



The True Impact of the **Money Transmission Modernization Act**

Payroll Processing Servicers as Money Transmitters



2023 Asure Reseller Partner Conference



Speaker Introduction



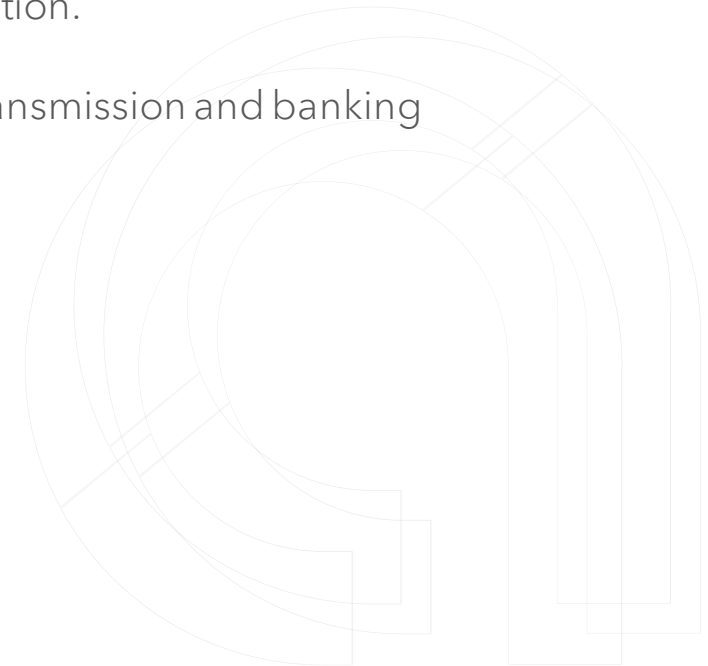
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Former Assistant General Counsel with the Texas Bankers Association.

Specialist in money transmission and banking laws and regulation.



Legal Disclaimer

The information provided during this presentation does not, and is not intended to, constitute legal advice; instead, all information, content, and materials available as part of this presentation are for general informational purposes only.

Please consult your legal counsel to evaluate your legal and regulatory risks.



Session Agenda

01

Changing Regulatory
Landscape

02

Model Money Transmission
Modernization Act (MTMA)
Overview

03

Getting and Keeping
Licenses

Changing Regulatory Landscape - State Level

Regulatory Enforcement Actions

Between 2018 and 2022, nine states took enforcement actions against payroll service providers based on interpreting existing laws to label the payroll service providers as money transmitters.



MTMA State Enhancements

Introduced by the Conference of State Bank Supervisors, the MTMA is a single set of nationwide standards and requirements created by industry and state experts.



2000



Uniform Money Services Act

Proposed model for state safety and soundness law that creates licensing provisions for various types of money-services businesses ("MSBs").

2018



MTMA

At least 10 states have enacted the MTMA in whole or in part. Multiple state legislatures are contemplating the MTMA in their states.

2021



2023



“Money Transmission”

Under the Uniform Money Services Act

- Uniform Money Services Act (National Conference Of Commissioners On Uniform State Laws) is the set of model money transmission laws behind the current money transmission laws in the United States.
- “Money Transmission” is broadly defined. It means selling or issuing payment instruments, stored value, or receiving money or monetary value for transmission....
- Does not specifically mention “payroll service provider.”
- Requires money transmitters to obtain licenses in states where they accept money for transmission.
- Some states adopted this model law and added a specific exemption for payroll service providers.



49

STATES REGULATE
MONEY TRANSMISSION

Regulatory Enforcement Actions

2018

TEXAS

Texas interpreted its money transmission laws to include a payroll service provider in the term “money transmitter.” Required the company to obtain a money transmission license and pay fines and penalties for unlicensed money transmission.

2020

VT & CT

Vermont and Connecticut took enforcement actions against payroll service providers. Required the companies to obtain a money transmission license and pay fines and penalties for unlicensed money transmission.

2021

AK, ID & NH

Alaska, Idaho, and New Hampshire took enforcement actions against payroll service providers for unlicensed money transmission.

2022

AL, AR & FL

Alabama, Arkansas, and Florida took enforcement actions against payroll service providers for unlicensed money transmission.

MTMA

- Introduced by the Conference of State Bank Supervisors (CSBS) in August 2021.
- Specifically includes “**payroll processing services**” in the definition of money transmission.
- “‘Payroll processing services’ means receiving money for transmission pursuant to a contract with a person to deliver wages or salaries, make payment of payroll taxes to state and federal agencies, [make payments relating to employee benefit plans], or make distributions of other authorized deductions from wages or salaries. The term payroll processing services does not include an employer performing payroll processing services on its own behalf or on behalf of its affiliate, or a professional employment organization subject to regulation under other applicable state law.”

