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June 18, 2018

Consumer Financial Protection Bureau  
Comment Intake  
1700 G Street NW  
Washington, DC 20552  
[FederalRegisterComments@cfpb.gov](mailto:FederalRegisterComments@cfpb.gov)

***Re: Docket No. CFPB-2018-0011/ Comments Regarding the Remittance Rule***

Dear Acting Director Mulvaney:

This letter is submitted on behalf of the Money Services Business Association (“MSBA”). The MSBA is a trade association focused on the non-bank money services industry, including licensed money transmitters and their agents and/or authorized delegates, payment card issuers and distributors, payment processors, international remittance companies, bill payment companies, mobile payment application providers, payment aggregators, virtual currency exchanges and administrators, eWallet providers and other similar money services providers that are engaged in payments. For additional information, please see: [www.msbassociation.org](http://www.msbassociation.org).

The MSBA is appreciative of the opportunity to provide comments and information regarding the Remittance Rule. Many of the MSBA members are classified as remittance transfer providers (“RTPs”) under the Remittance Rule (the “Rule”) and are therefore directly impacted by the Rule. While the MSBA members understand the underlying policy concerns which prompted implementation of the Rule, MSBA respectfully submits that the operational burdens, unintended consequences, and costs it creates outweigh the intended benefits.

**Introduction**

Money Services Businesses (MSBs) are a broad category of non-bank financial institutions running the gamut from brick-and-mortar money transmitters, check cashers and currency exchangers, to more modern e-wallet and prepaid card providers and bitcoin exchangers. RTPs are a subset of providers within the category of MSBs that provide “remittance transfers for a consumer in the normal course of its business.”<sup>1</sup>

To show how critical MSBs are to the functioning of the U.S. financial system, a survey published by the FDIC in 2013 found that 9.6 million households in the US were unbanked, while

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<sup>1</sup> 12 C.F.R. § 1005.30(f).

24.8 million households – 20% of the U.S. population – were underbanked, meaning that they had a bank account but also used alternative financial services outside of the banking system. MSBs not only offer critical financial services to the unbanked and underbanked population but they understand the unique needs and priorities of their consumers which differ substantially from the majority of Americans with access to traditional banking.

As MSBA's members know well, MSBs are highly regulated at both state and federal levels. Like the CFPB, the state regulators of MSBs are primarily focused on the protection of consumers, and in this regard, state laws and regulations are designed to require MSBs to meet strict licensing standards, satisfy minimum financial requirements, post sufficient bond or other collateral amounts, and limit the fees MSBs may charge, among many other requirements. State regulators have been extensively regulating the day-to-day activities of MSBs for many years and the state laws governing MSBs adequately protect and promote the consumer protection interests of each state's residents.

Accordingly, and as we explain in more detail below, the obligations imposed on RTP's through the Remittance Rule are in many ways redundant to rules already in place at the state level. Additionally, any consumer protection benefits they do afford are outweighed by the burdens imposed upon RTPs which are already sufficiently regulated by other federal agencies and the individual states. We therefore provide several recommendations for modifications to the Remittance Rule which will greatly reduce the burden and costs imposed on RTPs without sacrificing the Rule's intended purpose of protecting consumers in the United States.

### **Disclosure and Receipt Requirements**

Currently, the Remittance Rule requires RTPs to provide a written pre-payment disclosure when the sender requests a transfer. This requirement has proven to be unduly burdensome for remittance transfers for several reasons. First, written disclosures increase the length of time for RTPs to process transactions because they must first generate and print a pre-payment disclosure receipt. Next, the requirement also has increased the cost to operate (i.e., ink, paper, labor costs and training). Some of our member RTPs have had to implement new or updated software and systems to generate the required information on the pre-payment disclosure. These additional out-of-pocket expenses are unnecessarily burdensome to RTPs and provide little in the way of consumer protection.

