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**Testimony to the Senate Committee on Financial Institutions and Insurance
on SB 406
February 7, 2024**

The Office of the State Bank Commissioner (OSBC) thanks the Committee for holding a hearing on SB 406. The OSBC has regulated money transmitters for over 50 years under the current Kansas Money Transmitter Act, K.S.A. 9-508 *et seq.* The OSBC supports SB 406, which will repeal and replace the Kansas Money Transmitter Act with a new act, which better reflects the industry today and codifies many changes in examination and licensing procedures over the last few years.

A money transmitter is an entity that, for a fee, issues a payment instrument or transmits money to another person or location. Examples of money transmission that occur in Kansas every day include buying a Visa-backed prepaid debit card for a grandchild's birthday, wiring money to loved ones in other countries through Western Union, and paying a friend back for buying dinner through Paypal or Venmo. Banking institutions may conduct the same or similar activities as money transmitters but are exempt from money transmission regulation.

This act codifies many things our agency already does. For instance, the OSBC requires licensees to use the Nationwide Multistate Licensing System and Registry for licensing applications and changes, conducts multistate exams to reduce the burden on each licensee, and shares supervisory information with other state regulators.

Money transmitters do not have FDIC insurance. In place of FDIC insurance, our office ensures that each entity has a minimum tangible net worth, has earmarked certain low-risk assets to be pledged towards its outstanding payment obligations as a "permissible investment," and has obtained a surety bond. SB 406 will make some changes to these three key areas that help keep consumer assets safe and encourage growth. Tangible net worth requirements will be scaled based on volume. This will provide a lower barrier to entry for a brand-new licensee and will better protect consumers from loss if a larger money transmitter experiences financial difficulties. Second, the OSBC has increased the types of safe permissible investment options for money transmitters, which will provide more flexibility and stable income generation. Finally, this bill provides better clarity when a higher surety bond is necessary to protect Kansas consumers.

After introducing this bill, the KSCPA approached the OSBC with a concern that accountants and accountants engaged in bookkeeping would no longer be exempt from money transmission laws in Kansas. These professions, the practice of law, and real estate sales and brokerage are exempt under the current Kansas Money Transmitter Act. The OSBC did not intend to require licensure for any of these professions, so it requested an amendment to include these professions as exempt from SB 406. The KSCPA indicated they would be in support of this amendment. The OSBC respectfully asks this Committee to pass the amendment to SB 406.

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