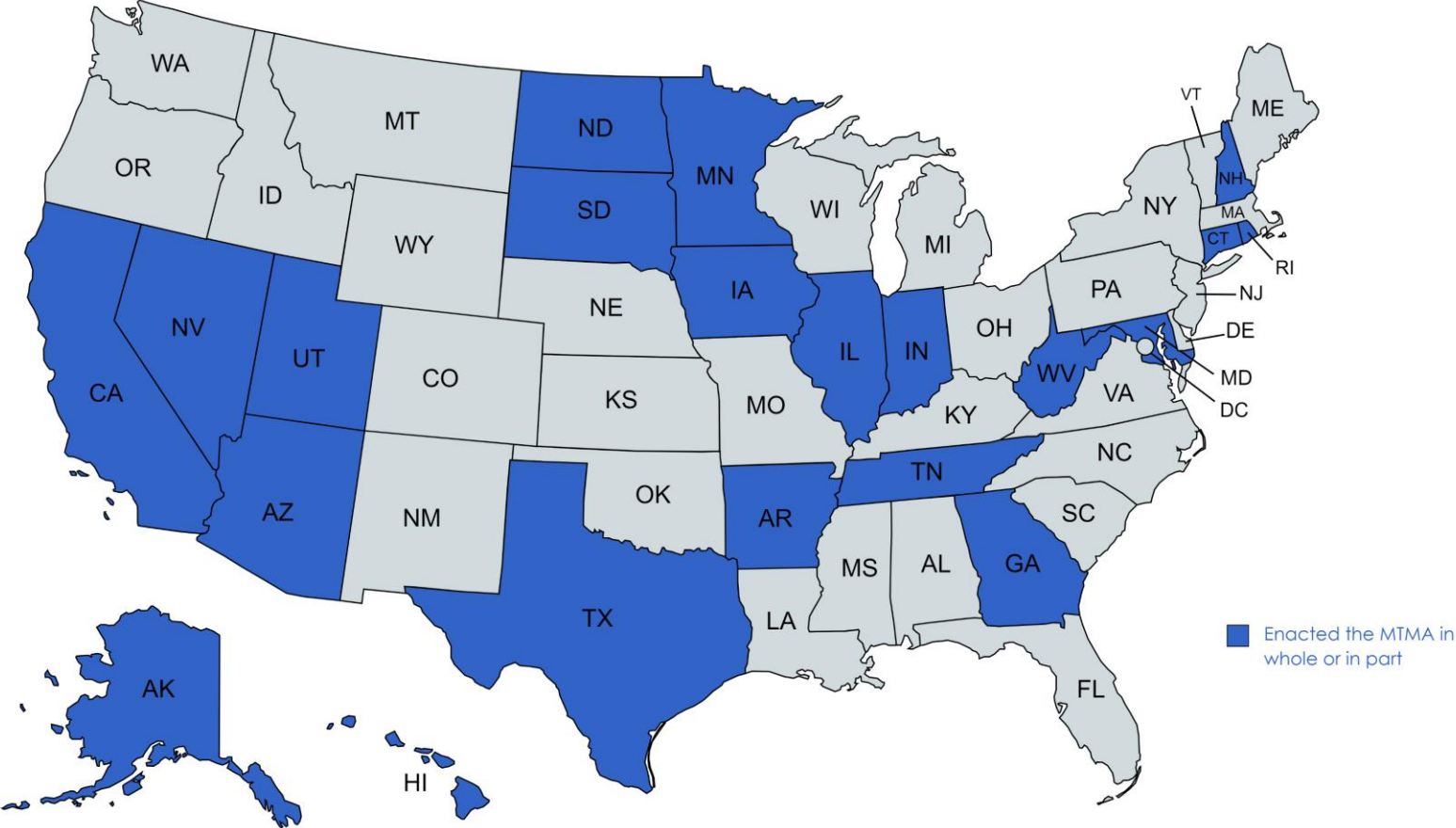


This is a **model act**, which means that states adopt the act, often with amendments.

Requires **licensure** for money transmitters.

Sets various **requirements** for getting and keeping a money transmission license.

MTMA State Enactments



States that have taken enforcement actions against payroll companies:

- Alabama
- Alaska
- Arkansas
- Connecticut
- Florida
- Idaho
- New Hampshire
- Texas
- Vermont

Some state adoptions of the MTMA is effective now.



Remember that the **MTMA is a model act**, which means that each state that considers it must adopt it for itself. Often, a state will adopt a model act with amendments. For example, Indiana adopted the MTMA, but without the language regarding payroll service providers. It is important that you **consider the regulatory requirements for each state** in which you operate individually.

What are the MTMA Elements?

Definitions

Key terms in the MTMA

Key Individuals

Control Persons
Information required

Ongoing Reporting

Audited financials, Quarterly Reporting. Authorized Delegates. Changes / Special Events

Applications

NMLS and the Money Transmission License

Record-keeping

Record of outstanding money transmission obligations
G/L, Bank statements and bank reconciliation records
List of authorized delegates

What are the MTMA Elements?

Prudential Standards

Net worth, Surety Bonds,
Permissible Investments

Examination

Examination or
investigation by the state
regulator

License Renewal

Annual renewal of money
transmission license

Disclosures

Specific disclosure requirements
for payroll processing services
(Client reports of upcoming
payroll obligations
and paystubs)

Enforcement

Remedies for violations
of the statute

Definition of Money Transmission

"Money transmission" means any of the following:

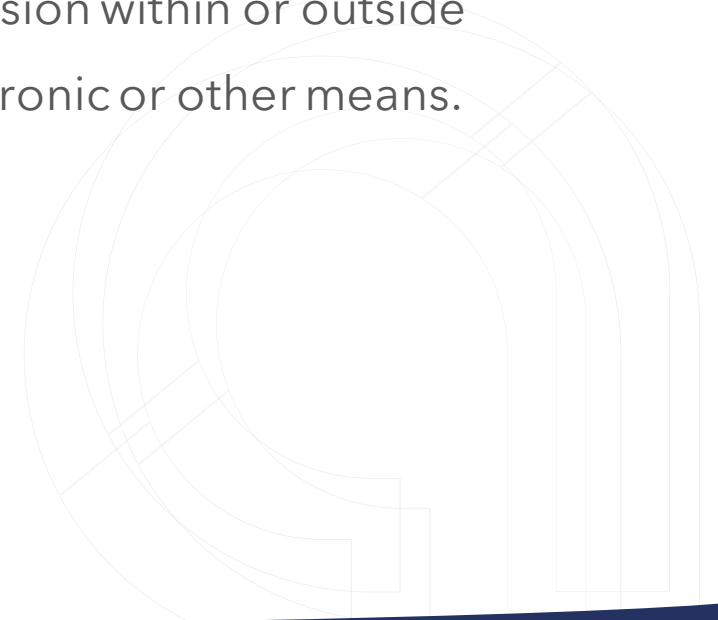
- (1) Selling or issuing payment instruments to a person located in this state.
- (2) Selling or issuing stored value to a person located in this state.
- (3) Receiving money for transmission from a person located in this state. **The term includes payroll processing services.**

The term does not include the provision solely of online or telecommunications services or network access.



