



Consumer Financial Services Outlook 2025 – Deregulation, State Impact, and Industry Shifts

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Today's Panelists



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Themes We Will Cover Today

- New Congress and President: Prospects for Reform
- CFPB and Regulatory Outlook
- Banking and Fintech Developments
- Payments Updates and Trends
- Cryptocurrency Opportunities
- New FTC Click-to-Cancel Rule
- State Regulatory Update and Trends
- Closing Observations

New Congress and President Trump: Prospects for Reform



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The 119th Congress

- House Financial Services Committee
 - French Hill (R-AR), Chair and Maxine Waters (D-CA), Ranking Member
 - Hill priorities include:
 - Crypto – digital assets and dollar-backed stablecoin
 - “Make Community Banking Great Again” - regulatory fairness, promoting industry health and improving capital access
 - CFPB reform and transparency
 - Affordable housing



The 119th Congress (continued)

- Senate Banking Committee
 - Tim Scott (R-SC), Chair and Elizabeth Warren (D-MA), Ranking Member
 - Scott top priority is crypto
 - Working with House, Administration and AG Committee
 - Will also take up debanking and other shared interests
- Reconciliation process underway – HFSC and Banking will have titles
- CRAs



The Second Trump Administration

- Overarching themes for the administration
 - “Dismantle the DEI bureaucracy”
 - Deregulation and DOGE
 - American competitiveness
- Administrative action
 - Crypto
 - EO: “Strengthening American Leadership in Digital Financial Technology”
 - Regulatory Freeze
 - Recission of DEI programs
 - CFPB

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Agency Rule List - Fall 2024

Consumer Financial Protection Bureau

Agency	Agenda Stage of Rulemaking	Title	RIN
CFPB	Prerule Stage	Mortgage Closing Costs	3170-AB22
CFPB	Prerule Stage	Customer Service Rule	3170-AB29
CFPB	Proposed Rule Stage	Regulation AA	3170-AB23
CFPB	Proposed Rule Stage	Protecting Consumer Information in the Consumer Reporting Marketplace (Regulation V)	3170-AB27
CFPB	Final Rule Stage	Overdraft Lending: Very Large Financial Institutions	3170-AA42
CFPB	Final Rule Stage	Prohibition on Creditors and Consumer Reporting Agencies Concerning Medical Information (Regulation V)	3170-AA54
CFPB	Final Rule Stage	Residential Property Assessed Clean Energy Financing (Regulation Z)	3170-AA84
CFPB	Final Rule Stage	Streamlining Mortgage Servicing for Borrowers Experiencing Payment Difficulties (Regulation X)	3170-AB04
CFPB	Final Rule Stage	Registry of Supervised Nonbank That Use Form Contracts to Impose Terms And Conditions That Seek To Waive Or Limit Consumer Legal Protections	3170-AB14
CFPB	Final Rule Stage	Fees for Instantaneously Declined Transactions	3170-AB16
CFPB	Final Rule Stage	Defining Larger Participants of a Market for General-Use Digital Consumer Payment Applications	3170-AB17
CFPB	Final Rule Stage	Financial Data Transparency Act	3170-AB18
CFPB	Final Rule Stage	Remittance Transfers Under the Electronic Fund Transfer Act (Regulation E)	3170-AB19

Consumer Financial Protection Bureau

UNDER NEW MANAGEMENT

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CFPB Under New Management



Scott Bessent, Acting Director,
Secretary of Treasury

- Impact on proposed rules, final rules not yet effective, or formal rules and informal guidance. E.g., Payday Rule, Medical Debt Rule, Overdraft Rule, 1033 Rulemaking, and more.
- No new investigations (or activity), or settlements.
- No public communications.
- No agreements.
- No filings or appearances in litigation, except to pause.

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Email to CFPB Staff, February 3, 2025

"Colleagues,

Secretary of the Treasury Bessent has been named Acting Director of the CFPB, effective January 31, 2025. As Acting Director, Secretary Bessent is committed to appropriately stewarding the agency pending new leadership. In order to promote consistency with the goals of the Administration, effective immediately, unless expressly approved by the Acting Director or required by law, all employees, contractors, and other personnel of the Bureau are directed:

- Not to approve or issue any proposed or final rules or formal or informal guidance.
- To suspend the effective dates of all final rules that have been issued or published but that have not yet become effective.
- Not to commence, take additional investigative activities related to, or settle enforcement actions.
- Not to issue public communications of any type, including publication of research papers.
- Not to approve or execute any material agreements, including related to employee matters or contractors.
- Not to make or approve filings or appearances by the Bureau in any litigation, other than to seek a pause in proceedings.

If you have any questions, please raise issues through your existing management for consideration by the Acting Director."

CFPB and Future of Consumer Financial Law

CFPB Under New Management

Impact on:

- Personnel Changes
- Open rulemakings and lawsuits challenging the rules (e.g., medical debt collection)
- Enforcement
- Supervision and exams?

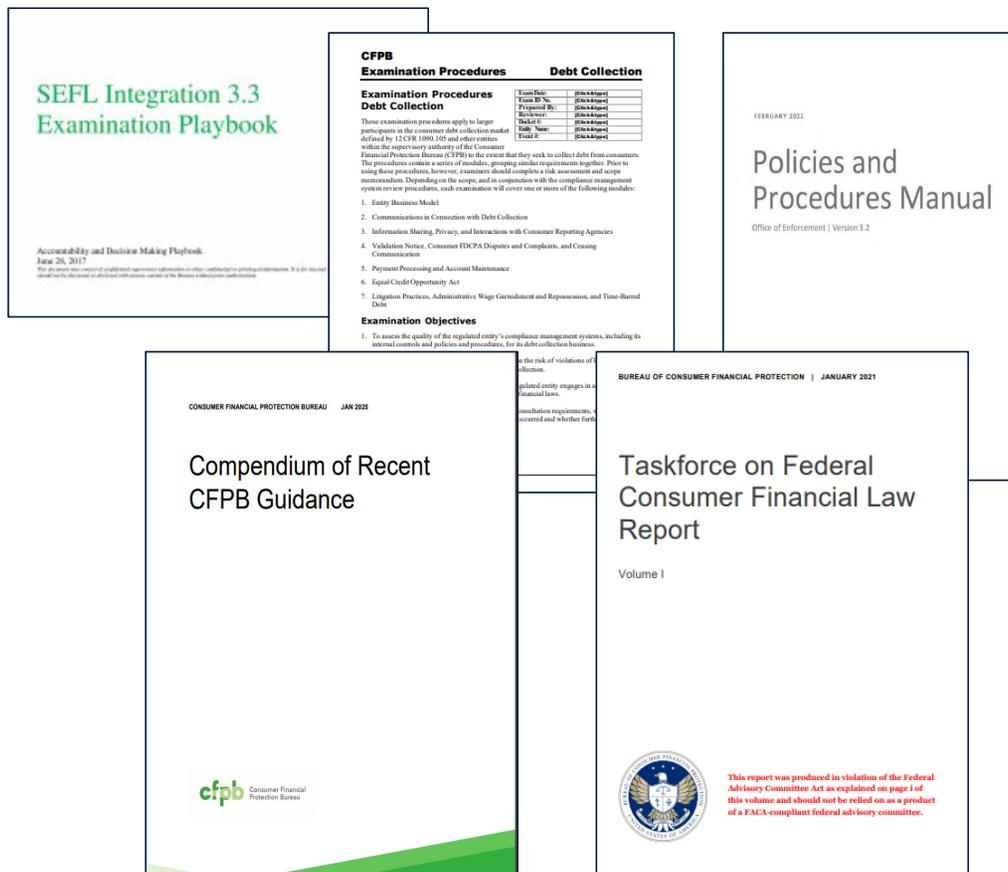
FTC New Management

Long-term Future of the CFPB?

