TransBridge

Licensed or Exposed.

There Is No Middle Ground in the U.S. Market.

A TransBridge Advisors White Paper | Q1 2026

TransBridge Advisors guides global MSBs through U.S. money transmitter licensing strategy, from market entry analysis to state-by-state programme execution. This paper explains why the FBO and programme manager model creates structural exposure and what a defensible U.S. licensed position looks like in practice.

50+	51
Fintechs guided	Jurisdictions covered

01 The Company That Did Everything Right

02 The Shortcut That Becomes the Ceiling

03 What Your Competitors Already Know

04 The Rules Changed. Nobody Told You.

05 The Ones Who Got Hit Were Ready

06 For Crypto Operators the Clock Is Already Running

07 Your Bank Has Already Made a Decision About You

08 Building Your Licensing Infrastructure

09 Is Your Structure In Scope?

10 The Decision

Q1 2026 | Global MSB Licensing Strategy | MTL-First Framework

If your U.S. strategy depends on someone else's licence,
this paper is about what that costs and what the alternative looks like.

01

The Company That Did Everything Right

KuCoin was incorporated in the Seychelles. It had built one of the largest crypto exchanges in the world. A regulated business. A global customer base. Real revenue.

It had 1.5 million U.S. customers. It earned $184.5 million in fees from them. And it believed that operating from offshore meant U.S. law did not apply.

In January 2025, KuCoin pleaded guilty to operating an unlicensed money transmitting business in the United States. $297 million in penalties. Permanently banned from the U.S. market it had spent years building in.

The principle established by this case, confirmed by OKX's $504 million penalty and Binance's $4.3 billion settlement, is the foundational fact every global MSB needs to understand before entering the U.S. market. If you have U.S. customers, you have U.S. obligations. Where you are incorporated is irrelevant.

That is the offshore route. Exposed.

The second route looks safer. A programme manager holds the licences. A sponsor bank holds the charter. You hold the customer relationship. Yotta Savings took this route. $65 million raised. Hundreds of thousands of customers. A product people loved.

In April 2024, Yotta told those customers their money was inaccessible. The middleware layer between Yotta and its partner banks had filed for bankruptcy. A shortfall of $65 to $95 million. Customers waited months for funds that should have been available instantly. Yotta had no licensed position of its own. No fallback. Nothing to stand on.

Two companies. Two entry strategies. The same outcome: exposed when it mattered most.

If your U.S. strategy depends on someone else's licence, this paper is about what that costs and what the alternative looks like.

02

The Shortcut That Becomes the Ceiling

Whether you are evaluating U.S. market entry, operating through a programme manager today, or holding a handful of state licences and considering what comes next, the structural dynamics in this paper apply. The FBO and programme manager model is the dominant entry strategy for global MSBs. This paper is about what that model does to a business over time and what the operators building durable U.S. positions do instead.

You hold a licence in your home market. FCA authorisation. A CARO licence. HKMA approval. Banco de Mexico registration. You have built AML programmes, managed regulators, passed examinations. You know what compliance looks like.

Then you look at the U.S. market and see something that looks nothing like what you know. No passporting. No single national licence. FinCEN MSB registration is mandatory but it does not authorise operation in any state. It is the floor, not the ceiling.

So the programme manager looks like the answer. They hold the licences. They have the sponsor bank relationships. Fast path in. Rational at entry.

Here is what typically happens next.

Margins compress because 30 cents of every interchange dollar goes to infrastructure the operator does not own. Banking relationships belong to someone else and can be withdrawn or repriced at any time. The compliance programme answers to someone else's risk appetite. The product roadmap waits for someone else's approval. And when regulators ask who is performing the regulated activity, the answer points to the customer-facing operator. Not the programme manager.

What if your programme manager files for bankruptcy. Synapse Financial Technologies had contracts with 20 banks and approximately 100 fintech companies. When it filed for Chapter 11 in April 2024, over 200,000 customer accounts were frozen.(9) Yotta, Juno, Copper, Dave, and Relay were all operating through Synapse's middleware. Mainvest ceased operations entirely two months later citing Synapse's bankruptcy as the direct cause.(42) Copper discontinued its banking deposit accounts and debit cards immediately. Yotta's own lawyer told the court the reputational damage was beyond repair. None of them had a fallback.