Definition of Money Transmission

"Receiving money for transmission" or "money received for transmission" means receiving money or monetary value in the United States for transmission within or outside the United States by electronic or other means.



Definition of Money Transmission

"Payroll processing services" means receiving money for transmission pursuant to a contract with a person to deliver wages or salaries, make payment of payroll taxes to state and federal agencies, [make payments relating to employee benefit plans], or make distributions of other authorized deductions from wages or salaries. The term payroll processing services does not include an employer performing payroll processing services on its own behalf or on behalf of its affiliate [or a professional employment organization subject to regulation under other applicable state law].





Applications are submitted through NMLS (Nationwide Multistate Licensing System and Registry developed by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators).

Application - Elements

Legal name, business address,
and trade names of the Applicant

List of criminal convictions of
the Applicant and any material
litigation over the previous 10 years

Description of any prior money
transmission provided in the state
in which the Applicant is seeking
a money transmission license

List of proposed authorized
delegates

License history of the Applicant

Information regarding any bankruptcy
or receivership proceedings affecting
the Applicant or a person in control
of the Applicant

Authorized delegate agreement template



Sample form of payment instrument
or stored value

List of Direct owners of Applicant

List of Executive Officers

Name and address of any federally
insured depository financial
institution through which the
applicant plans to conduct money
transmission

Entity formation details

Certificates of Good Standing

Organization Structure

Audited financial statements

Parent company information

Application fee

Elements Not Discussed in MTMA



Foreign Qualification

Registration with the Secretary of State in all states in which the entity operates



State Tax Registration

Varies by state



Registered Agents

This is a party in the state that will receive service of process



AML/Bank Secrecy Act Program

While it is unclear as to whether the federal government classifies a payroll company as a "money services business," some states have independent AML/BSA program requirements.

Key Individuals

"Key individual" means any individual ultimately responsible for establishing or directing policies and procedures of the licensee, such as an executive officer, manager, director, or trustee.

Key individual will have their own NMLS profile.



Information Requested



- ✓ Employment history
- ✓ Residence History
- ✓ Criminal background checks (state and federal)
- ✓ Credit report
- ✓ Foreign individuals - Special requirements
- ✓ Verification of experience
- ✓ Government-issued identification

Ongoing Reporting and Recordkeeping

MSB Quarterly Reporting - Report of Condition.

Financial Information

Nationwide and state-specific money transmission transaction information

Permissible Investment Report

Transaction Destination Country Reporting

Audited Financials

Authorized Delegate Reporting

Report of Certain Events

Bank Secrecy Act

Bank Secrecy Act Reports

Record of each outstanding money transmission obligation sold

General ledger posted at least monthly containing all asset, liability, capital, income, and expense accounts

Bank statements and bank reconciliation records

Records of outstanding money transmission obligations

Records of each outstanding money transmission obligation paid within the [three]-year period

List of the last known names and addresses of all authorized delegates



Prudential Standards

Net Worth: "A licensee under this [Act] shall maintain at all times a tangible net worth of the greater of \$100,000 or 3 percent of total assets for the first \$100 million, 2 percent of additional assets for \$100 million to \$1 billion, and 0.5 percent of additional assets for over \$1 billion."

"**Tangible net worth**' shall mean the aggregate assets of a licensee excluding all intangible assets, less liabilities, as determined in accordance with United States generally accepted accounting principles."

Permissible Investments (PI)

Amount: market value computed in accordance with United States generally accepted accounting principles of not less than the aggregate amount of all of its outstanding money transmission obligations

Types: Act specifies types. General rule is that PI are cash and cash equivalents

Surety Bonds: "The amount of the required security shall be: (1) the greater of [\$100,000] or an amount equal to one hundred percent of the licensee's average daily money transmission liability in this state calculated for the most recently completed three-month period, up to a maximum of [\$500,000]; [or (2) [in the event that the licensee's tangible net worth exceeds [10]% of total assets, the licensee shall maintain a surety bond of [\$100,000.]]



Getting & Keeping Licenses

1

GATHER APPLICATION MATERIALS

Company and Key Individual profiles
Evidence of meeting prudential standards
Prior Activity

2

SUBMIT APPLICATION

NMLS application
Background checks and credit checks

3

ONGOING REPORTING

Quarterly updates
As needed reporting

4

EXAMINATION

Individual or joint exams

5

RENEWAL

Annual reporting and fee payment



“When all is said and done, the initial financial outlay for what is often referred to as full compliance with federal and state laws can approach a seven-figure amount over the course of a year. Add to that the ongoing costs of annual reporting, recordkeeping, audits, and legal fees, which after a few years tend to outstrip the initial outlay.”

