



2023 INDIANA GENERAL ASSEMBLY ADOPTS SEA 458 - MONEY TRANSMISSION MODERNIZATION ACT ADOPTION

On May 4, 2023, Governor Holcomb signed [SEA 458](#), the model money transmission modernization act, into law. The Indiana General Assembly passed the Conference of State Bank Supervisors (C.S.B.S.) endorsed model act with a few modifications, which are detailed below. [SEA 458](#) aims to establish a common baseline for money transmission regulation across the states who adopt the model law. C.S.B.S., together with industry representatives and regulators, developed the model law to decrease the regulatory burden on businesses and increase the regulatory efficiency for state regulators.

The model law establishes a common regulatory floor for money transmission, including stored value, sale of payment instruments, and transmission of fiat currency. As a result, money transmitters will benefit from the law's standardized and risk-based requirements, and their customers will benefit from strong protections across state lines.

Currently, Indiana's law regulates money transmission for personal, family, or household purposes. The new model law, which goes into effect on January 1, 2024, incorporates business purpose money transmission; Indiana did not include payroll processing or virtual currency portions of the model law into [SEA 458](#). A full listing of Indiana's exceptions to the model law is included below.

[SEA 458](#) adopts the model law's standardized:

- Definitions applicable to money transmitters, eliminating technical differences between states that make compliance and reporting difficult for companies operating in multiple states.
- Exemptions from money transmitter licensing to promote consistency among states.
- Licensing process, including standardized determination of who controls a licensee and the vetting process.
- Safety and soundness requirements, including net worth, bonding, and permissible investments.

Further, the model law streamlines the licensing process and promotes multistate supervision.

Entities that already have an Indiana money transmission license are encouraged to review [SEA 458](#) to prepare for any upcoming law changes. Entities engaged in business purpose money transmission and have not previously been required to obtain a money transmission license in

Indiana are strongly encouraged to review [SEA 458](#) and their business model to analyze whether their business activity will require a license once [SEA 458](#) takes effect.

Additional information regarding the model law may be found [here](#). The Department is working on implementing [SEA 458](#) and will provide Indiana-specific updates as available. If you have questions about [SEA 458](#) or any of its requirements, please reach out to either legal@dfi.in.gov or DFIlicensing@dfi.in.gov.

SEA 458 modified the model law in the following sections:

Section Modified	Modification
102	<p>Modified subsection (b) of the purpose as follows:</p> <p>Purpose. This chapter is designed to replace existing state money transmission laws codified at I.C. 28-8-4-1 through 61. The underlying purposes and policies of this chapter are:</p> <ul style="list-style-type: none"> (a) Ensure states can coordinate in all areas of regulation, licensing, and supervision to eliminate unnecessary regulatory burden and more effectively utilize regulator resources; (b) Enforce compliance with applicable state and federal laws; (c) Standardize the types of activities that are subject to licensing or otherwise exempt from licensing; and (d) Modernize safety and soundness requirements to ensure customer funds are protected in an environment that supports innovative and competitive business practices.
201	Definitions. Added definitions for department and director.
201(i)	<p>Added the term corporate fiduciary to the definition of federally insured financial institution to stay consistent with Indiana code which refers to trust companies as corporate fiduciaries. Also added the term “privately insured deposits” to the definition to ensure that Indiana’s privately insured credit unions were included in the definition of a financial institution. Definition of a “federally insured depository financial institution” is as follows:</p> <p>means a bank, credit union, savings and loan association, trust company, corporate fiduciary, savings association, savings bank, industrial bank, or industrial loan company organized under the laws of the United States or any state of the United States, when such bank, credit union, savings and loan association, trust company, savings association, savings bank, industrial bank, or industrial loan company has federally or privately insured deposits as permitted by state or federal law.</p>
301	Added a subsection to exempt trust companies, corporate fiduciaries, and industrial loan corporations organized under the laws of any state of the United States.

402	Adopted Indiana's current confidentiality statutes (I.C. § 28-8-4-20.5(g)(1)-(7) and I.C. § 28-8-4-47) instead of the model language.
403	Included a clause that the director shall determine the sufficiency of the records and whether the licensee has made the required information reasonably available, which is currently a part of Indiana's money transmission act, I.C. § 28-8-4-44(b).
406	<p>Include language to allow the department to examine vendors as currently in Indiana Code § 28-8-4-41(h). Language is as follows:</p> <p>If a licensee contracts with an outside vendor to provide a service that would otherwise be undertaken internally by the licensee and be subject to the department's routine examination procedures, the person that provides the service to the licensee shall, at the request of the director, submit to an examination by the department. If the director determines that an examination under this subsection is necessary or desirable, the examination may be made at the expense of the person to be examined. If the person to be examined under this subsection refuses to permit the examination to be made, the director may order any licensee that receives services from the person refusing the examination to:</p> <p>(a) discontinue receiving one (1) or more services from the person; or (b) otherwise cease conducting business with the person.</p>
504	Added subsection I to allow the director to waive one or more of the requirements from section 5.04(a) and (b) or permit an applicant to submit other information in lieu of the required information.
601(j)(2)	Removed 6.01(j)(2) from the model law which exempts a person that acquires control of a licensee by devise or descent.
1002	The optional amount for the bond minimum is set at \$300,000, which is the same as current Indiana statute, I.C. § 28-8-4-27.
1005	Criminal Insurance Requirement. Requirement is currently codified at I.C. § 28-8-4-33(b). Language is: Each licensee shall maintain a policy of insurance issued by an insurer authorized to do business in Indiana that insures the applicant against loss by a criminal act or act of dishonesty. The principal sum of the policy shall be the equivalent to the amount of the surety bond required under section 10.02 of this chapter.
1100 – 1110	Modified to use Indiana's current enforcement language, I.C. §§ 28-8-4-48, 48.1, 51, 52, 53, 54, 55, 56, 57, and 58.
1204	Added section 1204 to include Indiana's current requirement (I.C. § 28-8-4-33(b)) that a licensee that is a corporation or a limited liability company must at all times be in good standing with the secretary of state of the state in which the licensee was incorporated.
1205	Added section 1205 to include Indiana's current requirement (I.C. § 28-8-4-20(f)) regarding tax warrant lists and licenses.

1206	Added section 1206 to be consistent with Indiana code and granting the division of consumer credit with the charge of administering the chapter. See I.C. § 28-8-4-61 .
Throughout	All enforcement and appeals rights utilize Indiana's Administrative Procedures and Orders Act, I.C. § 4-21.5-3 .