What if regulatory action hits your intermediary and your corridors go with it. When Evolve Bank received its Federal Reserve consent order in June 2024, it was prohibited from onboarding any new fintech partners.(20) Every fintech that had built its U.S. operations through Evolve's infrastructure found itself in a banking relationship that could no longer grow. They had no direct standing to negotiate an alternative. The decision belonged to Evolve.

What if an acquirer or institutional partner asks who holds the licences and the answer is not you. Stripe acquired Bridge for a reported $1.1 billion because Bridge held state money transmitter licences.(22) That is what licensing is worth commercially. The gap between licensed and unlicensed is not a compliance difference. It is a valuation difference that surfaces when it matters most.

None of these are edge cases. They are documented outcomes from 2024 alone. The question is not whether one of them will happen. It is whether the structure used to enter the U.S. market gives any recourse when it does.

The FBO structure creates the appearance of a middle ground. There is none. Operators either hold their own licensed position or they carry the exposure of the layer beneath them.

03

What Your Competitors Already Know

The operators pulling ahead in the U.S. market are not better funded than you. They did not have easier access. They made one decision earlier: they built their own regulatory infrastructure instead of renting someone else's.

In October 2024, Stripe acquired Bridge for a reported $1.1 billion.(22) Bridge held state money transmitter licences across multiple jurisdictions. Stripe was not buying Bridge's revenue. It was buying Bridge's licensed position. An unlicensed company at $10 million ARR is worth less to every strategic acquirer than a licensed company at $8 million ARR. The acquirer is buying the stack, not the number.

Circle holds money transmitter licences across multiple U.S. states. That portfolio is the only reason Circle sits at the table with Tier 1 banks, institutional asset managers, and enterprise treasury teams. These institutions use licensing status as a threshold filter. If you are not licensed, you are not considered. It is not that you lose the conversation. You are never invited to it.

Your licensed competitors do not share their upside with a programme manager. The 70/30 interchange split that costs an unlicensed operator over $1 million a year at $20 million monthly volume does not exist for them. They built the same business. They kept the economics. The licence did not cost them margin. It returned it.

The operators who made the licensing decision early are not pulling away because they are better. They are pulling away because the structure they built does not have an exit clause. The one built on a programme manager does.

04

The Rules Changed. Nobody Told You.

On July 25, 2024, the OCC, Federal Reserve, and FDIC jointly named nested fintech relationships as a systemic risk category for the first time under OCC Bulletin 2024-20, Fed SR Letter 24-5, and FDIC FIL-45-2024.(3) They were specific about what they were targeting: middleware providers, programme managers, and multi-layer third-party chains where the bank lacks direct contracts or reliable access to records.

Read that again. That is a description of the structure most global MSBs use to enter the U.S. market.

The FDIC followed with a proposed custodial recordkeeping rule requiring banks holding FBO accounts to reconcile beneficial ownership records daily, obtain independent annual validation, and have an executive officer certify compliance each year.(4) The operational floor for FBO structures is rising to bank grade. Every cost of meeting that floor gets passed down the chain.

The CSBS Model Money Transmission Modernization Act, adopted across more than 30 states, contains a prohibition most operators have not registered. An authorized delegate may not use a subdelegate to conduct money transmission on behalf of a licensee.(25) If an operator is sitting beneath a programme manager that is itself operating beneath a bank, that structure is explicitly prohibited in more than 30 states. Not discouraged. Prohibited.

Illinois went further. Any person conducting money transmission on behalf of an unlicensed entity can be held personally responsible.

The rules changed. The FBO and programme manager structure that most global MSBs use to enter the U.S. market is the structure regulators have named as the problem. The regulatory framework has made the choice explicit: licensed infrastructure or inherited exposure. There is no recognised position between the two.

05

The Ones Who Got Hit Were Ready

The assumption most global MSBs carry into the U.S. market is that a functioning compliance programme at home translates into protection here. It does not. The U.S. evaluates U.S. compliance programmes. What was built for the FCA, the MAS, or Banco de Mexico is evidence of capability. It is not a substitute.

Block Inc. holds licences in every required U.S. jurisdiction. In January 2025, 48 state regulators issued an $80 million penalty for BSA/AML failures across Cash App.(5) The CFPB added $175 million the same month.(6) $255 million in 30 days. A licence without a functioning compliance programme provides no protection. It gives regulators a cleaner jurisdictional basis to act.

Sigue Corporation was a licensed money transmitter. It collapsed while holding outstanding customer liabilities. NYDFS issued a final consent order in March 2025: permanent cessation, licence surrender, lifetime industry bar on the former CEO.(7) When the licensed intermediary fails, customer exposure becomes a regulatory problem with no responsible party.

