

Chicago Payments Symposium



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History saw some drastic morphing of ingrained norms within our industry...

- Buggy Whip ~ Automobile
- Typewriter ~ Word Processor
- Facsimile Machine ~ Email Attachments
- Landline Phone ~ Mobile Phone
- Traditional Bank Account ~ eWallet

Money, banking and payments today are too morphing.

Presently



Complacency within the US Banking industry is *hurting* businesses in the fintech and financial services space.

For an MSB to open a business bank account, it is next to impossible.

Majority of the banks have taken an myopic view that...

Money Services Business = Risk

Bank Risk/Compliance Officers are *not* able to exact this risk in concrete (score-based?) terms.

Spillover Effect



Because of the fines levied on banking institutions like HSBC, et. al., the popular opinion is that Money Services Businesses are to blame. Whereas anyone who has read the HSBC report will see the lapses/faults were the Bank's own doing.

Using the HSBC, SCB incidents, Banks today have unjustly shunned the business of MSBs.

Terms like money transfers, remittances, cross-border payments, domestic remittances, etc. are general flags for rejecting an MSB's account opening application.

Spillover Effect



This spillover effect has now propagated to entities like:

- Surety Bond Providers
- E&O Insurance
- Licensed Payments Facilitators (PF)
- Payment Networks
- Payment Processors
- Correspondent Banks
- Banks providing Nostro Accounts

Where is the Risk?



- MSBs are one of the most *highly* regulated entities in the United States.
- 50 State Regulators + Federal Regulations ensure MSBs operate within *very* strictly defined parameters.
- Majority of the transactions performed by MSBs today are electronic, which provides a very detailed digital fingerprint of the transaction and the identity.
- MSBs have multiple checks like OFAC, etc. on transactions.
- Ample AML checks in place to thwart money-laundering.
- Defaults are mitigated via pre-funding

Financial Inclusion?



With an increase commerce & migrant workers, domestic & cross-border money transfers are not becoming the norm. They *are* the norm.

MSBs are at the forefront of financial inclusion.

MSBs are the locomotives for the startups in United States, enabling them to do across state lines commerce.

MSBs are allowing millions of people who are unbanked have access to banking and payment services.

Yet for MSBs, there is selective financial exclusion!

Statutory Responsibilities



Money Services Businesses operate in abidance of the rules laid out for them. We aim to conform 100%

Yet, the *system* is making it more and more *difficult* for us to be in compliance with the existing rules.

With the gestation periods involved for compliance, more statutory hurdles are placed that inadvertently full compliance is rarely achieved for any organization (MSB &/or Banks).

Make the *system* more amenable to do business.

Statutory Responsibilities



Our State and Federal Compliance requirements have become so inherently complex, that leakages are *bound* to happen.

At times, there are contradictory &/or incomplete instruction sets, for which, when clarification is sought, *months* pass before an answer is provided for.

There is a dire need for consolidation. Consolidation is what is enabling the Regulatory Bodies in other developed countries to have a thriving economy...

...why? because the rulesets are easier to conform to.

MSB Friendly Ecosystem



We require that both on Federal and State level, the regulators & commissions work towards creating an MSB friendly environment.

Banking woes of MSBs need to be addressed immediately. The urgency cannot be emphasized more.

Laws must be passed so that Regulated entities such as Money Services Businesses cannot be denied banking relationships in the US.

Failure to do so will result in monopolization of money service businesses, a cartel *will* form.

Your Intervention



As the Central Bank of the United States, it is hoped that the Federal Reserve will step in and clear any air of mistrust between the Banking & MSB sector.

It is further requested that interim solution be found for 1000s of MSBs who are denied banking facilities in the largest economy in the world.

That a consensus based scoring matrix be adopted for qualifying MSBs for banking facilities. That it should a slab based approach, i.e. catering to different size and types of MSBs.

Conclusion



Thank you.