- Is the CFPB's funding unconstitutional because it relies on "profits" from the Federal Reserve?
- Chopra Era - Lasting Legacy or Last Gasp?:
Compendium of Recent CFPB Guidance
- Taskforce on Federal Consumer Financial Law

Congressional Review Act – August 1, 2024, and 60-day window

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CFPB's Regulatory Agenda?

		Type	Posted Date	Comment Deadline
Prohibited Terms and Conditions in Agreements for Consumer Financial Products or Services (Regulation AA)	<p>Proposed rule prohibiting certain T & Cs in agreements for CF products or services.</p> <ul style="list-style-type: none"> Prohibit covered persons from including in their contracts any provisions purporting to waive substantive consumer legal rights and protections (or their remedies) granted by State or Federal law. Prohibit contract terms that limit free expression, including with threats of account closure, fines, or breach of contract claims, as well as other contract terms. The proposal would also codify certain longstanding prohibitions under the FTCs Credit Practices Rule. 	Proposed Rule	January 14, 2025	Comments due April 1, 2025
RFI Regarding the Collection, Use, and Monetization of Consumer Payment and Other Personal Financial Data	<p>Seeking comments from the public related to how financial companies collect, use, share, and protect consumers' personal financial data, such as data harvested from consumer payments.</p> <p>The submissions in response to this request for information will serve to assist the CFPB and policymakers in further understanding the current state of the business practices at these companies and the concerns of consumers as the CFPB exercises its enforcement, supervision, regulatory, and other authorities.</p>	RFI	January 15, 2025	Comments due April 11, 2025
Electronic Fund Transfers Through Accounts Established Primarily for Personal, Family, or Household Purposes Using Emerging Payment Mechanisms (Electronic Fund Transfer Act; Regulation E)	Proposed Rule related to digital assets operating as a medium of exchange or payment in accounts established primarily for personal, family, or household purposes.	Proposed Rule	January 15, 2025	Comments due March 31, 2025
Fair Credit Reporting Act (Regulation V); Identity Theft and Coerced Debt	Seeking information in advance of preparing a proposed rule to address concerns related to information furnished to credit bureaus and other consumer reporting agencies concerning coerced debt. More specifically, this advance notice of proposed rulemaking solicits information on amending the definitions of "identity theft" and "identity theft report" in Regulation V, which implements the Fair Credit Reporting Act, as well as other related amendments to Regulation V, to include information stemming from transactions that occurred without the consumer's effective consent.	ANPR	December 13, 2024	Comments due March 7, 2025
RFI Regarding Consumer Credit Card Market	The Credit CARD Act requires the CFPB to conduct a review of the consumer credit card market, within the limits of its existing resources available for reporting purposes. In connection with conducting that review, and in accordance with the act, the CFPB is soliciting information from the public about several aspects of the consumer credit card market.	RFI	January 17, 2025	Comments due April 17, 2025
Protecting Americans from Harmful Data Broker Practices (Regulation V)	The CFPB is issuing a proposed rule for public comment to amend Regulation V, which implements the Fair Credit Reporting Act (FCRA). The proposed rule would implement the FCRA's definitions of consumer report and consumer reporting agency as well as certain of the FCRA's provisions governing when consumer reporting agencies may furnish, and users may obtain, consumer reports. The proposed rule is designed to, among other things, ensure that the FCRA's protections are applied to sensitive consumer information that the statute was enacted to protect, including information sold by data brokers.	Proposed Rule	December 13, 2024	Comments due March 3, 2025

CFPB Nonbank Registry Portal and Public Database

- CFPB's [Nonbank Registration Regulation \(12 CFR pt. 1092\)](#), effective September 16, 2024, provided for the creation of a nonbank registry.
- This nonbank registry collects information about *certain* publicly available agency and court orders and facilitates CFPB supervision.
- Nonbank companies are required to register with the CFPB when they have become subject to certain final public orders imposing obligations on them based on alleged violations of specified consumer-protection laws.
- Nonbank companies subject to the CFPB's supervisory authority also generally must provide an annual attestation from a senior executive(s) regarding the company's compliance with the order(s).
- CFPB will publish certain information about registered covered nonbanks and covered orders on its website. The written attestation will be considered “confidential supervisory information.”

Implementation Submission Periods

Covered Nonbank Type	Registration Submission Period	Registration Deadline
Larger Participant ² CFPB-Supervised Covered Nonbanks	October 16, 2024 through January 14, 2025	January 14, 2025
Other CFPB-Supervised Covered Nonbanks	January 14, 2025 through April 14, 2025	April 14, 2025
All Other Covered Nonbanks	April 14, 2025 through July 14, 2025*	July 14, 2025*

*The final rule requires any dates that fall on a Saturday, Sunday, or Federal holiday be converted to the next day that is not a Saturday, Sunday, or Federal holiday. These implementation submission period dates have been adjusted accordingly.

Ongoing Registration Timing Requirements: 90-day window

CFPB Nonbank Registry Portal and Public Database

Rule applies to “Covered Nonbanks” – In general, covered persons participate in offering or providing consumer financial products or services, with exceptions including “natural persons.”

- **Registration Requirements:**
 - Covered Nonbank Identity Information
 - Administrative Information
 - Covered Order Information
- **Additional Requirements for Larger Supervised Covered Nonbanks:**
 - Apply to CFPB-supervised covered nonbanks that have at least \$5 million in qualifying annual receipts
 - Must, on annual basis, review and submit, as applicable, additional information regarding covered orders: Name and title of an attesting executive, annual written statement for each covered order.
 - 5-year recordkeeping requirement.
 - Annual updates March 31.
- **Optional Alternative Registration for NMLS-Published Covered Orders**

Covered Orders: An order is covered by the final rule if it:

- a) Is a final, public order issued by an agency or court;
- b) Identifies a covered nonbank by name as a party subject to the order;
- c) Was issued at least in part in any action or proceeding brought by any Federal agency, State agency, or local agency;
- d) Contains public provisions that impose obligations on the covered nonbank to take certain actions or to refrain from taking certain actions;
- e) Imposes obligations on the covered nonbank based on an alleged violation of a covered law, which includes Federal consumer financial laws, other laws enforced by the CFPB, and certain unfair, deceptive, or abusive acts or practices at both Federal and State levels *identified in the final rule [key consideration]*; and
- f) Has an effective date on or after January 1, 2017, or if none, the date of issuance.

CFPB Nonbank Registry Portal and Public Database

Nonbank Registration: Orders Rule Coverage Chart

This chart summarizes how an entity may determine if it is required to register an order under the Nonbank Registration Orders Rule. Generally, an entity that is subject to an order must register the order with the CFPB's Nonbank Registry if the order is a "covered order" and the entity is a "covered nonbank," as those terms are defined in the Rule. 12 CFR § 1092.201(d); (e).

- 1
Is your order a covered order?
No

Yes

The order must meet all of the following criteria:

 - It is an order, i.e., any written order or judgment issued by an agency or court in an investigation, matter, or proceeding;
 - It is a final, public order issued by an agency or court;
 - Identifies a covered nonbank by name as a party subject to the order;
 - Was issued at least in part in any action or proceeding brought by any Federal agency, State agency, or local agency;
 - Contains public provisions that impose obligations on the covered nonbank to take certain actions or to refrain from taking certain actions;
 - Imposes obligations on the covered nonbank based on certain alleged violations of a covered law (as defined in the Rule), including certain violations of Federal consumer financial laws, any other laws enforced by the CFPB, and certain unfair, deceptive, or abusive acts or practices laws at both Federal and State levels identified in the Rule; and
 - Has an effective date on or after January 1, 2017.

