Connecticut Banking Commission Releases Advisory on Money Transmission

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On July 20, 2022, the Connecticut Department of Banking (the “Department”) issued a Consumer and Industry Advisory on Money Transmission (the “Advisory”).

The Advisory provides general guidance on what types of activities and entities must be licensed. The Advisory states that “money transmission” occurs when an individual engages “in the business of issuing or selling payment instruments or stored value, receiving money or monetary value for current or future transmission or the business of transmitting money or monetary value.” Accordingly, transmission can occur whenever “a person takes possession or control of monetary value belonging to another person” and holds it for a period of time, or transmits it to a third party.” The Advisory lists entities that traditionally provide transmission
services like bill payers, payroll processors, and issuers and sellers of prepaid cards and money orders.

The Advisory also reminds entities that the definition of money encompasses transmission activities involving virtual currency – “such as Bitcoin and Ethereum, as well as stablecoins and any other digital asset that is used as a medium of exchange.” Further, entities holding a virtual currency wallet or operating virtual currency ATMs and who may allow for transmission of such virtual or fiat currency to a third party are deemed to be engaging in money transmission according to the guidance.

Putting It Into Practice: In the advisory, the Department cited the recent “explosion of virtual currency” as a reason to highlight some common activities requiring money transmission licensure in Connecticut and provided guidance for those engaging in such activities or considering money transmitter licensure in Connecticut.

Individuals engaged in the virtual currency industry in Connecticut should give this advisory special attention. The Department acknowledges that many consumers do “not realize or understand the regulatory landscape that applies” to using money transmitters. To that end, the Department reminds entities of their licensing requirements and the hefty penalties for operating an unlicensed money transmission business, which may carry a $100,000 fine per violation and a felony charge. Entities looking to be licensed as a money transmitter in Connecticut should review application guidelines via the Nationwide Mortgage Licensing System and Registry (NMLS).

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