The Chime case set the accountability standard. In May 2024, the CFPB held Chime directly liable for account closure failures rather than its partner banks.(8) Accountability flows to the customer-facing entity. Not the institution behind it. For global MSBs serving U.S. customers through a programme manager, that precedent applies directly to the operating structure.

Synapse frames the structural risk. BaaS middleware across four FDIC-insured partner banks, $265 million in customer deposits, a shortfall of $65 to $95 million when it filed for Chapter 11.(9) None of the fintechs behind it held their own licences. None had a fallback. FDIC insurance did not trigger because the banks did not fail. The middleware did. There is no government backstop for the failure of an unlicensed intermediary.

The most instructive case for any operator claiming to be just an intermediary is not a fintech case. In January 2025, FinCEN imposed a $37 million penalty against Brink's Global Services for operating as an unlicensed money services business.(16) Brink's claimed the common carrier exemption. FinCEN rejected it. The label applied to a business model does not determine regulatory status. What the business does does. And if the label is wrong, the fine does not care how long it has been used.

Every case above is a company that believed its structure provided a defensible middle ground. The enforcement record suggests otherwise. The middle ground in the U.S. market is not a position. It is a gap that regulators, banks, and acquirers have stopped recognising.

06

For Crypto Operators the Clock Is Already Running

If you are a crypto operator the above applies with additional urgency. There is no middle ground here either. The enforcement record has closed every grey area one conviction at a time.

The banking infrastructure for U.S. crypto was eliminated in a single week in March 2023. Silvergate liquidated. Signature Bank was closed by NYDFS. Silicon Valley Bank collapsed.(11) Every crypto company structured around FBO accounts at those institutions discovered simultaneously that the infrastructure they depended on had no regulatory backstop and no transition plan.

Binance. OKX. KuCoin. Three of the largest crypto exchanges in the world. Three different jurisdictions of incorporation. One shared outcome: operating without U.S. money transmitter licensing while serving U.S. customers. Combined penalties exceeding $5 billion.(12) Offshore incorporation is not a shield. Serving U.S. customers is the trigger.

In August 2025, Roman Storm was convicted for his role in Tornado Cash, a non-custodial protocol. He never held funds. FinCEN had told DOJ prosecutors the law did not apply. DOJ prosecuted and won anyway.(13) The agency responsible for money transmitter registration told the government its own law did not apply. The government won regardless. If a legal strategy depends on a regulatory grey area, the Tornado Cash conviction just eliminated the grey.

The GENIUS Act, signed July 18, 2025, established mandatory federal licensing for payment stablecoin issuers. Civil penalties of up to $100,000 per day for unauthorized issuance.(14) Implementing regulations are due July 2026. For stablecoin operators the choice between licensed and exposed is no longer abstract. It has a daily price tag. The clock started when the Act was signed.

07

Your Bank Has Already Made a Decision About You

Getting a U.S. banking partner used to take weeks. Today it takes 12 months or more for an operator that can demonstrate adequate compliance infrastructure. For one that cannot, the conversation rarely reaches the point of a formal decision.

Over 45 cease-and-desist orders were issued against banks specifically for fintech partnership failures between June 2023 and June 2024.(26) More than a quarter of all FDIC enforcement actions in 2024 targeted sponsor banks in embedded finance arrangements.(27) Banks that survived that enforcement cycle now require a documented BSA/AML framework, active transaction monitoring, audited financials, full transaction lifecycle mapping, and state money transmitter licensing before any commercial conversation begins.

80% of sponsor banks are already struggling to meet existing embedded finance compliance requirements.(28) The compliance cost of adding an unlicensed operator with no independent regulatory standing is a cost they are no longer willing to absorb.

The first relationships terminated were international: cross-border money movement, non-U.S. users, FX.(29) Global MSBs operating through programme managers on FBO structures are precisely the profile that remaining sponsor banks are most cautious about.

In November 2024, Andreessen Horowitz publicly disclosed that more than 30 fintech and crypto founders in its portfolio had been denied banking services by U.S. financial institutions.(31) These were not underfunded startups. These were companies backed by one of the most recognisable names in venture capital. If investor pedigree cannot secure a banking relationship, regulatory standing is the only thing that can. An MTL does not guarantee a banking relationship. It is the minimum requirement to be considered for one.