- **Marco Santori - Chief Legal Officer at Kraken**

Licensing Burden - Costs

- **Application fee:** Varies, but some states charge upwards of \$10,000 (Texas)
- **License Renewal fee:** Varies, but some states charge upwards of \$25,000, based on volume. (Texas ranges from \$3,950 to \$21,250.)
- **Exam fees:** Varies. (Texas charges \$75 per hour for each department examiner conducting the investigation and all travel expenses.
- **Registered Agent:** Varies from \$50 to \$300 a year, depending on the company and the specific services included



- **Surety Bond:** Bond amount ranges from \$100,000 to \$2 million, with your premium depending on your credit rating.
- **Audited financials**
- **Personnel**

Summary

The regulatory landscape has changed.

Payroll service providers are now considered money transmitters in a large and increasing number of states.

Compliance is a state-by-state matter.

The MTMA is a model law. Variations exist in the adoptions. You must assess your risks on a state-by-state basis.

Compliance is an ongoing concern.

The burden does not stop when a license is obtained. You must continue to meet the requirements.

Maintaining the license portfolio is a full-time job.

The license applications can take many hours. Preparing for exams and managing issue remediation are significant time commitments.

Seek professional assistance.

Penalties for non-compliance can be steep. Hiring professional compliance personnel can lead to significant cost savings.

Thank You



ZayZoon

The financial
empowerment platform
for SMBs



Asure

A smiling woman with dark curly hair wearing a teal shirt. Overlaid on the image are several financial data cards. In the top right, there is a sun icon. The cards display: 'Wages Available \$428' with a 'New Payout' button; 'Instant Payment' with a checkmark; and 'Next Paycheck \$1,200 in 8 Days' with a checkmark.

Wages Available
\$428 [New Payout](#)

Instant Payment

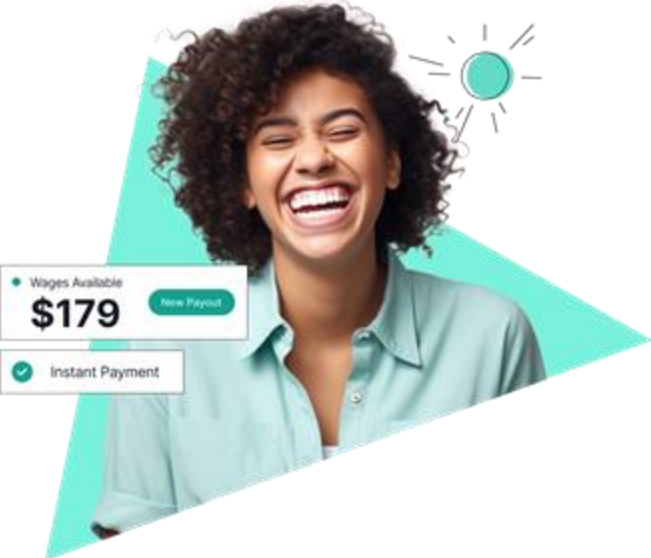
Next Paycheck
\$1,200
in 8 Days



What does ZayZoon offer?

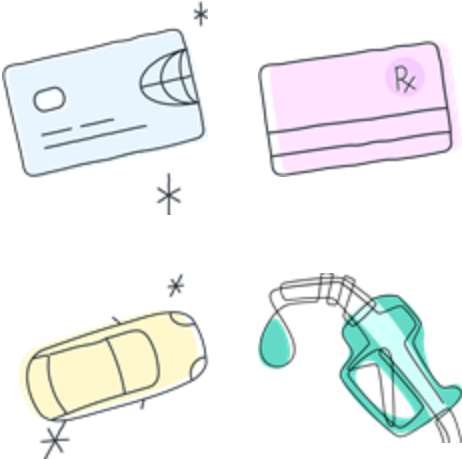
Earned Wage Access

Help employees access their earned wages on demand.



ZayZoon Perks

Help employees save where they are already spending.



Financial Wellness

Educational courses, smart insights and customized alerts to improve employees' financial health.



Earned Wage Access

Allows employees to advance a portion of their already earned wages without the need to ask an employer for an advance, pay overdraft fees, late fees or go to a payday lender..



Quick and easy set up

Sign up to funds in bank account in less than 30 seconds



Low cost, Free or FREE+!

