



June 19, 2025

New Colorado Money Transmission Act Parallels Key Provisions of CSBS Money Transmission Modernization Act

By: [Michael Flynn](#)

Colorado has adopted a new Money Transmission Modernization Act ("Act"), replacing the old Colorado Money Transmitters Act. A copy of the Act may be found [HERE](#).

The new Act is modeled on the Conference of Bank State Supervisors' ("CSBS") Money Transmission Modernization Act, which has been adopted in whole or in part by over 30 states.

While financial institutions that are federally insured depository institutions and a few other exceptions are not subject to the Act, a wide variety of other money transmitters need to be sure they are in compliance with the new requirements and the rules the Colorado Banking Board will promulgate under the Act. Due to the Colorado Act following the CSBS Money Transmission Modernization Act, multi-state money transmitters will be able to have uniform processes in a majority of states, but must still look at the non-conforming states to be in compliance everywhere.

The CO Act establishes several standardized provisions consistent with the CSBS Money Transmission Modernization Act.:

- Definitions of money transmitters and exceptions to such definitions, including the agent-payee exception;
- Licensing procedures, including standardized vetting processes and definitions of who is in control of an applicant;
- Safety and soundness requirements, including bonding, tangible net worth and permissible investment calculation requirements;
- Use of the Nationwide Multistate Licensing System and Registry ("NMLS").
- Setting forth enforcement actions and penalties available to regulators.

The effective date of the Act is either August 6, 2025, or if a referendum petition is filed before that date, on the date the governor declares the Act is approved by voters in the November 2026 general election.

Definitions of Money Transmitters and Exceptions

The Act defines money transmitters as

- Selling or issuing payment instruments or stored value to any person in Colorado;
- Receiving money for transmission from any person in Colorado;
- Payroll processing services.



There are numerous exceptions, including:

- A federally insured depository institution and certain foreign banking corporations or foreign banks;
- Payroll processing services does not include an employer conducting payroll services on its own behalf or on behalf of an affiliate. It also does not include a person acting as an agent of the employer to process payrolls, if the agent's services would otherwise have to be licensed, provided that the employer and agent have a written agreement for the provision of such services, the employer holds the agent out as providing such services to the employer, and the employer's obligations to a payee are not eliminated if the agent fails to remit funds to the employee;
- An operator of a payment system providing processing, clearing or settlement services, between licensees or persons exempted from licensing under the Act in connection with such money transfers such as wire transfers, credit card or debit card transactions, stored value transactions, and automated clearing house (ACH) transfers;
- An authorized delegate designated by a licensee to engage in money transmission on behalf of the licensee;
- A person acting as an agent of a payee to collect and process payments from a payer for goods or services (other than money transmission itself), if the payee and agent have a written agreement for the provision of such services, the payee holds the agent out as providing such services to the payee, and a payer's obligations to the payee are eliminated if the agent fails to remit funds to the payee;
- Broker-dealers;
- Employees of licensed parties.

Supervision

The processing of applicants for licenses, and the supervision of entities under the Act, is vested in the Colorado Banking Board ("Board"). The Board may examine or investigate license applicants. It also is charged with enforcing the Act, including bringing enforcement actions and assessing proper penalties. It also is to receive quarterly reports from each licensee.

Utilization of NMLS

The Act authorizes the Board to coordinate nationwide licensing protocols with other states.

The Board may use the NMLS to gather information and to perform other steps to ensure uniformity of supervision and regulation of licensees in other jurisdictions.

Reports to the Board

Each licensee is required to submit a report of condition to the Board within 45 days after the end of a calendar quarter, containing various information about the financial condition of the licensee, permitted investments and transmission transaction history. The licensee must also submit quarterly reports information about each authorized delegate.

The licensee must also file audited financials on an annual basis.

The licensee is also required to file special reports concerning certain specified events, such as filing of bankruptcy or receivership; conviction of a felony by a licensee, persons in control of the licensee or an authorized delegate; and revocation of the licensee's license in any state or foreign country.

Record Keeping

The Act also requires the licensee to maintain certain records, including every money transmission sold, general ledgers, bank statements, and other records.



Financial Responsibility of Licensee

Tangible Net Worth Requirements

A licensee shall maintain a tangible net worth of the greater of:

- \$100,000 or 3% of total assets for the first one hundred million dollars;
- 2% of additional assets for one hundred million dollars to one billion dollars;
- 0.5% of additional assets for over one billion dollars.

Required Investments

Licensees are required to maintain investments that have a market value not less than the aggregate amount of all of the license's outstanding money transmission obligations.

Certain investments permitted under the Act include:

- Cash;
- Certificates of deposit;
- An obligation fully guaranteed by the United States;
- An irrevocable standby letter of credit;

Additionally, a certain designated percentage of each the following investments may be counted:

- Receivables payable to a licensee from a single authorized delegate;
- Short term investments with an eligible rating;
- Commercial paper, bill, note or debenture containing an eligible rating;
- Money market mutual funds rated less than "AAA" and equal to or higher than "A-".

Surety Bonds

All licensees must maintain a surety bond, or with the Board's approval, a deposit, in an amount greater than:

- \$250,000, or
- One hundred percent of the licensee's average daily money transmission liability in Colorado, (calculated for the most recent completed three month period) up to a maximum of one million dollars;
- If the licensee maintains a bond in the amounts set forth above, it does not need to calculate its average daily money transmission liability in Colorado.

Timely Transmission, Refunds and Disclosures

The Act provides that that money shall be transmitted timely in accordance with the agreement between the payee and the licensee. Generally, if payee requests in writing a refund, the money shall promptly be refunded unless it has already been forwarded in accordance with the agreement between the payee and the licensee. The Act also prescribes what information must be in a receipt to the payee. Finally, the Act provides what type of reports and other records must be delivered or made available by licensees engaged in payroll processing services.



Enforcement and Penalties

Under the Act, the Banking Board is authorized to suspend or revoke a licensee's license, or suspend or revoke an authorized delegate, for violation of the Act and Board rules, fraud or intentional conduct, or failure to cooperate with the Board in an investigation. The Board may also:

- Issue cease and desist orders;
- Enter into consent orders;
- Assess civil penalties.

The Board may assess civil penalties in an amount determined by the Board for each day of the violation, plus costs, expenses and reasonable attorneys' fees. Parties who intentionally make a false statement or certification or intentionally make a false entry or omit a material entry in any record required shall be deemed to commit a misdemeanor, which carries penalties of 120 days imprisonment, not more than a seven hundred fifty dollar fine, or both.

A party who is penalized or sanctioned by the Board may seek judicial review.

Buchalter's Denver office contains attorneys versed in money transmission matters, and the full range of commercial and corporate legal issues.



Michael Flynn

Of Counsel
(303) 253-6750
mflynn@buchalter.com



Marie Zimmerman

Attorney
(303) 253-6746
mzimmerman@buchalter.com



Steve Segal

Shareholder
(303) 253-6743
ssegal@buchalter.com



Betty Arkell

Shareholder
(303) 885-1988
barkell@buchalter.com



Terry Freeman

Shareholder
(303) 253-6747
tfreeman@buchalter.com