12 CFR § 1092.201(c); (e); (f).
- 2
Is your nonbank a covered nonbank?
No

Yes

The nonbank must be a covered person under the Dodd-Frank Act that is not subject to the coverage exceptions below. 12 USC § 5481(e); 12 CFR § 1092.201(d).
- 3
Are any of the nonbank or order coverage exclusions met?
Yes

No

Nonbank coverage does not apply to:

 - An insured depository institution or insured credit union (e.g., an FDIC-insured bank);
 - A "related person" under the Dodd-Frank Act (when that is the sole reason for qualifying as a covered person);
 - A State, including federally recognized Indian tribes;
 - A natural person;
 - Certain motor vehicle dealers; or
 - A person that qualifies as a covered person under the Dodd-Frank Act only because of conduct excluded from the CFPB's rulemaking authority, such as certain activities related to charitable contributions.

12 CFR § 1092.201(d).

Order coverage does not apply to:

 - Orders with effective dates prior to September 16, 2024, that did not remain in effect as of September 16, 2024; or
 - An order issued to a motor vehicle dealer that is predominantly engaged in the sale and servicing of motor vehicles, the leasing and servicing of motor vehicles, or both, within the meaning of the Dodd-Frank Act, 12 USC § 5519(a) (unless the order is related to functions excepted in 12 USC § 5519(b)).

12 CFR §§ 1092.201(e)(2); 202(a).

✔ Required to register. The entity is a covered nonbank with covered order(s), and must register its covered order(s) and otherwise comply with the Nonbank Registration Regulation.

✘ Not currently required to register. The entity is not required to comply with the Nonbank Registration Regulation at this time.

However, the entity must determine if it is required to comply at a later date if it becomes subject to a covered order or circumstances change such that it becomes a covered nonbank.

Version 1.0 (Oct. 2024)

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Register Your Company

This company point of contact will use this form to register this company. If you only want to create a user account, please visit your company point of contact to add you as a user. Once your company point of contact adds you as a user, you will receive an automated email to create a password and log in to the NBR portal. Visit the [Help Instructions guide \(PDF\)](#) for more information, including what information is administrative and identifying for publication purposes.

If you have a user account, click here to log in. A red (*) denotes information is required field.

COMPANY POINT OF CONTACT INFORMATION

Name: After successfully registering your company you will receive an automated email with a link to create your password and log in to the NBR. As the company point of contact you will receive full access to the NBR for your company including, but not limited to the ability to create and manage additional users, update company information, and submit complaints. Visit the [CFPB's public website](#) for more information.

* First Name * Last Name
 * First Suffix * Last Suffix
 * Email Title
 * Email Address (This will be used to log in to your user account) * Phone

COMPANY INFORMATION

* Company Legal Name
 * Company Legal Name
 Doing Business As or Fictitious Business Name
 (Doing Business As or Fictitious Business Name)

Below the type(s) of consumer financial products or services offered by your company:

Auto Finance Origination
 Auto Finance Servicing
 Consumer Debt Collection
 Consumer Reporting
 International Money Transfer
 Mortgage Origination
 Mortgage Servicing
 Payable Lending
 Private Education Lending
 Private Education Loan Servicing
 Other

* State/Jurisdiction of Incorporation or Organization

State of Incorporation or Organization Not Listed

COMPANY PRINCIPAL PLACE OF BUSINESS ADDRESS INFORMATION

Is this address a foreign/international address?

* Company Street
 Company Street
 * Company City * Company State * Company Zip/Postal Code
 Company City Company State Company Zip/Postal Code
 * Company County/Territory

COMPANY UNIQUE IDENTIFIERS

If your company has any of the following unique identifiers required to register or complete existing registration, you must enter that information. Once a unique identifier has been registered, it may only be changed by the CFPB. Visit the [Help Instructions guide \(PDF\)](#) for more information, including what information is administrative and identifying for publication purposes.

LEI * Employer ID Type Employer ID (EIN - enter EIN only)
 Enter the LEI Other The NBR does not collect SBNs or ITIN.

NAES ID RESID ID EDGAR CIK
 Enter the NAES ID Enter the RESID ID Enter the EDGAR CIK

HREIA ID
 Enter the HREIA-Reporters ID

Submit Registration

Policy Statement on No-Action Letters (January 8, 2025)

- The CFPB is accepting applications for No-Action Letters (“NALs”), as set forth in the policy statement and subject to Conditions to Promote Innovation, Competition, Ethics and Transparency (“the Conditions”).
 - The Conditions would be incorporated into individual NALs and serve several purposes.
 - Update of September 10, 2019, Policy Statement.
 - “Minor adjustments to existing products, or products that are designed to take advantage of gaps in laws rather than bringing new offerings to market, do not confer significant enough benefit on consumers to warrant the expenditure of government resources necessary to issue and monitor a NAL.”
 - Does not bind state or plaintiffs in private actions.
 - Status – Post January 20
- Applicants for NALs must establish a market problem, in the form of an unmet consumer need, that the new financial product or service solves.
 - The CFPB will not grant a NAL on a topic for a single firm. The CFPB will reach out to the applicant’s competitors and invite them to apply for a NAL on the same topic.
 - NAL will state that recipients may not market or promote the fact that their product or service received an Approval.
 - The CFPB will post applications for a NAL to an open docket on the regulations.gov website and will accept comment for 60 days.
 - The CFPB will generally not consider applications from companies that are represented by former CFPB attorneys as outside counsel.
 - No applications from companies that have been the subject of an enforcement action involving violations of federal consumer financial law in the last 5 years, or pending enforcement investigation by federal or state authorities.
 - NAL will automatically be rescinded when recipients materially change their product or service so that it no longer fits the description provided in the application and described in the approval, unless a modification is approved.
 - Submission under false pretense is violation of law.

CFPB Policy Statement on Compliance Assistance Sandbox Approvals (January 8, 2025)

- The CFPB is accepting applications for Compliance Assistance Sandbox Approvals (“CAS Approvals”), as set forth in the policy statement below and subject to Conditions to Promote Innovation, Competition, Ethics and Transparency (“the Conditions”).
- An Approval is provided by the CFPB to a particular entity under one or more of three statutory safe harbor provisions, based on the application of existing law to particular facts and circumstances.
- An Approval issued to a particular entity will state that, subject to good faith compliance with specified terms and conditions, the CFPB concludes for the reasons stated therein that offering or providing the described aspects of the product or service complies with the Federal consumer financial law identified therein.
- By operation of the applicable statutory provision, the recipient has a safe harbor from liability under the relevant statute, to the fullest extent permitted by these provisions, as to any act done or omitted in good faith in conformity with the Approval.
- Applicants for CAS Approvals must establish a market problem, in the form of an unmet consumer need, that the new financial product or service solves.
- The CFPB will not grant a CAS Approval on a topic for a single firm. The CFPB will reach out to the applicant’s competitors and invite them to apply for a CAS Approval on the same topic.
- CAS Approvals will state that recipients may not market or promote the fact that their product or service received an Approval.
- The CFPB will post applications for a CAS Approval to an open docket on the regulations.gov website and will accept comment for 60 days.
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- CAS Approvals will automatically be rescinded when recipients materially change their product or service so that it no longer fits the description provided in the application and described in the Approval, unless a modification is approved.
- Submission under false pretense is violation of law.