Fixed transaction fee for each dispersal, up to \$200



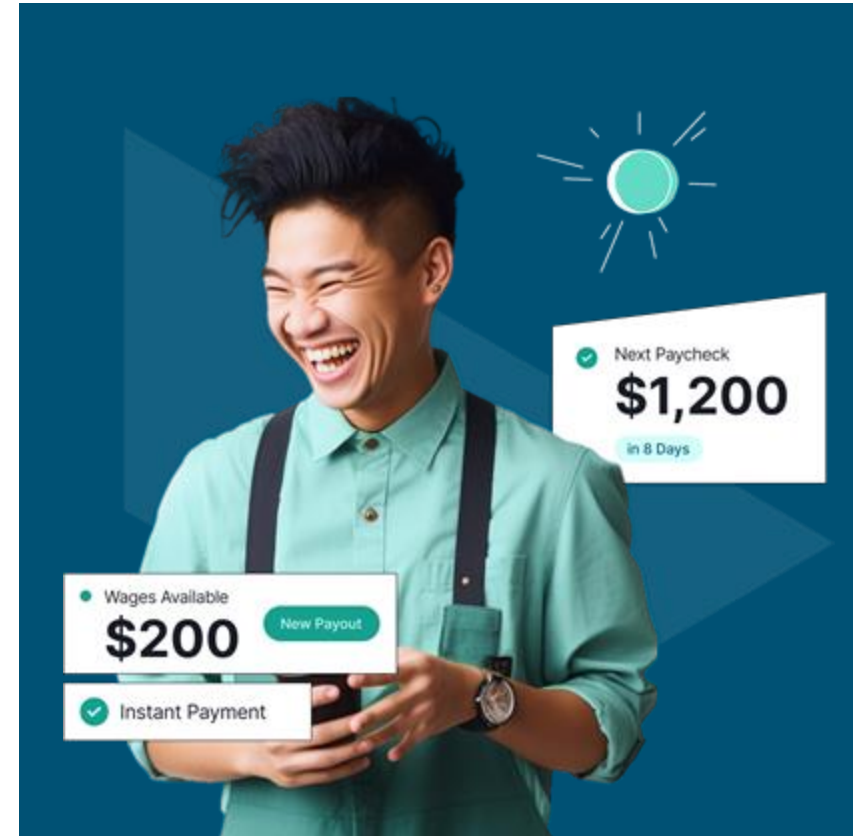
Instantaneous

Instant access to funds 24/7/365



Customer care

Employees get the help they need from real people, every step of the way.



Employees choose how to get paid



Debit card / Bank

Fee: \$5

Instant transfer.



Instant Gift Card

Fee: FREE+

Up to 25% bonus to hundreds of retailers.



Gas Card

Fee: FREE+

5% bonus on gas and \$5 bonus for the first time!



ZayZoon Visa Prepaid Card

Fee: FREE

No credit check required



ZayZoon VISA Prepaid Card

Give employees no-cost access to their earned wages daily



No administration needed

Owned and administered by the employee



Skip the fees

No monthly maintenance fees. Employees access their earned wages without the \$5 fee.



Easy access for employees

No credit check required for employees.



Flexible

Employees can use the card as direct deposit if they have a second job or reload funds themselves.



Funds are safely insured by FDIC

Offered by ZayZoon in partnership with our FDIC insured bank partner.



The ZayZoon difference



Free to offer

Zero maintenance costs

Doesn't require time & attendance data, client contracting or any payroll card deployment

Available to all employees
hourly & salary workers, even 1099s, staffing and seasonal

Activate all clients in minutes!

Full financial empowerment platform
not just an Earned Wage Access solution



The WHY: Workplace financial stress is an epidemic



64%

of Americans are living paycheck to paycheck



61.7%

of employees are most stressed about paying their bills**

*LendingClub Report, January 2023

**Insufficient Fun Report, survey of 5,000 ZayZoon customers in 2023



How does
ZayZoon help
your clients?





R ecruitment



E ngagement



R etention



Hot industries

 QSR + Restaurants

 Hospitality

 Home Healthcare

 Manufacturing

 Retail

*24% Reduction in Employee Turnover

= \$10k/year Savings Per 100 EEs



Trusted by industry leaders



Why would a client say “no?”

With other providers:

- Don't want to provide files
- Don't want repayment risk
- Don't want to fund transactions
- Don't want a payroll card
- Don't have time to evaluate a contract and lengthy launch

With ZayZoon....

There... is... no... reason... to... say... no.



Thank you!





EVOLVE

An HCM Growth Summit



EQUIFAX[®]

+



Asure



EVOLVE

An HCM Growth Summit

August 15-18 | Burlington, VT

Enhance your payroll offering

Income and Employment Verifications
The Work Number from Equifax



Matt Herbein
Account Executive, Strategic Alliances



John Alden
Sr. Director, Alliances
Business Development

Introductions



VS.



Then

Now



Buying a new car



Qualifying for Government benefits



Renting an apartment

Your Customer's employees are transacting as consumers in their everyday lives...



Obtaining a mortgage



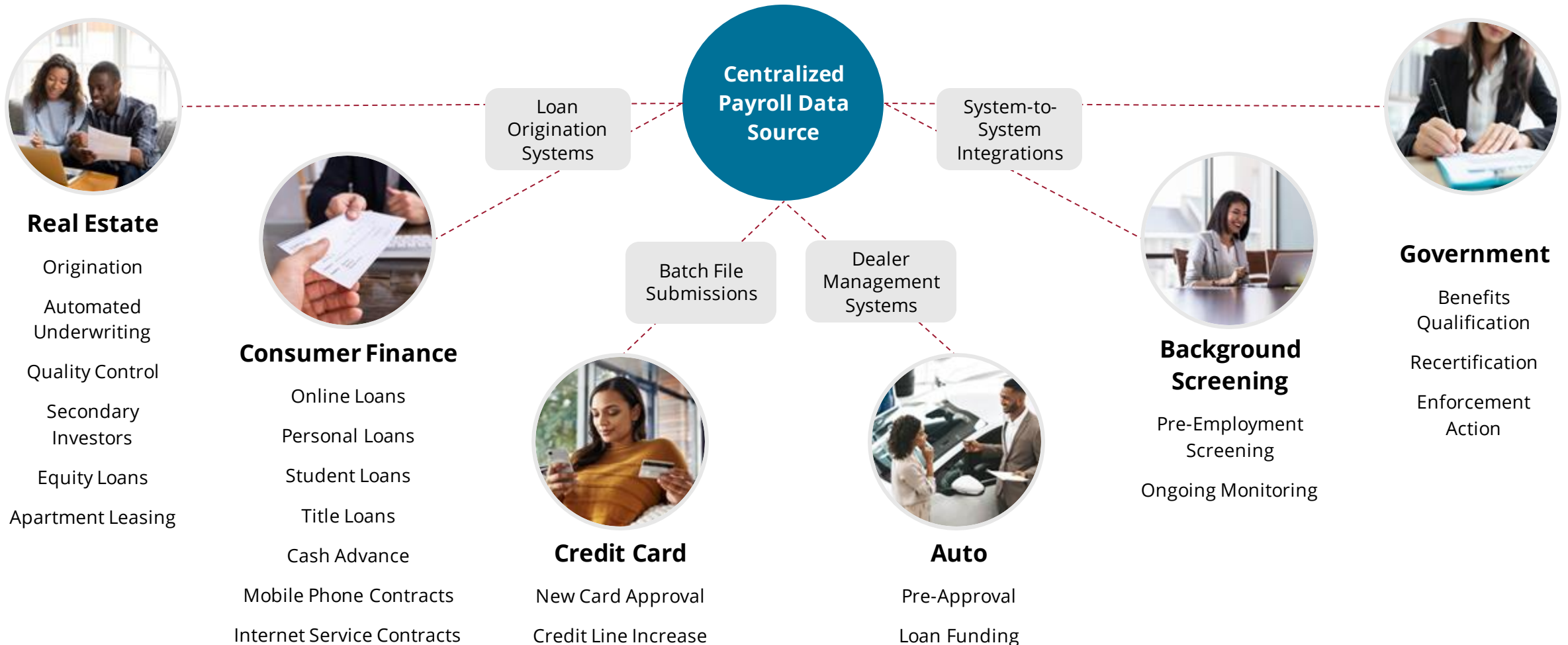
Applying for a credit card or new line of credit

