



**Money Transmitter Regulators  
ASSOCIATION**

July 21, 2011

Jennifer J. Johnson  
Secretary, Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington DC 20551

RE: RIN 7100-AD76

Dear Ms. Johnson:

The Conference of State Bank Supervisors (CSBS) and the Money Transmitter Regulators Association (MTRA) (collectively, the State Agencies) appreciate the opportunity to comment on the Board of Governors of the Federal Reserve System's (FRB) proposed rule to amend Regulation E as it applies to remittance transfers. The State Agencies regulate and examine remittance transfer providers through state chartered banks and money transmitters. While we generally support the FRB's effort to provide greater consumer protections in the area of remittance transfers as prescribed by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), we would like to comment on some specific aspects of the proposed rule. As indicated in the proposed rule, the Consumer Financial Protection Bureau (CFPB) will assume responsibility of this rulemaking process, as the comment deadline is set after the July 21, 2011 transfer date ("transfer date"). The CFPB will have a critical mission in setting reasonable consumer protection standards everyone deserves in every state. However, in many cases, state legislatures have elected, for reasons specific to their local economies and consumer bases, to enact consumer protection laws stronger than federal standards. Congress recently endorsed the states' critical role in identifying local risks by constructing through Dodd-Frank a preemption standard which encourages a state-federal partnership that works to promote the interests of our nation's economy as well as the individual consumers within our nation's financial system. Thus, we would like to stress the notion that state consumer protection laws which are more protective than the remittance transfer standards in this proposed rule should continue to apply unobstructed. Further, this concept should prevail in similar rulemaking procedures the CFPB assumes after the transfer date. It is our aim to work closely with the CFPB on consumer protection matters and continue to fulfill our role in enforcing locally tailored supervisory standards beneficial to our local citizens.

As noted in the proposed rule, the Dodd-Frank Act requires rules to be prescribed for disclosures, error resolution rules and standards, as well as cancellation and refund policies related to remittance transfers in cases when consumers are the "senders." The proposed rule

maintains the Electronic Funds Transfer Act's (EFTA) standard regarding relationship with state law. Title § 919 of the EFTA entitled "Relation to State laws" states:

This title does not annul, alter, or affect the laws of any State relating to electronic fund transfers, except to the extent that those laws are inconsistent with the provisions of this title, and then only to the extent of the inconsistency. A State law is not inconsistent with this title if the protection such law affords any consumer is greater than the protection afforded by this title.

The statute implies state consumer protection laws more protective than federal standards will apply unobstructed. We therefore endorse the FRB's inclination to maintain reliance on the EFTA's state relationship standard in crafting this proposed rule.

Our primary interest regarding this proposed rule is for the CFPB, in assuming administration of this rulemaking from the FRB, to craft a final rule that maintains the FRB's reliance on the EFTA standard, thereby creating federal consumer protection remittance standards which serve as a floor and not a ceiling. State regulatory bodies have implemented consumer protection rules and standards related to remittance transfers through state financial codes. In cases where state law applies to and offers greater consumer protection than what is offered in the FRB's proposal, we strongly believe state standards should apply. As an example, we believe the timeframes proposed for error resolution standards are shorter than error resolution timeframes established in many states. Thus, preemption of state law in this case would unduly constrict consumer rights. Furthermore, we believe it is important for the CFPB, when crafting this rule, to explicitly acknowledge more protective state laws will apply without hindrance. Leaving any doubt on the matter creates an ambiguity and uncertainty that hampers straightforwardness in regulatory authority and consumer expectations.

On a separate note, the proposed rule allows an exception from the exchange rate disclosure standards when the government of a foreign country sets the exchange rate after the transaction is sent or the exchange rate, by law, is not set until the funds are picked up by the recipient. The State Agencies strongly support this exception as a logical solution to a common issue in remittance transfers.

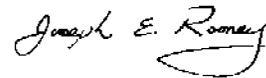
Additionally, the State Agencies support the implementation of standards of liability for agent activity. The proposed rule sets out two proposed alternative approaches for implementing the standards of liability for remittance transfer providers. Under the first alternative, a remittance transfer provider would be liable for violations by an agent, when such an agent acts for the provider. Under the second alternative, a remittance transfer provider would be liable for violations by an agent acting for the provider unless the provider establishes and maintains policies and procedures for agent compliance, including appropriate oversight measures, and the provider corrects any violation, to the extent appropriate. Currently, state examiners review and examine entities for compliance through the licensees' principal location as well as agent locations. This includes reviewing policies and procedures at the principal and agent locations, and examining for appropriate oversight of agent activity and compliance with federal and state laws. We strongly support implementation of the first alternative, as it is consistent with many state laws. We believe the second alternative creates a safe harbor of sorts and would disrupt efforts to hold remittance transfer providers to such liability standards.

Again, thank you for the opportunity to comment on the proposed rulemaking. We appreciate the FRB's efforts in proposing consumer protections for remittance transfers and relying on the EFTA's standard for relationship with state law. We are confident the CFPB will maintain this standard when crafting a final rule and we urge the CFPB to uphold a similar standard in its future administration of various consumer protection regulations. The state regulators look forward to working with the CFPB on this issue and other matters relating to the implementation of the Dodd-Frank Act.

Best Regards,

A handwritten signature in black ink that reads "Neil Milner". The signature is written in a cursive, slightly slanted style.

Neil Milner  
President and CEO, CSBS

A handwritten signature in black ink that reads "Joseph E. Rooney". The signature is written in a cursive, slightly slanted style.

Joseph E. Rooney  
President and Director, MTRA