How the CFPB Supervision and Examination and Enforcement May Change

- Review of pending enforcement matters and litigation.
- Future of Expanded Scope of Larger Participant and High-Risk Supervision and Examination? On Hold, at minimum.
- Banks subject to CFPB's supervision authority could see significant changes given overlap of prudential regulators.
- Nonbanks may not see major changes to exam process, but potential for changes in cadence, scope, and rigor applied by examiners.
- Appeals Process Developments
- What rises to the level of enforcement (PARR Letters) and/or consumer relief?
- How will responsible business conduct, reporting, and other corrective action be viewed?
- Desire for less duplication; future of coordination with Federal Banking Agencies and State Regulators, including regarding the need for joint examinations.
- Examiners looking past compliance management systems, and less emphasis of know it when they see it UDAAP.
- Continued focus on technical legal requirements, and less or no focus on novel legal interpretations.
- Potential for greater transparency and more opportunity to gain credit for corrective actions.

Impact of *Loper Bright* and End of “Chevron” Deference...

What standard of review, and how far can agencies go to “fill in the gaps?”

- In *Loper Bright Enterprises v. Raimondo*, 144 S. Ct. 2244 (2024), the Supreme Court ended “*Chevron* doctrine,” which stated that federal courts should defer a federal agency’s interpretation of ambiguous law.
 - A federal court must now exercise “independent judgment” in construing the meaning of a statute granting an agency authority to act, though *Loper Bright* preserves authority when Congress authorized the agency to exercise discretion (such as when appropriate or reasonable).
 - “In an agency case as in any other, ... even if some judges might (or might not) consider the statute ambiguous, there is a best reading all the same—‘the reading the court would have reached’ if no agency were involved.” *Loper Bright Enterprises v. Raimondo*, 144 S. Ct. 2244, 2266 (2024) (quoting *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 843 n.11 (1984)).
 - “[C]ourts may—as they have from the start—seek aid from the interpretations of those responsible for implementing particular statutes.” *Id.* at 2262.
- Many consumer financial services statutes provide the CFPB with discretionary authority to promulgate implementing regulations. For example:
 - Under the Fair Debt Collection Practices Act, “the Bureau may prescribe rules with respect to the collection of debts by debt collectors, as defined in this subchapter.”
 - Under the Consumer Financial Protection Act, “[t]he Director may prescribe rules and issue orders and guidance, as may be necessary or appropriate to enable the Bureau to administer and carry out the purposes and objectives of the Federal consumer financial laws, and to prevent evasions thereof.”
- Does it matter what authority a rule was issued under?



Banking & Fintech Regulatory Developments

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2023 – 2024 Look Back

Regulatory supercycle following the 2023 regional bank failures.

- Safety and soundness focus of examinations and enforcement
- Agencies are looking at balance sheet basics and fundamental risk management practices, including in enforcement actions
- Third-Party Risk Management (TPRM) pervades
- Focus on bank/fintech partnerships and risk management



Increased regulation and rulemaking activity



Increased supervisory scrutiny



Increased enforcement activity and specificity



Less tailoring



Less time (to regulate; to respond)

Banks and Third-Party Risk Management

- Third-party risk management (TPRM) remains a policy focus for the Federal Banking Agencies (the Fed, OCC, FDIC), and such relationships are being scrutinized in supervision and enforcement actions.
- Interagency guidance was finalized in 2023 and has since been the basis for supervisory criticisms and enforcement actions.
 - Banks are expected to manage their non-bank partners and affiliates.
 - The guidance mandates that TPRM should be dependent on the level of risk, complexity, and size of the banking organization, as well as the nature of the third-party relationship.
 - Five stages of a third-party relationship lifecycle: Planning; Due Diligence & Third-Party Selection; Contract Negotiations; Ongoing Monitoring; Termination.

Resulting impact: Banks are highly sensitive to operational, legal, and reputational risks posed by their third-party partners.

The screenshot displays the Federal Register page for the document 'Interagency Guidance on Third-Party Relationships: Risk Management'. The page header includes the National Archives logo and the text 'FEDERAL REGISTER The Daily Journal of the United States Government'. A blue bar with a 'Notice' icon is present. The document title is prominently displayed. Below the title, it states 'A Notice by the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency on 06/09/2023'. The document ID is '2023-12340 (88 FR 27920)'. The document details section lists the Federal Reserve System (Docket No. OP-1752), Federal Deposit Insurance Corporation (RIN 3064-2A26), and the Office of the Comptroller of the Currency (Docket ID OCC-2021-0011). The 'AGENCY' section identifies the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC), Treasury. The 'ACTION' section states 'Final interagency guidance.' The 'SUMMARY' section provides a detailed overview of the guidance, mentioning that it offers the agencies' views on sound risk management principles for banking organizations. The 'DATES' section notes that the guidance is final as of June 6, 2023. A sidebar on the left contains navigation options such as PDF, Document Details, Document Dates, Table of Contents, Public Comments, Regulations.gov Data, Sharing, Print, Document Statistics, Other Formats, and Public Inspection.

Banking Agencies Issue Bank/Fintech Guidance and RFI

- On July 25, 2024, the federal banking agencies issued a joint statement flagging potential risks in bank-fintech arrangements, along with a request for public information (RFI) on the benefits, risks, and risk management practices associated with these innovative and often complex arrangements.
 - The agencies support innovation and third-party banking arrangements that are managed consistently with safe and sound practices and applicable laws and regulations.
 - Notwithstanding these potential benefits, the banking agencies have found that these arrangements may present consumer protection, safety and soundness, and compliance risks.
 - The joint statement in particular outlines various potential risks with bank-fintech partnerships, including in areas such as operational compliance, governance, anti-money laundering, and consumer protection.

The screenshot shows a page from the Federal Register. At the top, it says 'FEDERAL REGISTER' and 'The Daily Journal of the United States Government'. Below that, there's a blue bar with 'Notice'. The main title is 'Request for Information on Bank-Fintech Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses'. Underneath, it says 'A Notice by the Comptroller of the Currency, the Federal Reserve System, and the Federal Deposit Insurance Corporation on 07/31/2024'. There's a sidebar on the left with icons for PDF, Document Details, Document Dates, Table of Contents, Public Comments, Regulations.gov Data, Sharing, Print, Document Statistics, Other Formats, and Public Inspection. The main content area has a 'DOCUMENT HEADINGS' section with the following text: 'Department of the Treasury, Office of the Comptroller of the Currency [Docket No. OOC-2024-0014], Federal Reserve System [Docket No. OP-1836], Federal Deposit Insurance Corporation RIN 3064-ZA43'. Below that, it says 'AGENCY: Office of the Comptroller of the Currency, Treasury, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation.' Then 'ACTION: Request for information and comment.' Finally, 'SUMMARY: Over the past several years, the Office of the Comptroller of the Currency (OCC), Treasury, the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, "the agencies" or "agency" when referencing the singular) have observed and reviewed arrangements between banks and financial technology (fintech) companies. The agencies support responsible innovation and banks pursuing bank-fintech arrangements in a manner consistent with safe and sound banking practices, and with applicable laws and regulations, including consumer protection requirements and those addressing financial crimes. Bank-fintech arrangements can provide benefits; however, supervisory experience has highlighted a range of potential risks with these bank-fintech arrangements. This request solicits input on the nature of bank-fintech arrangements, effective risk management practices regarding bank-fintech arrangements, and the implications of such arrangements, including whether enhancements to existing supervisory guidance may be helpful in addressing risks associated with these arrangements.'

