance teams with ongoing regulatory MSB reporting, annual license renewal, manage regulatory inquiries and examinations, deliver required training for your staff, executives and directors, conduct risk assessments and independent reviews of your risk and compliance programs.





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