Operators without their own licensed position are not losing banking relationships to better-prepared competitors. They are not reaching the starting line. The pool of banks willing to engage without a licence is smaller every quarter and the requirements for those that remain are higher.

08

Building Your Licensing Infrastructure

Most global MSBs already run regulated businesses. There is an AML programme. There is compliance staff. There are managed regulatory relationships. The U.S. does not require starting from zero. It requires translating what already exists into U.S. regulatory language and applying it to the states where the business operates.

There is no requirement for all 50 states. The licence scope is determined by where customers are, where corridors run, and where banking relationships live. For most global MSBs entering the U.S. that is a focused programme of 5 to 15 jurisdictions. Scoped correctly, that is a 6 to 12 month project, not a multi-year barrier.

The single question that comes up more than any other in bank risk committee reviews is this: has this operator been supervised by someone other than us? Three to five state MTLs answer that question before it is asked. With a licensed footprint, banks can place reliance on KYC and KYB controls rather than duplicating them. The risk committee conversation shifts from can we take this on to how do we structure this.

How TransBridge builds your licensing programme:

A. Licensing Strategy and Positioning

- Activity scope alignment with your payments or digital asset model
- Jurisdiction-by-jurisdiction regulatory narrative development
- Unified business description across all filings
- Flow-of-funds documentation tailored to your transfer model

B. Application Preparation and Submission

- Complete MTL application drafting for each state
- NMLS submission management
- Business plan preparation
- Financial projections aligned with your scale
- Ownership and control disclosures
- Capital positioning support

C. Compliance and Operational Documentation

- AML / BSA Programme
- KYC / KYB Procedures
- Sanctions Screening Controls
- Transaction Monitoring Framework
- Consumer Complaint Policy
- Recordkeeping Procedures
- Regulatory Reporting Framework

D. Regulatory Correspondence and Review

- Examiner Q&A coordination
- Deficiency response drafting
- Capital and bond positioning guidance
- Regulator engagement strategy
- Review management through approval

Licensing decisions remain solely with state regulators.

09 - Is Your Structure In Scope?

The trigger is not the product category. It is control of funds.

Under 31 CFR SS 1010.100(ff)(5), money transmission is the acceptance and transmission of currency, funds, or other value. FinCEN's four-factor test asks who owns the value, where it is stored, whether the owner interacts directly with the payment system, and whether the intermediary maintains total independent control over the value.(32) Physical custody is not required. Control is the determinative factor.

AN MTL IS ALMOST CERTAINLY REQUIRED IF:

- Customer funds are received into accounts in the operator's name
- Funds are held before onward transmission
- The operator controls where customer money is directed as principal
- Payment instructions are executed in the operator's own name
- A wallet, stored value product, or prepaid account is operated
- Money is moved cross-border as principal
- Payroll is processed through the operator's own ledger
- Marketplace funds are settled to sellers through the operator's own account
- Stablecoins or digital assets are issued, redeemed, or transacted

THE STRUCTURE IS UNDER SCRUTINY IF:

- Software accepts or declines transactions with no licensed entity override. FinCEN ruled in FIN-2008-R007 that wrapping a technology function around money movement does not create a new exempt service.(33) The wrapper is not a defence. It is a description.
- An FBO account holds customer funds. Not prohibited. But the FDIC's proposed recordkeeping rule would require daily reconciliation and annual executive certification.(4) The Synapse collapse showed what happens when the custodial layer fails and no licensed entity is accountable.
- The operating entity is incorporated outside the U.S. but serves U.S. customers. KuCoin proved this is not a shield. U.S. jurisdiction follows U.S. customers regardless of where the entity is registered. Offshore incorporation does not create distance from U.S. law. It creates exposure without protection.
- The operator sits as a delegate beneath a licensed entity that has its own delegates. The CSBS MTMA is explicit: an authorized delegate may not use a subdelegate to conduct money transmission on behalf of a licensee.(25) In MTMA-adopted states this is not regulatory risk. It is statutory prohibition.
- Agent of payee status is claimed without a written agreement that survives scrutiny. California's DFPI has rejected this claim in multiple formal opinion letters since 2014.(36) Vermont fined Mercari for operating as an unlicensed money transmitter despite a marketplace model.(37)

LIKELY EXEMPT IF:

- Software only provides recommendations to a licensed entity that retains binding override authority
- The operator acts as agent of the payee under a formal written agreement in a state that recognises the exemption
- Funds never pass through the entity at any point

Operators who find their structure in the scrutiny column are not in a grey area. They are in a gap between what regulators expect and what their structure provides. That gap has a cost that compounds every quarter it remains open. The structural analysis that maps exactly where that gap sits costs nothing. Carrying it does.