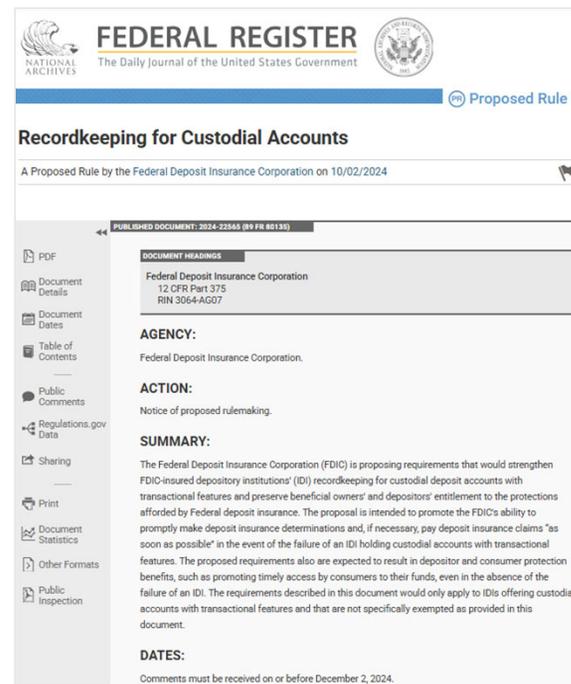
Third-Party Risk Management – Enforcement

Issues involving banks' management of non-bank affiliates are the subject of recent enforcement actions; some actions mention TPRM deficiencies and affirmative steps to bolster compliance.

- **Lineage Bank** (FDIC Consent Order, January 2024)
 - The Order contained multiple action items related to TPRM and the bank's fintech partners.
 - The Order requires an internal audit to evaluate risk controls, including those related to deposits and processing payments through third parties.
 - The Bank must submit a contingency plan to the FDIC to demonstrate how it will effectively terminate fintech partners. (See third-party relationship lifecycle from the 2023 interagency guidance.)
- **Blue Ridge Bank, N.A.** (OCC Consent Order, January 2024)
 - The OCC found the bank to be in "troubled condition" after alleged continuous failure to address BSA/AML compliance issues.
 - The bank must develop a better risk-based program to ensure that the bank and accounts related to third-party fintechs meet BSA/AML compliance requirements.
- **Sutton Bank** (OCC Consent Order, February 2024)
 - The OCC noted alleged "unsafe or unsound banking practices," including actions related to the BSA.
 - The Order requires the bank to develop policies and procedures related to TPRM including ongoing monitoring and timely corrective actions when there are issues with third parties.

FDIC FBO Account Rulemaking

- In 2024, FDIC issued a proposed rule that would apply to custodial deposit accounts (“for the benefit of” or “FBO” accounts) used in practically all bank-fintech arrangements.
 - The proposed rule would establish recordkeeping and technical requirements for insured depository institutions (“banks”) and would affect fintechs or other third-party service providers that rely on these types of accounts.
- How do fintechs currently use FBO Accounts?
 - Fintech establishes banking relationship where the funds flow through an account owned and controlled by the bank; not the fintech.
 - Fintech issues payment instructions to the bank to pull funds from a bank-owned settlement account or instructs its customer to deposit funds into the FBO account.
 - Once the funds are received in the bank-owned/controlled account, the bank holds the funds until it receives instructions from the fintech to release them to the designated payee’s bank account.
 - The funds are held in the bank account “for the benefit of” the fintech’s clients, indicating that the funds in the account are owed to those parties (and are not owned by the fintech).
 - The bank is the only entity responsible for moving the funds, and all funds at rest are in the custody and control of the bank.



FDIC Brokered Deposit Rulemaking

- In August 2024, FDIC proposed a rule on brokered deposits that would return to a more restrictive and cautious approach that could affect many banks and non-banks by bringing more entities under the brokered deposits regulation and classifying more deposits as brokered.
 - The Federal Deposit Insurance Act (FDI Act) generally restricts less-than-well-capitalized institutions from accepting funds from deposit brokers.
 - A deposit broker is any person engaged in the business of placing deposits of third parties with FDIC-insured banks (IDIs).
- Proposed Rule would substantially broaden the scope of deposits that IDIs would be required to classify as “brokered” by expanding the scope of the definition of “deposit broker” and narrowing the scope of exceptions from the definition. For example, the proposal eliminates the current carve-out for exclusive deposit placement arrangements.
- Could substantially affect many BaaS arrangements, which banks use to provide products and services to the customers of fintechs and other non-bank partners. These arrangements are typically structured to avoid the BaaS partner being designated as a deposit broker.

The screenshot shows the Federal Register entry for a proposed rule. At the top, it features the National Archives and Records Administration logo, the text 'FEDERAL REGISTER The Daily Journal of the United States Government', and the Presidential Seal. A blue banner indicates 'Proposed Rule'. The title of the rule is 'Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions'. Below the title, it states 'A Proposed Rule by the Federal Deposit Insurance Corporation on 08/23/2024'. The document number is 'PUBLISHED DOCUMENT: 2024-18214 (89 FR 68244)'. The document details include: 'DOCUMENT HEADINGS: Federal Deposit Insurance Corporation, 12 CFR Parts 303 and 337, RIN 3064-AF99'. The 'AGENCY' is the Federal Deposit Insurance Corporation. The 'ACTION' is 'Notice of proposed rulemaking'. The 'SUMMARY' states: 'The Federal Deposit Insurance Corporation (FDIC) is inviting comment on proposed revisions to its regulations relating to the brokered deposits restrictions that apply to less than well-capitalized insured depository institutions. The proposed rule would revise the "deposit broker" definition and would amend the analysis of the "primary purpose" exception to the "deposit broker" definition. The proposed rule would also amend two of the designated business relationships under the primary purpose exception and make changes to the notice and application process for the primary purpose exception. In addition, the proposed rule would clarify when an insured depository institution can regain status as an "agent institution" under the limited exception for a capped amount of reciprocal deposits.' The 'DATES' section indicates 'Comments must be received by the FDIC no later than October 22, 2024.' A sidebar on the left contains navigation options: PDF, Document Details, Document Dates, Table of Contents, Public Comments, Regulations.gov Data, Sharing, Print, Document Statistics, Other Formats, and Public Inspection.

CFPB 1033 Rulemaking: Open Banking Framework

- CFPB finalized the **Personal Financial Data Rights Rule**.
 - “Data providers” (e.g., banks) must make “covered data” available in electronic form to consumers and to certain “authorized third parties” (e.g., fintechs) through a “consumer interface” or “developer interface,” respectively.
 - “Covered data” includes information about a consumer’s use of “covered financial products and services”.
 - The Rule does not require use of any specific technology, but using “screen scraping” to access covered data is prohibited.
 - Fees and charges related to consumers’ and third parties’ access to covered data are prohibited.
- To authenticate a consumers’ requests for covered data, the data provider must (1) authenticate the consumer’s identity; and (2) identify the scope of the data requested. For authorized third parties, the data provider must (i) authenticate the consumer’s identity; (ii) authenticate the third party’s identity; (iii) document the third party has followed the authorization procedures; and (iv) identify the scope of the data requested.

