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CONSUMER FINANCIAL PROTECTION BUREAU PROPOSES RULE TO OVERSEE LARGER NONBANK INTERNATIONAL MONEY TRANSFER PROVIDERS

The Consumer Financial Protection Bureau (CFPB) proposed a rule that would allow it to supervise certain nonbank international money transfer providers for the first time. The proposed rule would bring new oversight to larger nonbank international money transfer providers, to make sure they are adhering to the CFPB's new protections for consumers sending money abroad.

Nonbank International Money Transfers by the Numbers

- **\$50 billion:** Estimated amount transferred abroad by nonbanks every year
- **150 million:** Approximate number of individual international money transfers through nonbanks per year
- **At least 7 million:** Number of U.S. households that have sent money abroad through a nonbank

Overview

U.S. consumers send funds abroad for a number of reasons, like assisting family or friends with their expenses or purchasing goods. Pricing for money transfers is complex and may depend not only on fees and taxes, but also on exchange rates. Prior to the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), international money transfers were generally not covered by federal consumer protection regulations.

The Dodd-Frank Act expanded the scope of the Electronic Fund Transfer Act to provide protections for consumers who send remittance transfers. In October 2013, the CFPB's Remittance Rule, which implements these new protections for consumers, went into effect. CFPB examiners already have the authority to assess the largest banks' and credit unions' compliance with the Remittance Rule.

New Oversight

The CFPB's proposed rule would subject any nonbank international money transfer provider that provides more than 1 million international money transfers annually to the CFPB's supervisory authority. The Bureau estimates that the rule would bring new oversight to about 25 of the largest providers in the market. Providers who would not be considered "larger participants" may still be subject to the Bureau's supervisory authority if the Bureau has reasonable cause to determine that they pose risk to consumers.

- **CFPB supervision activities generally include gathering reports from and conducting examinations of supervised entities.** The examination process includes a review of information, data analysis, on-site examinations, and regular communication with supervised entities, as well as follow-up monitoring. When necessary, examiners will coordinate and work closely with the CFPB's enforcement staff to take appropriate enforcement actions to address harm to consumers.
- **Examiners would make sure all relevant federal consumer financial laws are being followed by larger nonbank international money transfer providers.** These laws may include the Electronic Fund Transfer Act and Regulation E (which includes the Remittance Rule), and the Dodd-Frank Act's prohibition on unfair, deceptive or abusive acts or practices. These laws protect not only consumers but also responsible providers as well by ensuring that all companies are playing by the rules. When necessary,

examiners will coordinate and work closely with the CFPB's enforcement staff to take appropriate enforcement actions to address harm to consumers.

- **The Bureau would use the same examination procedures it uses for bank remittance providers.** CFPB examiners can already supervise the largest banks and credit unions that act as remittance providers to ensure that they are complying with federal consumer financial laws. The proposed rule would allow the CFPB to examine larger nonbank international money transfer providers, using the same examination procedures it uses for banks.
- **The Bureau would coordinate with state authorities during its examinations.** State authorities license and examine some of the nonbanks that would be larger participants under today's proposal. The Bureau plans to cooperate closely with state authorities when supervising these entities.

Remittance Rule

The CFPB's Remittance Rule requires that many money transfer companies provide consumers with more information before making international money transfers that are covered by the rule. The rule also gives consumers the right to cancel transfers and receive help in case of certain errors. These new protections apply to most money transfers from consumers in the United States to friends, family, or others outside the country. If the proposed larger participant rule is finalized, the Bureau would be authorized to examine larger participant nonbank international money transfer providers to ensure they are offering protections that are now required such as:

- ***Better Disclosures:*** Under federal law, remittance transfer providers must generally disclose information about the exchange rate, fees, the amount of money that will be delivered abroad, and the date the money will be available. Consumers generally receive these disclosures in English and sometimes in other languages.
- ***Option to Cancel:*** Typically, consumers have at least 30 minutes after payment to cancel a remittance if it has not yet been received. If they cancel within the 30-minute window, they will get their money back regardless of the reason the consumer wants to cancel.
- ***Correction of Errors:*** Remittance transfer providers are held accountable for certain types of errors. If a remittance sender reports a problem with a transfer within 180 days, the provider must generally investigate and correct certain errors. Companies that provide remittance transfers may also be responsible for mistakes made by their agents.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.