



Bank Charter vs. Money Transmitter License

Courtesy of Banking Bureau and Office of Innovation

The DC Department of Insurance, Securities and Banking welcomes your interest in establishing a new District of Columbia financial institution. The District offers a state-level regulatory framework that allows interested parties to operate in the nation's capital.

The process for establishing a new District "depository" or "non-depository" financial institution can be a major undertaking that requires a substantial personal and financial commitment.

Below is a comparative overview of the requirements for obtaining a bank charter versus a money transmitter license.

BANK CHARTER (DEPOSITORY)

MONEY TRANSMITTER LICENSE (NON-DEPOSITORY)

Banks are financial institutions that offer a full range of retail and online banking services and products, including accepting deposits, making loans, payments and trust services. In the United States, banks are chartered at either the federal or state level each with distinct financial and regulatory requirements.

Money transmitters are Money Service Businesses (MSBs) that provide money transfers, facilitate payments, issue payment instruments or stored-value products (i.e. pre-paid gift cards). Money transmitters do not accept deposits, make loans or investments.

CHARTERING AUTHORITIES:

- National Banks: chartered by the Office of the Comptroller of the Currency (OCC) and must include "National" or "N.A." in their names.
- State Banks: chartered by state banking authorities and the Federal Deposit Insurance Corporation (FDIC) or the Federal Reserve Bank (FRB). The naming conventions may vary by state.

LICENSING AUTHORITIES:

- Generally, each state requires a money transmitter license to operate within its borders. Additionally, a money transmitter, as an MSB, must register with the Financial Crimes Enforcement Network (FinCEN) at the federal level.
- Each state has varying regulatory and financial requirements.

BANK CHARTER (DEPOSITORY)

MONEY TRANSMITTER LICENSE (NON-DEPOSITORY)

REGULATORY OVERSIGHT:

- National Banks: supervised by the OCC.
- State Banks: dual supervision with state banking and other financial regulatory authorities including the FDIC or FRB.

PROCESS TO APPLY:

- The chartering process for a bank is lengthy and typically ranges from 18 to 36 months.

REQUIREMENTS:

- Business Plan outlining the bank's proposed services and products, target markets, financial projections and risk management practices.
- Management team with relevant banking experience and industry knowledge.
- Compliance program that features robust policies to adhere to anti-money laundering (AML) laws and consumer protection regulations.
- Capitalization at the required capital levels that exceed the minimum requirements.
- FDIC Insurance must be obtained before the bank can begin operations.

REGULATORY OVERSIGHT:

- State financial regulatory agencies supervise money transmitters.

PROCESS TO APPLY:

- The application process varies by state and typically takes several months.

REQUIREMENTS:

- Business Plan outlining the money transmitter's proposed services and products.
- Surety bonds must be maintained to operate. State minimum surety bond amounts range from \$25,000 to over \$1 million.
- Minimum tangible net worth requirements must be met prior to licensure.
- Compliance programs must be implemented to mitigate the risk associated with operating an MSB and to ensure adherence to AML laws and regulations.

In summary, establishing a bank involves a rigorous and lengthy process with significant capital requirements and regulatory oversight from both the District of Columbia and the federal government. In contrast, obtaining a money transmitter license, while still demanding, involves navigating state-specific laws and regulations for a transactional business model, adhering to strict compliance requirements and securing appropriate surety bonds.

Prospective applicants should conduct thorough research and consult with legal counsel and regulatory experts to ensure compliance with all applicable requirements prior to applying with DISB.

For more information on the District of Columbia bank charter and the District of Columbia money transmitter license, please contact DISB at 202.727.8000, DISB.dc.gov or info.disb.ooi@dc.gov.