The screenshot shows the Federal Register entry for the CFPB 1033 Rulemaking. The page title is "Required Rulemaking on Personal Financial Data Rights" and it is dated 11/18/2024. The document is published under the heading "PUBLISHED DOCUMENT: 2024-25079 (99 FR 96838)". The document details include: "Consumer Financial Protection Bureau", "12 CFR Parts 1001 and 1033", "[Docket No. CFPB-2023-0052]", and "RIN 3170-AA78". The agency is the Consumer Financial Protection Bureau. The action is a final rule. The summary states: "The Consumer Financial Protection Bureau (CFPB) is issuing a final rule to carry out the personal financial data rights established by the Consumer Financial Protection Act of 2010 (CFPA). The final rule requires banks, credit unions, and other financial service providers to make consumers' data available upon request to consumers and authorized third parties in a secure and reliable manner; defines obligations for third parties accessing consumers' data, including important privacy protections; and promotes fair, open, and inclusive industry standards." The effective date is January 17, 2025. Compliance dates are listed as: "Data providers must comply with the requirements in 12 CFR part 1033, subparts B and C beginning April 1, 2026; April 1, 2027; April 1, 2028; April 1, 2029; or April 1, 2030, pursuant to the criteria set forth in § 1033.121(c)." The page also features a sidebar with navigation options like PDF, Document Details, Document Dates, Table of Contents, Public Comments, Regulations.gov Data, Sharing, Print, Document Statistics, Other Formats, and Public Inspection.

AML Developments: Corporate Transparency Act (CTA)

- CTA requires companies to file beneficial ownership information (BOI) with the FinCEN. Effective January 1, 2024, by FinCEN rule, many companies were required to report BOI information to FinCEN.
- Many federal court challenges to CTA requirements. In December 2024, in *Texas Top Cop Shop, Inc. et al. v. Garland, et al.*, (ED Tex), court issued a nationwide preliminary injunction against BOI reporting rule.
- In January, U.S. Supreme Court issued an order granting the Department of Justice's application to stop the preliminary injunction issued in *Texas Top Cop Shop* against the CTA.
- Notwithstanding the Supreme Court's decision, given injunctions in other cases, on January 24, 2025, FinCEN voluntarily decided to continue to stay the CTA reporting requirements until litigation is more clearly resolved.
 - Companies need to be prepared to file once litigation is resolved.
 - FinCEN continues to work on rulemaking addressing how financial institutions should use BOI reporting for purposes of customer due diligence under their AML programs.
 - Remains unclear how Trump Administration and new Congress will view the CTA and the reporting requirements.



Payments Updates and Trends

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Payments Trends for 2025

1. Cross border payments

- Expect increase in cross border payment applications, particularly on B2B payments
- Impact of cryptocurrency deregulation and stablecoin adoption (more on that later)

2. Account-to-Account payments

- Continued growth of P2P apps
- Continued growth of Visa Direct / Mastercard Send
 - See X's recent announcement of Visa Direct platform use.

3. Continued expansion of real time payments

Potential for Regulatory Reforms?

- **Durbin Amendment / Regulation II**

- Adopted to implement Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the **Durbin Amendment**), Regulation II imposes an interchange fee cap on non-exempt debit card transactions comprised of (i) the base component, (ii) the *ad valorem* component, and (iii) the fraud-prevention adjustment.
- In late 2023, the Federal Reserve Board of Governors (**Board**) proposed amendments to Regulation II that would lower the interchange fee cap by (i) reducing the base component's amount, (ii) reducing the *ad valorem* component's amount, and (iii) increasing the fraud-prevention adjustment's amount.
 - Further action on this proposed rulemaking are still pending.

- **Credit Card Competition Act (CCCA)**

- Introduced in 2023 (S. 1838) by Senator Richard Durbin (D-IL), the CCCA would apply to large credit card issuing banks and the credit cards issued by them.
 - Credit card transactions would need to be capable of being processed on at least two networks.
 - At least one of those networks could not be Visa or Mastercard
- Despite a second push in 2024 by Sen. Durbin for the bill's passage, no further actions taken on the CCCA in the 2023-24 congressional session. It has not yet been reintroduced in the current session.



Potential for Regulatory Reforms?

- **Illinois Interchange Fee Prohibition Act**

- Would prohibit card issuers, payment card networks, acquirer banks, and payment processors from charging interchange fees on tax and tip transactions.
 - Current effective date: July 1, 2025
 - First statute of its kind in the country
- Motion for Preliminary Injunction filed by banking and credit union associations in N.D. Illinois; Illinois Attorney General is the defendant in the lawsuit.
 - October 30, 2024, hearing on PI motion
 - Challenged as violating the National Bank Act, which arguably preempts the Illinois law because of national banks' rights to process debit and credit transaction and to use and transfer payment data
- Similar bills have been introduced in Maryland (H.B. 29) and Washington (S.B. 5070).

Continued Enforcement Scrutiny

- FTC, CFPB, and other law enforcement continue to scrutinize payment processors for facilitating processing for merchants engaged in fraud.
- Payment companies potentially liable for providing payment processing services to merchant when the payments company knew or should have known that the merchant:
 - Charged or debited consumer accounts without authorization, or
 - Illegally obtained consumer payment information.

High Risk Verticals	
<ul style="list-style-type: none">• Credit repair and debt relief• Timeshare cancellation• Cryptocurrency• Dating/escort services• Money making opportunities• Nutraceuticals / personal enhancement products (especially with free trials/subscriptions)	<ul style="list-style-type: none">• Multi-level marketing• Essay writing/paper mills• Technical support products and services• Outbound telemarketing• Past defendant in any federal or state case involving fraud or unfair or deceptive or abusive practice• Spyware

History OF Enforcement in Payments

2002 – 2008	2013-2017	2020	2022	2023-2024
<p>FTC focus on sales reps and unfair debiting and contracting practices.</p> <ul style="list-style-type: none"> • Certified Merchant Services • Merchant Processing Inc • Merchant Services Direct <p>Bank regulators send message to banks about protecting the payments system, watching reputational risk.</p> <ul style="list-style-type: none"> • Wachovia Bank 	<p>U.S. Department of Justice launched Operation Choke Point to investigate banks for supporting certain high-risk businesses.</p> <ul style="list-style-type: none"> • Four Oaks Bank • First Bank of Delaware <p>The initiative is consistent with FTC efforts to hold processors responsible for merchant fraud.</p> <ul style="list-style-type: none"> • Bluefin Payment Systems • Electronic Payment Systems • CardFlex • CardReady • Newtek 	<p>Post-Choke Point: FTC continues to focus on the industry as responsible for harm caused by merchants.</p> <ul style="list-style-type: none"> • First Data • Transact Pro • RevenueWire • Complete Merchant Services • Madera Merchant Services • Qualpay 	<p>FTC reminds merchant processors that they must not engage in unfair or deceptive processes in marketing services to merchants; uses novel theories (ROSCA) to claim liability.</p> <ul style="list-style-type: none"> • First American 	<p>CFPB revitalizes its efforts against payment processors.</p> <p>FTC focuses on payment facilitators, merchant-of-record model, and ancillary services in the industry.</p> <ul style="list-style-type: none"> • BlueSnap • Nexway <p>Bank regulators enforce third-party risk management.</p> <ul style="list-style-type: none"> • Blue Ridge Bank • Lineage Bank



Cryptocurrency Developments

VENABLE LLP

Big Picture: Policy Goals Under the New Administration

- **Stated Goals of the Administration:**
 - Reducing regulatory burdens on the cryptocurrency industry.
 - Promoting digital asset adoption.
 - Make the United States “**the crypto capital of the planet.**”
- **Key Indicators of Policy Direction:**
 - Executive orders and statements related to digital assets.
 - Digital Assets executive order.
 - “Meme” coins issued by Trump and Melania.
 - End “Operation Choke Point 2.0.”
 - Appointments to agencies (e.g., SEC, CFTC, Treasury, etc.).

