



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

Phone: (360) 902-8701

FAX: (877) 330-6870

December 23, 2014

No. B-14-12

CSBS Emerging Payments Task Force

Washington State DFI has been among the forefront of state regulators when it comes to developing an understanding of emerging payment systems. We are proactively working with developers of these systems to establish and implement sound regulatory standards and practices within existing law to protect businesses and consumers. We are trying to accomplish this without unnecessarily impeding the development of new technologies that improve existing payments systems or create alternative payment systems.

For the past few years, state regulators have been spending more and more time on payments issues to include mobile payments developments, other technological innovations, and virtual currencies. As a result, earlier this year the Conference of State Bank Supervisors (CSBS) established an Emerging Payments Task Force, and DFI is one of the nine members. The Task Force is charged with the task of initiating a comprehensive evaluation of the payment systems and the emerging developments that potentially impact consumer protection, state law, and banks and non-bank entities chartered or licensed by the states.

One of the main priorities of the Task Force is engagement with a broad range of stakeholders to understand how new entrants and technologies affect the stability of payment systems and the broader financial marketplace and to develop ideas for connecting the emerging payments landscape to the financial regulatory fabric. Ultimately, the Task Force is seeking a supervisory structure that encourages innovation and consistent regulatory approaches while still maintaining safety and soundness, marketplace stability, and consumer protection.

One of the areas of focus for the task force has been virtual currencies. CSBS is hearing about the need – from fellow state regulators and from the industry – for greater clarity and consistency when it comes to state licensing and virtual currency. Toward this goal, CSBS issued two documents on Tuesday, December 16. The first is a CSBS policy statement setting their policy

position that certain virtual currency activities should be subject to state licensing. The second is a draft model regulatory framework. With the policy statement as a preamble, the draft model regulatory framework includes licensing, consumer protection, market stability, anti-money laundering, and cybersecurity requirements for virtual currency firms. Transparency and on-going engagement with a broad range of stakeholders is very important to CSBS and its members. They are seeking public comment on the framework.

The Division of Credit Unions highly encourages Washington State chartered credit unions to submit comments on the draft model regulatory framework. Interested parties must submit public comments to the CSBS by February 16, 2015. Please submit comments electronically to <http://csbs-virtualcurrency-comments.questionpro.com/>. Please submit paper comments to:

ATTN: Emerging Payments Task Force
Conference of State Bank Supervisors
1129 20th Street NW
Washington, D.C. 20036

After the comment period closes, the framework will be subject to additional review and revision based on public feedback. For more information, please visit the following links:

Link to Draft Model Regulatory Framework:

<http://csbs.informz.net/csbs/data/images/Communications/CSBS%20Draft%20Model%20Regulatory%20Framework%20for%20Virtual%20Currency%20Proposal%20--%20Dec.%2016%202014.pdf>

Link to Directions for submitting public comment on the Framework:

<http://www.csbs.org/regulatory/ep/Pages/framework.aspx>

Link to CSBS press release announcing the issuance of the draft Model Regulatory Framework:

<http://csbs.informz.net/csbs/data/images/Communications/Final%20CSBS%20Virtual%20Currency%20Model%20Regulatory%20Framework%20PRESS%20RELEASE.pdf>