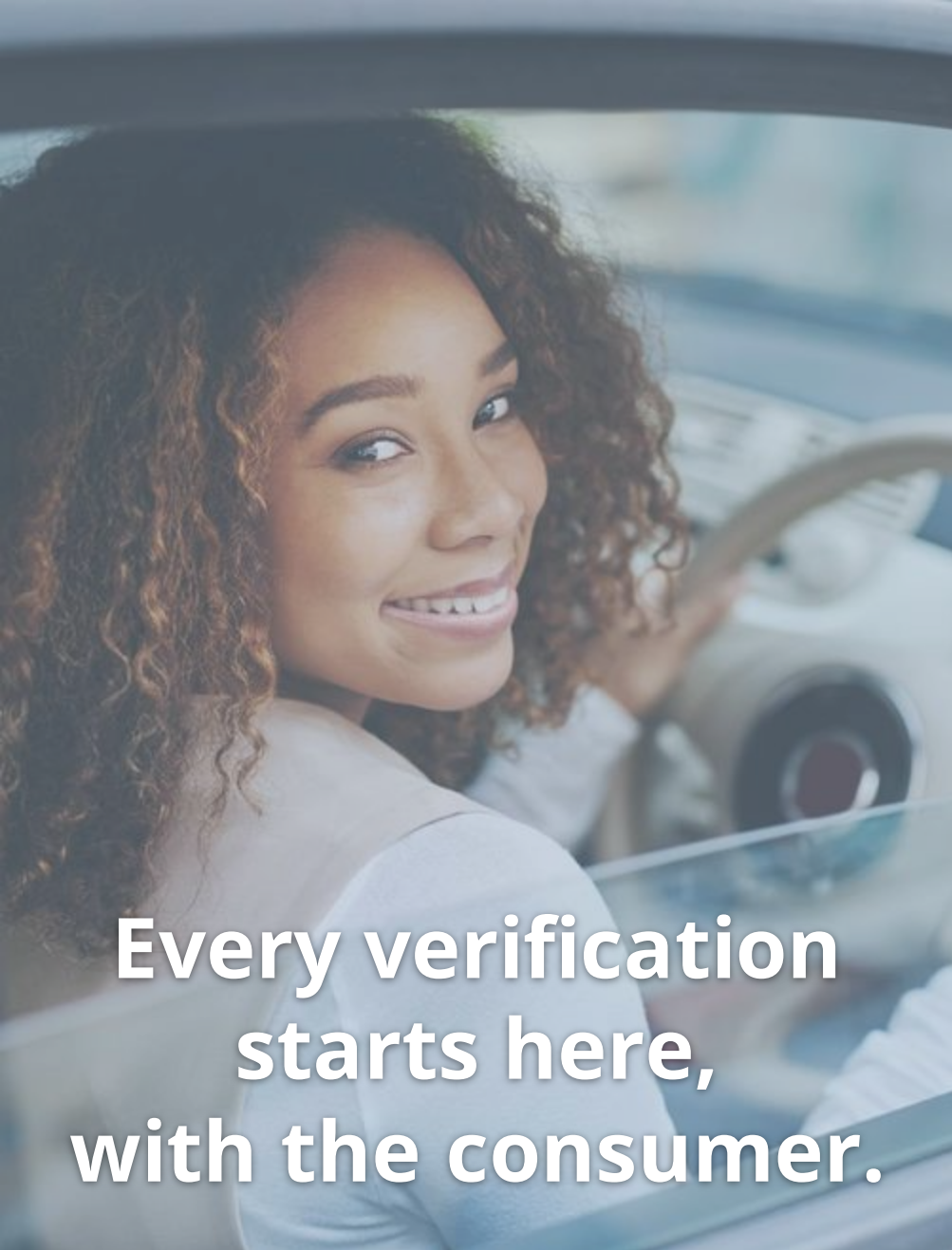


Getting a new job

An Evolving Verifications Landscape

Fully automated machine-to-machine connections deliver the verifications, helping power the on-demand financial decisions consumers expect





Every verification starts here, with the consumer.