Appointments to Departments & Regulatory Agencies

- **SEC: Paul Atkins** – Served as an SEC commissioner from 2002 to 2008. He is known for advocating reduced regulatory burdens and promoting financial innovation. Atkins co-chairs the Token Alliance under the Chamber of Digital Commerce. **Nominated**
 - Expected to end a crypto crackdown led by President Biden's SEC chair Gary Gensler.
 - Expected to begin a review of court cases and potentially freeze some litigation that does not involve allegations of fraud.
 - Expected to call for feedback on potential new regulations, including rules clarifying when the agency considers a cryptocurrency to be a security.
- **CFTC: Caroline Pham** – A former Citigroup executive who has advocated for clearer cryptocurrency regulations and is expected to collaborate with newly appointed pro-crypto officials to establish a supportive regulatory framework. **Approved as Acting Chair, unconfirmed**
- **Treasury: Scott Bessent** – Selected to lead the Treasury Department, Bessent holds pro-cryptocurrency views and has disclosed significant investments in Bitcoin ETFs. **Confirmed**
- **Department of Government Efficiency (DOGE): Elon Musk** – A vocal advocate for cryptocurrency, frequently endorsing Bitcoin and Dogecoin.



Digital Assets Executive Order

- **Key Takeaways:**
 - **Revocation of Previous Executive Orders and Treasury Guidance.**
 - Rescinds President Biden’s digital assets executive order.
 - Directs Treasury to rescind its “Framework for International Engagement on Digital Assets.”
 - **Establishment of the Working Group on Digital Asset Markets (Working Group).**
 - Interagency group is tasked with developing a federal regulatory framework for digital assets and evaluating the potential creation of a national digital asset stockpile.
 - **Opposition to the Central Bank Digital Currencies (CBDC).**
 - Rejects the establishment, issuance, circulation, and use of a CBDC within the United States

CFPB Interpretive Rulemaking on Crypto

- Proposed interpretive rule would sweep stablecoins and other cryptocurrencies under the Electronic Fund Transfer Act (EFTA) and Regulation E.
 - **Expanded Definition of “Funds”:** The CFPB interprets "funds" under EFTA to include assets such as stablecoins and other fungible digital assets used as a medium of exchange or for payments.
 - **Broader Scope of “Accounts”:** The rule clarifies that the EFTA applies to "other consumer asset accounts," which may include virtual currency wallets, gaming platform accounts, and proprietary digital balance products.
 - If adopted, the interpretive rule would require entities offering cryptocurrency-related services to evaluate their compliance with EFTA and Regulation E. **This means:**
 - Disclosure requirements,
 - Error resolution, and
 - Limits on liability for unauthorized transactions!



The Crypto Migration

- Changing regulatory environment is prompting foreign-based cryptocurrency companies to expand operations into the United States.
- Companies operating in this space, however, will continue to face significant regulatory challenges:
 - Money transmission and anti-money laundering compliance
 - Consumer protection
 - State-level regulations



FTC Click-to-Cancel Rule

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What is the Click-to-Cancel Rule?

- Federal Trade Commission “consumer protection” rule published October 16, 2024.
- Expanded the scope of the FTC’s prior Prenotification Negative Option Rule to apply to subscriptions, automatic renewals, continuity programs, membership clubs, and other negative option programs in commercial transactions, including business-to-business.
- Updated disclosure, consent, and cancellation requirements (“**click-to-cancel**”).
- New definition of “clear and conspicuous”.
- New prohibitions on misrepresenting any “material fact” about the transaction or the underlying goods or services related to the transaction.
- Violations punishable by injunctive relief and monetary relief (refunds, disgorgement, rescission of contracts, and civil penalties of \$51,744 per violation).

FACT SHEET

The FTC’s “Click to Cancel” Rule

This rule is helping the FTC get money back to people who are misled, and addressing common problems:

- ▶ Sellers who don’t tell the truth or leave out necessary information.
- ▶ People who get billed when they didn’t agree to pay.
- ▶ Sellers who make it hard — or impossible — to cancel.



Under the FTC’s amended Negative Option Rule:

- ✓ Important information must be truthful, clear, and easy to find.
- ✓ People have to know what they’re agreeing to before they sign up.
- ✓ Sellers have to be able to show that people knew what they agreed to before they signed up.
- ✓ There always has to be a way to cancel that’s as quick and easy as it was to sign up.
 - Sign up online? Click to cancel.
 - Signed up in person? Cancel online or over the phone.
- ✓ Violators can be liable for redress and civil penalties.

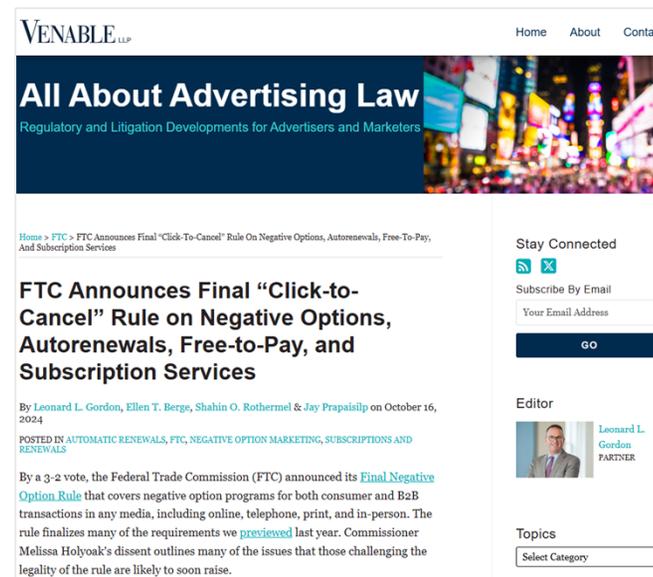
The rule takes full effect 180 days after publication in the Federal Register.



FEDERAL TRADE COMMISSION

Business-to-Business NOT EXEMPT

- The FTC declined to exempt B2B transactions from the scope of the rule.
- The Rule covers all offers made in all media, including Internet, telephone, in-person, and printed materials, and would apply to all negative option sellers.
- Certain entities or activities are wholly or partially exempt from FTC jurisdiction under the FTC Act, including most depository institutions, charities, transportation and communications common carriers, and the business of insurance.
- The FTC Act does, however, cover companies organized to carry on business for their own profit or that of their members, even if those companies are organized under state law as a not-for-profit entity.



The screenshot shows a webpage from VENABLE LLP. At the top, there is a navigation bar with 'Home', 'About', and 'Contact' links. Below this is a dark blue header with the text 'All About Advertising Law' and a subtitle 'Regulatory and Litigation Developments for Advertisers and Marketers'. The main content area features a breadcrumb trail: 'Home > FTC > FTC Announces Final "Click-To-Cancel" Rule On Negative Options, Autorenewals, Free-To-Pay, And Subscription Services'. The article title is 'FTC Announces Final "Click-to-Cancel" Rule on Negative Options, Autorenewals, Free-to-Pay, and Subscription Services'. The byline reads 'By Leonard L. Gordon, Ellen T. Berge, Shahin O. Rothermel & Jay Prapaisilp on October 16, 2024'. The text indicates the article was posted in 'AUTOMATIC RENEWALS, FTC, NEGATIVE OPTION MARKETING, SUBSCRIPTIONS AND RENEWALS'. The main text begins with 'By a 3-2 vote, the Federal Trade Commission (FTC) announced its Final Negative Option Rule that covers negative option programs for both consumer and B2B transactions in any media, including online, telephone, print, and in-person. The rule finalizes many of the requirements we previewed last year. Commissioner Melissa Holyoak's dissent outlines many of the issues that those challenging the legality of the rule are likely to soon raise.' On the right side of the page, there is a 'Stay Connected' section with social media icons, a 'Subscribe By Email' form with a 'GO' button, an 'Editor' section featuring a photo of Leonard L. Gordon and his title 'PARTNER', and a 'Topics' dropdown menu.