In addition to the written pre-payment disclosure, the Rule requires RTPs to provide the sender with a receipt once the payment is made which includes the same information provided on the pre-payment disclosure, the dates of availability of the funds, and information regarding the sender's error resolution and cancellation rights. Thus, for each transaction, RTPs must provide two separate printed receipts and the same information from the pre-payment disclosure must be re-printed on the final receipt. This duplicative effort provides no further value to the customer.

Not only is providing duplicative information wasteful and burdensome for RTPs, but it creates confusion for customers which lends further support to our recommendation that the pre-payment disclosure requirement be eliminated.

Although the Rule allows for a “combined disclosure” as an alternative to providing the pre-payment disclosure and receipt, a consensus from our members reveals that the combined disclosure does not alleviate the burden created by the two-step disclosure process described above. First, the text of the Rule provides that if the RTP provides the combined disclosure it “must provide the sender with proof of payment when payment is made for the remittance transfer.” 12 C.F.C. § 1005.31(b)(3)(i). The rule further provides that the proof of payment “must be clear and conspicuous, provided in writing or electronically, and provided in a retainable form.” *Id.* Although the official interpretation to this provision provides that the proof of payment may be provided on the same piece of paper as the combined disclosure after the payment has been made, this important clarification is not contained in the Rule itself. Accordingly, many RTPs have not utilized the combined disclosure because they are concerned that the text of Rule is not clear and that the official interpretations could change. Additionally, the combined disclosure approach is nevertheless a two-step process requiring the RTP to provide a disclosure and then provide a separate proof of payment or obtain the disclosure back from the consumer to affix the proof of payment to that disclosure. Under the combined disclosure, the RTP is also required to obtain information regarding the designated recipient and include that information on the disclosure before the consumer decides to complete the transaction costing the RFP additional valuable time. Thus, many of our industry members have not opted for the combined disclosure because it does not resolve the burdens created by the disclosure requirements in general.

In addition to being a burden on RTPs, the pre-payment disclosure does not provide the intended benefit to consumers. The reasoning behind this requirement was to provide consumers with greater transparency of fees and predictably in price and to allow customers to price compare before making a transaction. However, this requirement does not comport with the demonstrated market behavior of customers who primarily choose their RTP based on convenience (available hours and geographical location), trust, and referrals from family or friends. Discussions with our members revealed a consensus that most consumers do not leave the store to price compare once they obtain the pre-disclosure. For instance, when a consumer receives his or her paycheck on a Friday afternoon and needs to get money to his or her family in another country, that consumer’s priority is finding the closest open RTP that can deliver the funds to the beneficiary before the weekend. While consumers want to obtain these services for the lowest prices possible, typically, the consumer will not have the opportunity or the time to shop around. The written pre-payment disclosure is of no or very little value to this consumer. It is also of no or very little value to the many consumers who are frequent repeat remittance senders using the same RTP for their remittance needs week after week or month after month. Instead, the additional written disclosure has increased compliance costs for RTPs which has driven up the cost of services rather than

making them more affordable, which is in direct contradiction to the stated goal of the pre-payment disclosure.

Furthermore, our members have indicated that many customers are confused by the additional printed disclosure because they are accustomed to receiving the exchange rate and fee information verbally from the remittance transfer at the time they initiate the transaction. Several of our members have observed that their customers simply throw the written disclosure in the trash without reading it which entirely negates the purpose of the pre-disclosure.

At a minimum, RTPs should be permitted to furnish the pre-payment disclosure information verbally to senders who order transactions in-person at brick-and-mortar locations. This will help eliminate the potential for waste and confusion. Notably, the regulation already provides for “oral disclosures” for oral telephone transactions and those same requirements could be made applicable to in-person transactions.<sup>2</sup>

