



# ***TEXAS DEPARTMENT OF BANKING***

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## **SUPERVISORY MEMORANDUM – 1015**

**July 17, 2024**

**TO:** Money Services Businesses

**FROM:** Charles G. Cooper, Banking Commissioner

**SUBJECT:** Outsourcing of Compliance Functions<sup>1</sup>

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### **PURPOSE**

Licensed Money Services Businesses (MSBs) sometimes experience difficulty hiring and retaining qualified compliance personnel. It is therefore not unusual for MSBs to employ independent contractors to fill various compliance roles. This memorandum establishes the policy of the Texas Department of Banking regarding such outsourcing of a license holder's compliance functions.

### **OVERVIEW**

Under Texas Finance Code § 152.106, an MSB applicant or license holder must demonstrate its competence and general fitness to comply with all applicable state and federal law. If an MSB organization does not have an employee managing and directing the MSB's compliance with state and federal law then the MSB does not possess the requisite competence and general fitness. Accordingly, the person who directs and manages an MSB's compliance program, such as a chief compliance officer or similar officer, must be an employee of the organization rather than a consultant or independent contractor. An MSB may outsource any part of its compliance program, including having experienced consultants assist in designing its compliance policies and procedures and performance of most compliance functions, so long as a knowledgeable employee has final decision-making authority in this area.

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<sup>1</sup> This policy has been updated to reference Texas Finance Code Chapter 152, the Money Services Modernization Act, which replaces the rescinded Chapter 151.