

# Alert

## CFPB Issues Larger Participants Rule for International Money Transfer Market

September 17, 2014

On Sept. 12, 2014, the Consumer Financial Protection Bureau (“CFPB” or “Bureau”) issued a [final rule](#) amending 12 C.F.R. Part 1090, titled “Defining Larger Participants of the International Money Transfer Market” (“Final Rule”).<sup>1</sup> Broadly, the Final Rule establishes the Bureau’s supervisory authority over nonbank larger participants in the international money transfer market and is effective Dec. 1, 2014.

### Background

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB has the authority to supervise all nonbank covered persons in the residential mortgage, private education lending and payday lending markets.<sup>2</sup> The Dodd-Frank Act also permits the Bureau to supervise nonbank “larger participants” of other consumer financial products or services, as the Bureau defines by rule. The CFPB has previously issued final rules covering larger participants of markets for consumer reporting, consumer debt collection and student loan servicing. Under the Final Rule, the CFPB now establishes its authority to supervise nonbank larger participants of the international money transfer market.

### Threshold

The Final Rule provides that a nonbank provider of international money transfers is a “larger participant” if the provider (including its agents) conducted at least one million international money transfers in the previous calendar year.<sup>3</sup> Many of the defined terms of the Final Rule are related to the terms of Subpart B of 12 C.F.R. Part 1005 (“Remittance Transfer Rule”), but there are some differences. For example “international money transfers” are similar to remittance transfers but include transactions of \$15 or less. Further, transactions conducted by affiliates are aggregated for purposes of determining whether a person is covered under the Final Rule. The test for determining the threshold amount was simplified from the proposed rule in order to ease the compliance burden.

### Supervision of Larger Participants

The Bureau estimates that about 25 entities would be covered as nonbank larger participants of the international money transfer market. The Bureau will notify those entities when it begins its supervisory activities. The CFPB supervises nonbank covered persons for compliance with all applicable federal

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<sup>1</sup> The final rule has not yet been published in the *Federal Register*.

<sup>2</sup> The Bureau has primary supervisory and enforcement authority over very large depository institutions for compliance with federal consumer financial laws and certain supervisory authority over other depository institutions.

<sup>3</sup> The person would remain a larger participant for two full tax years (as defined) after the person no longer meets the applicable test.

consumer financial law and to detect and assess risks to consumers and consumer financial markets. The CFPB conducts examinations and may request information from supervised entities. The Bureau notes that it may supervise smaller affiliates as part of the larger affiliate's examination or it may examine the affiliates separately. As it does with other supervised nonbank entities, the Bureau will conduct its supervisory authority over smaller affiliates using a risk-based approach and will coordinate with appropriate state regulators. While agents would not normally be supervised, the CFPB can supervise such agents as service providers.

Some commenters had recommended broadening the scope of coverage. For now, the CFPB has rejected lower thresholds, and it has rejected defining larger participants on the basis of the domestic money transfer market. The Bureau notes, however, that it can use an array of tools to encourage compliance throughout the industry, including revisiting its threshold test, supervising entities based on a determination of risks to consumers, conducting enforcement investigations, and coordinating with state regulators, state attorneys general and the Federal Trade Commission.

If you have any questions concerning this *Alert*, please contact your attorney at Schulte Roth & Zabel or one of the following attorneys: [Donald J. Mosher](#), [Joseph P. Vitale](#), [Jessica Sklute](#), [Kara A. Kuchar](#) or [Melissa G.R. Goldstein](#).

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