The Work Number provides security, privacy, and **transparency**

Transparency for the consumer:

Consent for an income or employment verification request is typically given by the consumer during the application process for a loan, job, or social service benefits

Since The Work Number is FCRA-governed, consumers gain these additional layers of transparency:



Employment Data Reports (EDR) available for consumers



Data only accessed by credentialed verifiers with permissible purpose



Data is not used or sold for marketing purposes



Transparency for the verifier:

Knows they are getting information directly from the employer's payroll feed, and benefiting from a more frictionless verification process



Transparency for the employer/payroll provider:

Knows they are providing information for verification purposes to help their employees obtain credit and aid, while benefiting by reducing risk and time spent on verification requests

Safeguarding Employee Data

Do you *really* know who is requesting information?



Verifier Clients are **credentialed** to verify legitimacy of the organization prior to receiving access to The Work Number data.



Verifiers and all transactions are subject to planned and **random audits** to help ensure proper usage of the data received.



Individual users are **authenticated** at log-in to help provide clear line-of-sight as to who is requesting the verification.



The Work Number service maintains **Globally recognized certifications** in data management and security.



George is **40% more likely** to have his auto loan funded with his data on The Work Number*

Employee Profile

Name: George

Age: 56

Occupation: Manufacturing

Goal: Buy a new car this weekend, at the best possible loan rate, with a less than perfect credit score.

Scenario 1: George's information isn't on The Work Number®

- It's Saturday: his employer is unavailable to verify
- George is sent home to search for paystubs
- He won't be getting the car today

Scenario 2: George's information is on The Work Number

- George's income and employment status are **verified instantly**
- George drives home in his new car that day, with a loan rate he feels good about

Employee Profile

Name: Krista

Age: 26

Occupation: Retail

Goal: Receive government benefits to help support her young family

Scenario 1: Krista's information isn't on The Work Number

- Krista's benefits are delayed, as manual forms are submitted by the agency to her new employer
- Krista feels embarrassed that her new employer now knows about her financial situation

Scenario 2: Krista's information is on The Work Number

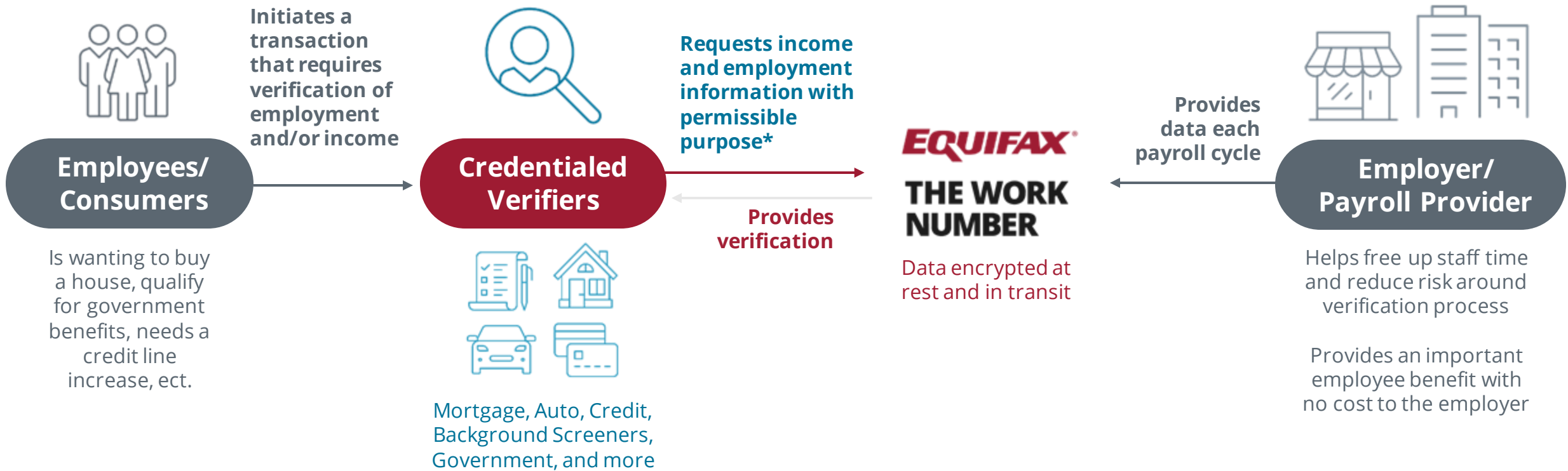
- Krista's employment income is verified instantly through the agency's integration with Equifax
- Krista feels good that her personal financial privacy has been maintained

Federal, state, and local agencies fulfilled nearly 30 million social services verifications in 2020 alone with The Work Number*



The Work Number – How it Works

Enabling employees from organizations of all sizes to take advantage of automated employment and income verification.



**Verifiers must have a permissible purpose to access data under the FCRA, which often includes some form of consent and/or application by the consumer.*

The Work Number Stats

More coverage can help drive faster decisions for your employees.

2.8M

Employer
Contributors

From businesses and
partnerships of all sizes

161M+

Active Employee
Records

Representing more than
two-thirds of the U.S. non-
farm workforce*

65,000+

Verifier
Organizations

Use The Work Number®
when employees are
seeking loans and aid²

23%+

After Hour
Instant Verifications

Were completed after
business hours or over the
weekend¹

*US non-farm payroll data from Bureau of Labor Statistics (BLS) as of June 2023 represents how many people are employed in the US in manufacturing, construction, and goods companies. Non-farm payroll excludes farm workers, private household employees, or non-profit organization employees.

By automating the income and employment verification process with **The Work Number[®]** from Equifax...