Payment Processors and Intermediaries

- **Negative Option Seller** means “the person selling, offering, promoting, **charging for**, or otherwise marketing goods or services with a negative option feature.”
 - FTC agreed with interpretation that the words “charging for” do not cover intermediaries merely effecting the transfer of funds from consumer to merchant.
 - FTC declined to exempt payment processors and other payment intermediaries in whole, saying the exemption would be overbroad and “exclude actors engaged in the practices condemned by the Rule.”
 - FTC: “For example, a payment processor selling its own services on a negative option basis, as opposed to just providing payment services for another negative option seller, is no different than any other business covered by the Rule.”
 - FTC warned that companies should ensure partners and vendors are compliant with rule changes, as it would enforce the final Rule in accordance with “established Section 5 principles regarding parties’ responsibilities for, and involvement in, relevant activity.”

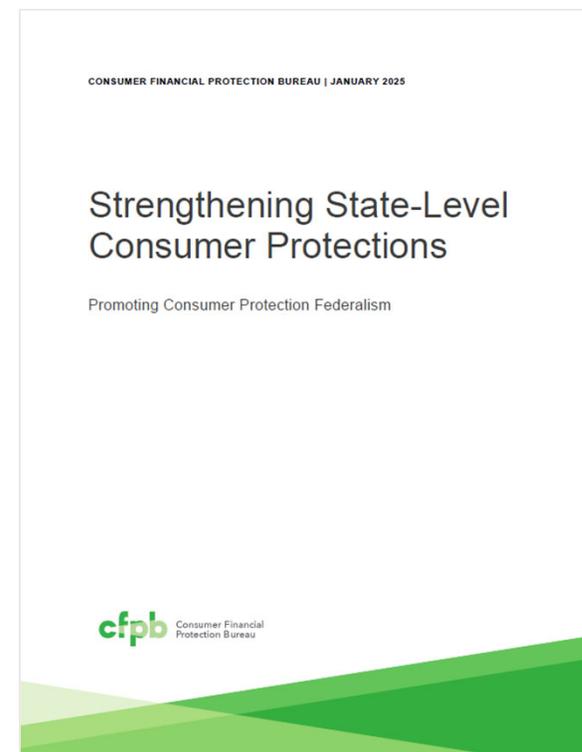


State Regulatory Updates and Trends

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CFPB Consumer Protection Recommendations to States

- The CFPB released a report titled “**Strengthening State-Level Consumer Protections**” (**Report**) on January 14, 2025.
 - “[I]ncreasing corporate concentration” in markets for consumer financial services highlighted as a driver of “new forms of [consumer] abuse.”
- The CFPB advocates for updates to states’ laws and regulations that would strengthen the position of both state regulators and private plaintiffs in actions against industry participants:
 1. Incorporate “Abusive” into state consumer protection laws.
 2. Strengthen investigatory and enforcement powers of state AGs, regulators, municipalities, and cities.
 3. Eliminate burden of proving monetary harm and reliance from public and private rights of action.
 4. Expand reach of consumer protection laws to business-to-business transactions.
 5. Add causes of action that allow private enforcement of the law, even when arbitration clauses may apply.
 6. Strengthen consumer data and privacy rights.
 7. Adopt clear prohibitions on “Junk Fees.”



Multistate Approach to Licensing and Chartering

- The **Conference of State Bank Supervisors (CSBS)** continues fostering better avenues for “**Networked Supervision**” of banks and licensed financial services providers.
 - Networked Supervision forms the basis for multistate coordination and collaboration across a range of supervisory tools and processes. It describes the growing coordination among state bank and financial services regulators in recent years.
 - Improvements to the Nationwide Multistate Licensing System (NMLS), the State Examination System (SES), and other systems have improved state regulators’ abilities to share information.
 - Model laws—such as the Money Transmission Modernization Act (MTMA)—have helped create pathways for this information sharing.
- Effects of this approach can already be seen in the supervision and examination of large banks, state-licensed money services businesses (MSBs), and state-licensed mortgage lenders and originators.



Enforcement through Networked Supervision

- In January 2025, **48 state financial regulators** reached a **multistate settlement agreement** with Block, Inc., a nationwide-licensed MSB, concerning Bank Secrecy Act (BSA) and anti-money laundering laws (AML) violations.
 - \$80 million fine included in the settlement agreement.
 - Arkansas, California, Massachusetts, Florida, Maine, Texas, and Washington State led the multistate enforcement effort.
 - Most participating states had adopted versions of the MTMA.
 - The enforcement action appears to solely be the result of state financial services regulators' initiative.
 - No corresponding enforcement action by the Financial Crimes Enforcement Network (FinCEN) has been announced thus far.



State Regulators Issue \$80 Million Penalty to Block, Inc., Cash App for BSA/AML Violations

Jan 15, 2025

Washington, D.C.— In a coordinated enforcement action by 48 state financial regulators, Block, Inc. will pay an \$80 million fine and undertake corrective action for violations of the Bank Secrecy Act (BSA) and anti-money laundering (AML) laws that safeguard the financial system from illicit use.

More than 50 million consumers use Cash App, Block's mobile payment service, to spend, send, store, and invest money.

In the [multistate settlement](#) signed this week, Block agreed to pay the assessed penalty to the state agencies, hire an independent consultant to review the comprehensiveness and effectiveness of its BSA/AML program, and submit a report to the states within nine months. Block then will have 12 months to correct any deficiencies found in the review after the report is filed.

State regulators in Arkansas, California, Massachusetts, Florida, Maine, Texas, and Washington State led the multistate enforcement effort. Block cooperated with the states in the settlement.

Under BSA/AML rules, financial services firms are required to perform due diligence on customers, including verifying customer identities, reporting suspicious activity, and applying appropriate controls for high-risk accounts. State regulators found Block was not in compliance with certain requirements, creating the potential that its services could be used to support money laundering, terrorism financing, or other illegal activities.

Through a strong, nationwide regulatory framework, state financial regulators license and serve as the primary supervisor of money transmitters. States license more than 700 money transmitters, and 99% of transmission activity through those firms is governed by the state-developed [Money Transmission Modernization Act](#). To protect consumers and enforce safety and soundness requirements, state regulators regularly coordinate supervision of multistate firms and, when necessary, initiate enforcement actions. This coordination - [Networked Supervision](#) - supports consistency and collaboration, while

Simplifying Licensing and Chartering

- Networked Supervision promises a “**faster, better, and more efficient licensing & chartering experience**” for banks and non-bank companies subject to state supervision.
 - “One Company, One Exam” programs being rolled out for multistate MSB and mortgage licensees.
 - Streamlined processes for new license applications and reporting expected as well.
 - As the concept matures, other licensing matters are expected to benefit as well.
- **Example:** A simplified and streamlined process for **change of control notice and approval filings** through the Networked Supervision approach.
 - Many types of financial services providers licensed in multiple states must obtain approvals from their state regulators before bringing on certain new investors, changing owners, or replacing key individuals, depending on the license. In many cases, regulator approvals must be obtained before the transaction or change can move forward.
 - Obtaining the necessary approvals can be a long process with few guarantees. It sometimes requires multiple notice letters, additional submissions of information, and engagement with the regulator.
 - Improvements to NMLS have already simplified the process of providing notice letters to regulators, but actually obtaining approvals still happens on a state-by-state basis.
 - The CSBS appears to be trying to solve this piecemeal approach problem through its model laws.
 - The MTMA, for example, includes language providing for streamlined approvals of new control persons who have already been approved by another state’s regulator and processes for seeking multistate approval determinations.



Closing Thoughts and Wrap-up

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