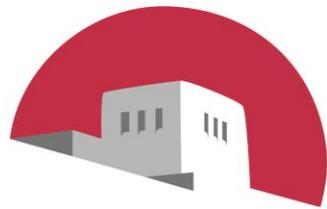


# Regulating the New Cashless World



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# How Will Regulators Keep Up Payments Evolution?

- Law and regulation lags behind new technology and innovative business models
- Critical analysis of common regulatory response to innovation can provide lessons to facilitate development of an efficient and appropriately-scaled legal and regulatory system

# Example: U.S. Money Transmitter Laws

- Generally, regulate the business of receiving money or value for the purpose of transferring it to another place or location
- Imposes licensing, bonding, reporting and other requirements
- Generally, no explicit exemptions that clearly remove new and emerging payment products from regulation

# Uncertain Scope

- Many payment innovations simply were not contemplated at the time of enactment
- Unclear whether and how existing regulations apply to payment innovation

# Typical Regulatory Response: Early Stage

- Silence
- Guidance (informal and formal) focused narrowly on whether existing regulation applies – often based on plain language

# UNNM

Person A

Person C



Person B  
(Money  
Transmitter)



# Deficiencies

- Fails to consider unique characteristics
  - Regulatory requirements under existing law may be ill-suited for extension
  - Purpose of existing regulation may not be advanced (or implicated to the same degree)

# Deficiencies

- Fails to develop a consistent and comprehensive regulatory framework
  - Response is limited to discrete issues that fall within the ambit of a particular regulatory body's purview
  - Response therefore is developed in a “regulatory silo”

# Payment Innovations Touch On Many Regulatory Issues

- Consumer Protection
- Anti-Money Laundering
- Use of Payment System for Other Criminal Activities
- Data Security and Privacy
- Safety and Soundness
- Tax
- Securities and Investments
- Monetary Policy



# Takeaway #1

- Regulators and legislators must learn about the functionality of payment innovations and recognize any unique attributes
  - “One-size-fits-all” regulation is often problematic
  - Do not be afraid of engaging industry

# Takeaway #2

- Regulators and legislators should take a more holistic and comprehensive approach to developing regulation
  - Considering the extension of existing laws and regulatory frameworks should only be the starting point
  - The purpose/intent of existing laws and regulations can provide valuable guidance, **but** don't be afraid to think outside the box.

# Takeaway #3

- Developing regulation for payments innovation requires cross-communication and collaboration amongst all interested parties and regulatory bodies
  - Developing consistent and cohesive regulation requires: (1) identification of the wide-range of regulatory considerations raised by payment innovations; **and** (2) engagement of all interested parties.

**Questions?**

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