**Employees
benefit**

**Faster Verifications
Better User Experience
Potentially improving
opportunities for credit
and aid**



**Employers
benefit**

**No Cost for Employers
Workload Elimination
Reduced Risk**



**Service
Bureaus
benefit**

**Payroll/HCM Sales
Value-Add
Competitive Advantage
Client Satisfaction**

Value Delivered for Asure & Service Bureau Clients:

Value to customers

- **653K total verifications** handled since launch (Aug'22 - Jun'23)
- Current pace = **85K per month**
- Service Bureau Clients:
12,465 employers live on TWN
145K hours saved per year¹
\$5.1M cost saved per year²

1. Equifax research indicates that a single verification of employment (VOE) can take **10-15** minutes to complete, a verification of income (VOI) can take **15-20** minutes and a Social Service Verification (SSV) can take **20-30** minutes due to the level of detail required.
2. Applying an average \$75K cost for HR Specialists, automating these verifications with The WorkNumber could reduce your clients operational costs by up-to **\$7.50** per VOE, **\$10.00** per VOI and **\$15.00** per SSV.

Value to their employees

- Active employees average **1.2** verifications per year
- **Instant, 24/7, Private & Secure!**
- Types of verifications:
54% Verification of Income
34% Social Service Verification
11% Verification of Employment

Value Delivered for a Leading Asure Service Bureau:



107K verifications (14K per month)
37K hours saved (58K per year)
\$1.3M cost saved (\$2.1M per year)

Average per customer:

219 verifications per year
74 hours saved per year
\$2,600 cost saved per year



Thank you!

**HAPPY HOUR
@ ASURE OFFICES**

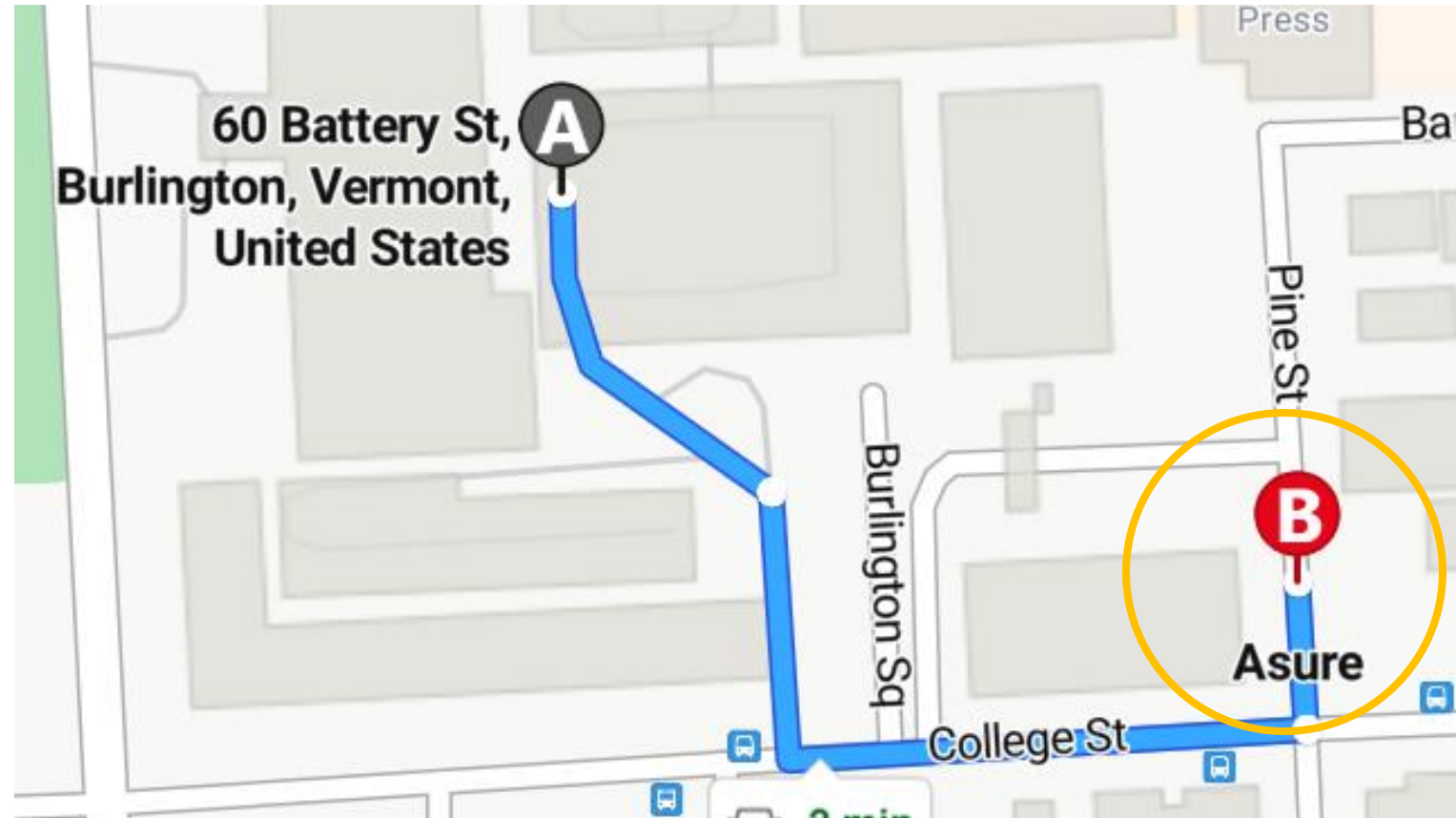
TONIGHT

5:30 - 7 PM

4 Min Walk | See Map

Wear Your Evolve Badge

SPONSORED BY **EQUIFAX**
The Work
Number®





EVOLVE

An HCM Growth Summit

