



## ***The Electronic Transactions Association's***

### **2024 State Legislative and Regulatory Policy Priorities**

The digital payments industry is one of the most innovative, dynamic, competitive, and highly regulated industries that exists today, leveraging a sophisticated, interconnected infrastructure to deliver financial products and services that benefit consumers, businesses, and the American economy. These products and services are safe, highly secure, and promote financial inclusion by allowing consumers – including low–and–moderate income consumers who have historically not had full access to the financial system — to conduct their everyday financial transactions.

ETA supports a policy environment that protects consumers while allowing competition and innovation to thrive, providing increased choice, and making financial inclusion a reality.

**Artificial Intelligence** – The integration of AI technologies in the payments industry has brought about numerous benefits and possibilities for both the industry and consumers. While recent attention has focused on specific AI applications, policymakers must approach AI regulation with caution, considering potential unintended consequences and acknowledging the rapid advancements in this field. Rather than relying on current AI mechanisms alone, a principles-based, industry led approach that fosters innovation, consumer protection, and the development of secure and inclusive financial services is necessary. Flexibility and a forward-looking perspective are vital to navigate the continuous evolution of AI technology in the payments industry.

**Model Money Transmission Modernization Act** – ETA supports the enactment of the Conference of State Bank Supervisors' Model Money Transmission Modernization Act ("Money Transmitter Model Law") across the U.S. states and territories.

1. Currently, each state has its own laws and rules to license and regulate money transmission. The variation among 50 states has resulted in inconsistent standards, which has created an unnecessarily complex compliance environment for companies operating in multiple states. ETA supports the implementation of a single set of standards.
2. A common regulatory baseline across the country is a crucial step in advancing multistate harmonization in the money transmission industry, as states will be better able to work together in the licensing, regulation and supervision of money transmitters operating across state lines.
3. ETA opposes legislative proposals that would harm consumers who rely on money transmitters for a number of services including, but not limited to, bill payment, online and app-based peer-to-peer transfers, domestic and international remittances, prepaid



cards, and other devices which can serve as a substitute or supplement for holding funds in a bank checking account.

**Taxation** – ETA opposes the application of new or expanding existing taxes to the payments industry.

1. **Interchange Sales Tax** – The payments industry has remained on the forefront of developing innovative payment technology, providing merchants and consumers alike safety, security, speed, and ease for transacting electronic payments. Unwise governmental intervention in such a complicated ecosystem, such as a prohibition on collecting interchange on the sales tax portion of electronic payment transactions, threatens innovation and system security, that is funded in part, through the collection of interchange.
2. **Real Time Sales Tax (RTST)** – ETA adamantly opposes any state proposal that would require payment processors to remit sales tax from their merchants to the state on a daily basis and opposes other similar tax collection/remittance schemes. If a state adopted RTST, it would create an entirely new system of sales tax and place redundant and unnecessary burdens on the payments industry.

**Digital Assets** - Digital assets have the potential to change how commerce happens. An appropriate regulatory framework is essential if that potential is to be realized in a manner that protects consumers and fosters continuing innovation. That framework should not be prescriptive but should instead carefully consider the use to which the cryptoassets are being put and tailor regulation to the risk profile presented.

Specifically, ETA supports public policies that advance the following 5 guiding principles:

1. Properly Define Digital Assets
2. Regulations Tailored to the Risk Profile of the Participant/Activity
3. Ensure Consumer Protection
4. Harmonize With Existing Regulatory Frameworks
5. Encourage Responsible Innovation

**Commercial Lending** – ETA members are continuously working to expand access to credit by developing and deploying new online financing products tailored to the diverse needs of small businesses. Using sophisticated, data-driven algorithms to assess the creditworthiness of potential small businesses, online small business financiers use non-traditional underwriting data inputs to give a full picture of the credit worthiness and assess the credit risks of small businesses to provide critical funding, and in some cases within minutes, to businesses.



**Privacy** – Protecting consumer privacy is a crucial element of maintaining trust in the payments industry. ETA supports privacy laws that are principles–based and harmonized to ensure predictability and consistency for consumers.

1. The payments industry has a long history of fighting fraud and is constantly developing and deploying new technology to detect, deter, and eliminate fraud. New and enhanced technologies have amplified the payments industry’s ability to offer new fraud solutions and strengthen our ongoing efforts. Any privacy or data protection standard should include provisions for permissible uses of data to prevent fraud and protect consumers.
2. Individuals must have a reasonable right to access the personal information they have provided to a company and, where practical, the right to have that information corrected. Individuals should also have the ability to request the deletion of personally identifiable information provided to companies, unless there is a legitimate or legal obligation to retain that information.
3. To protect consumer rights and provide responsibility, enforcement needs to be consistent and coordinated between the federal government and the state’s regulatory body. State attorneys generals should enforce state consumer privacy laws. However, a state privacy law should not provide monetary relief in the form of a private right of action for privacy enforcement.

**Buy Now Pay Later (BNPL)** - BNPL has seen quick uptake among consumers interested in the option of spreading a purchase over several installments. BNPL is one example of innovation in payments that, when adopted carefully and thoughtfully, provides additional payments choice. ETA supports a regulatory approach that fosters innovations and encourages the development and deployment of new products and services that benefit consumers.

**Regulatory Sandboxes** – ETA supports state regulatory sandboxes that encourage continued innovation in new products and services while ensuring consumers are adequately protected.