May 24, 2025

Re: RAN Testimony on AB500 Regarding Regulatory Concerns

Madam Chair and Members of the Assembly Ways & Means Committee,

There is a fundamental disagreement about the purpose of this bill. The Financial Institutions Division is evaluating AB500 as if it creates a traditional bank, when in fact it creates a new, narrowly focused institution—one that doesn't lend, doesn't operate branches, and exists solely to move money efficiently and securely. This charter is designed to allow innovation to fix what isn't working in our current system. Insisting on old regulatory models for a new kind of institution defeats the purpose of the legislation. If we keep regulating payments the way we've always done, we'll keep getting the same result: high costs for businesses, limited competition, and no savings for consumers. AB500 offers a better path—one that modernizes our financial infrastructure while keeping strong oversight in place, and positions Nevada to lead.

1. Regulatory Capacity and Authority

Assembly Bill 500 is carefully scoped to reduce regulatory complexity by excluding high-risk activities like lending and focusing exclusively on payment processing and deposit management. This narrow mission allows the Financial Institutions Division (FID) to concentrate its oversight within a defined risk profile. Contrary to concerns about resource limitations, FID submitted a detailed fiscal note outlining the staffing and infrastructure required to implement this new charter—and the amendment from the Nevada Bankers Association, which was accepted, ensures that those resources will be fully funded. Importantly, state-chartered banks are not new to Nevada. The Division has a long and successful history of regulating financial institutions and already possesses the structural authority to oversee this category of banking. If the Division identifies any specific regulatory gaps, those are best addressed—appropriately—through the regulatory process that the bill empowers the Commissioner to lead. With strong regulatory tools, defined authority, and secured funding, FID is well-positioned to oversee payments banks effectively.

2. Uninsured Deposit Activity and Risk Assumption

Assembly Bill 500 explicitly offers a range of risk mitigation tools—not just a surety bond. Under the bill, payments banks must either obtain FDIC insurance, secure private insurance approved by both the Commissioner of Financial Institutions and the Commissioner of Insurance, or receive approval to operate without insurance only if they post a surety bond or pledge qualifying assets. These options ensure that no payments bank can operate without robust, regulator-approved protections in place. The surety bond is not intended to replace consumer protection, because Assembly Bill 500 requires that all deposits be held in high-quality, low-risk, and highly liquid investments—such as U.S. Treasury obligations, deposits at FDIC-insured institutions, or similarly conservative instruments. This investment restriction is deliberately designed to ensure that consumer funds are protected and readily available for withdrawal, even in the event of stress. By giving the Commissioner discretionary approval authority over all deposit protection plans, the Act ensures regulators—not the market—set the bar for safety. The bill also explicitly allows the Commissioner to raise bond requirements if needed to match risk exposure, reinforcing the regulatory control already embedded in the framework.

3. Deviation from Federal Banking Regulations

Payments banks do not engage in lending, so traditional capital standards like those under Regulation D are not fully applicable. Instead, AB500 imposes modern, risk-aligned capital requirements that are tailored to the unique operational risks of payments institutions—such as chargeback exposure and transaction volume. These requirements exceed what is imposed on money transmitters and give the Commissioner broad authority to raise capital thresholds as needed to protect solvency and ensure systemic stability.

4. Centralization of State Authority

Assembly Bill 500 grants strong regulatory authority to the Commissioner of Financial Institutions by design—ensuring that key decisions around licensing, investments, insurance protections, and operational conduct are made within a transparent, accountable framework rooted in existing banking law. The Commissioner's authority is not unchecked—it is subject to statutory limits, public rulemaking processes, and oversight by the Executive and Legislative branches. The bill also ensures transparency through mandated audits, reporting, and the publication of rules, while allowing real-time regulatory agility in a fast-evolving payments industry.

5. Corporate Office and Operational Considerations

Assembly Bill 500 establishes clear regulatory authority to ensure oversight. Notably, the Legislative Counsel Bureau has interpreted the bill language as implying that payments banks must maintain a corporate office within Nevada. In addition, the bill requires that banks notify the Commissioner of any office relocations and gives the Commissioner full discretion to approve, deny, or condition such moves based on regulatory needs. The Commissioner may also require executive, compliance, and IT functions to be in-state as a condition of licensure or ongoing supervision. Beyond statutory language, the practical and economic advantages of local presence—such as regulatory access, talent availability, and a payments-friendly legal environment—will encourage institutions to base core functions in Nevada.

Respectfully,

Bryan Wachter
Senior Vice President
Retail Association of Nevada