### **Cancellation and Refund**

Currently, the Remittance Rule requires a RTP to cancel a remittance transfer within 30 minutes after the senders pays for the remittance transfer if the sender requests (either verbally or written) to cancel his or her remittance transfer. This requirement creates additional burdens for RTPs who must be able to immediately stop a transaction when the order is cancelled by the sender and the funds have not yet been picked up or deposited into the account of the designated recipient.<sup>3</sup> As a result of this requirement, many of our members have had to implement a cut-off time for money remittances prior to the close of business each day to provide the customer the ability to cancel the transaction. Given the shortcomings of existing technologies, many RTPs do not have the ability to cancel a transaction once it is completed. Thus, some of our members have had to manually delay the submission of *all* transactions to ensure that an order can be cancelled by a consumer in this 30-minute window if requested. However, when a transaction is delayed there is a risk that the exchange rate could change during the 30-minute delay window. Thus, many Financial Institutions and MSBs have simply decided not to provide remittance services which restricts consumer choice and limits competition in the marketplace. Not only has the manual delay of all transactions increased the regulatory burden and expense associated with each transaction but implementing a delay of all the transactions creates hardships for senders who need their money delivered to their intended recipient as soon as possible.

Our members have reported that only a nominal number of customers ever request a cancellation within the time-frame. Conversely, for the majority of their customers, time is of the essence and sender’s priority is ensuring that his or her money gets to the intended recipient as

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<sup>2</sup> See 12 C.F.R. §1005.31(3).

<sup>3</sup> See 12 C.F.R. §1005.34(a).

soon as possible. Just as with the written pre-payment disclosure requirement, the cancellation requirement does not comport with the needs and priorities of the majority of consumers who utilize remittance transfers. Additionally, because some providers have resorted to implementing “cut-off” times for transactions, it creates a burden for consumers who are unable to make it to the provider in time to initiate the transaction before the cut-off. Many RTPs’ systems and technologies are not real-time which creates a gap between the time that an RTP or its agent receives notice from a consumer to cancel a transaction and the time the RTP is able to cancel the transaction in the system and/or communicate such cancellation to the recipient location. Thus, there is a risk to these RTPs that the funds may be picked up or deposited into the account of the designated recipient after the sender has initiated the cancellation request but before the transaction could have been cancelled.

We recommend that the 30-minute cancellation window should be removed entirely from the Rule. If the ability to cancel a transaction is important to consumers, the marketplace will react to consumers’ demand. Many of our members already offer their customers the ability to cancel any time before the remittance has been picked up or deposited into the account of the designated recipient as a matter of business practice. However, by imposing the requirement in the Rule, it is burdening many RTPs that do not have such capabilities and in some cases is requiring RTPs to delay all transactions so as to avoid a potential violation.

### **Error Resolution**

The Error Resolution requirement dictates that providers must investigate errors upon receiving oral or written error notice from a sender within 180 days after the disclosed date of availability of the remittance transfer. The length of the complaint window—180 days—is extremely long, particularly when compared to the 90-day window customers must provide notice for credit card disputes. The 180-day window is excessive and creates additional burdens for providers given the length of time that can span between the date of the transaction and the notice of the error. We recommend that the complaint window be limited to 90 days so as to be more reasonable for providers while also providing consumers more than adequate time to report an error. Additionally, our members have reported that the number of errors is extremely low in comparison to the total number of remittance transfers conducted. For at least one of our members, the total number of errors reported was less than one percent of the total transactions conducted. Thus, reducing the length of time consumers have to provide notice of an error would only impact a *de minimis* percentage of consumers.

### **Conclusion**

Overall, the MSBA recommends that the Remittance Rule be modified to reduce the burdens imposed on providers while more effectively addressing the needs and priorities of consumers in this industry. The MSBA also believes that a joint effort between CFPB and the state regulators of money transmitters could go a long way to serve this purpose. For instance,



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many states already require licensed money transmitters to provide certain pre-payment disclosures and all licensed money transmitters are subject to state examinations. To the extent that the CFPB worked in conjunction with the applicable state regulators so as to eliminate redundancies imposed on providers and streamline the regulatory burdens, providers would be in a better position to provide more efficient services to consumers at a lower price

We are happy to meet with you and discuss our comments and recommendations.

Sincerely,

A handwritten signature in black ink that reads "Kathy Tomasofsky". The signature is written in a cursive, flowing style.

Kathy Tomasofsky

Director, Money Services Business  
Association, Inc.