10

The Decision

A regulated business already exists in the home market. The compliance foundation is there. The regulatory experience is there. The U.S. is the world's largest payment corridor. The question is not whether to enter it. The question is whether the structure used to enter it will hold when it matters.

The offshore route did not hold for KuCoin. The FBO route did not hold for Yotta. Both built real businesses. Both discovered the same thing at the worst possible moment: the structure they had built on was not theirs to control. The U.S. market does not recognise a middle position between licensed infrastructure and inherited exposure. Every operator in this market sits on one side of that line or the other.

The operators winning in the U.S. market made one decision earlier than everyone else. Every commercial advantage they hold today, the banking relationships, the institutional counterparties, the margins, the valuations, flows directly from that decision. They are not smarter. They are not better funded. They are licensed.

Every quarter without a direct licensed position is a quarter of margin shared with an intermediary layer, a banking relationship that belongs to someone else, and a diligence process that surfaces the gap at the worst possible moment. The structure that provides market access at entry becomes the structure that limits scale. That is not a regulatory risk. It is a commercial one.

The operators who build licensed infrastructure now will be operating in a market in two years where the unlicensed route has been formally closed and the FBO route has been operationally hardened beyond viability. The position they are building today will be the only entry point that remains open. The ones still renting someone else's licence at that point will not be renegotiating terms. They will be starting over.

The compliance foundation already exists. The U.S. requires extending it, not rebuilding it. The states where the business operates. The corridors it runs. The customers it serves. That is the licensing scope. It is more achievable than it looks and more urgent than most operators realise until the moment it is not.

The market has already decided which position wins. The operators building durable U.S. businesses are building them on licensed infrastructure. The ones watching from the outside are operating through structures the market has stopped rewarding.

Every engagement starts with a conversation. TransBridge works with global MSBs to understand what compliance infrastructure is already in place, where U.S. market goals sit, which corridors and customer segments matter, and what a licensing programme scoped to that reality looks like. Most operators are further along than they think. The gap between where they are and a defensible U.S. licensed position is shorter than the FBO route made it appear.

This paper reflects regulatory conditions as of Q1 2026 and does not constitute legal advice. Contact TransBridge Advisors at transbridgeusa.com.

References

1. OCC. Enforcement Actions Annual Summary 2024. occ.treas.gov.
2. S&P Global Market Intelligence. BaaS Banks and Federal Enforcement Actions 2023.
3. OCC Bulletin 2024-20 / Fed SR Letter 24-5 / FDIC FIL-45-2024. July 25, 2024.
4. FDIC. Notice of Proposed Rulemaking: Custodial Deposit Accounts. September 17, 2024.
5. CSBS. Multistate Penalty Against Block Inc. January 15, 2025.
6. CFPB. Supervisory Action Against Block Inc. January 2025.
7. NYDFS. Consent Order: Sigue Corporation. March 2025.
8. CFPB. Supervisory Action Against Chime Financial Inc. May 2024.
9. In re: Synapse Financial Technologies Inc., Case No. 24-10646. April 2024.
10. CFPB. $46.2 Million Allocation to Synapse Victims. December 2025.
11. CNBC. Signature, SVB and Silvergate Failures. March 2023.
12. DOJ. Binance Nov 2023; OKX Feb 2025; KuCoin Jan 2025. justice.gov.
13. United States v. Roman Storm. S.D.N.Y. August 2025.
14. GENIUS Act of 2025. S.394. Signed July 18, 2025.
15. FinCEN. Enforcement Actions Database 2023 to 2026.
16. FinCEN. Civil Money Penalty: Brink's Global Services USA. February 2025.
17. OCC. Formal Agreement with Blue Ridge Bank N.A. January 2024.
18. Federal Reserve Board. Enforcement Action Against Evolve Bancorp. June 2024.
19. Metropolitan Commercial Bank. Form 10-K. Fiscal Year 2023.
20. Federal Reserve Board. Enforcement Action Against Evolve Bancorp Inc. June 14, 2024.
21. Banking Dive. BaaS Banks Consent Orders 2024.
22. Stripe. Acquisition of Bridge. October 2024.
23. California DFPI. Digital Financial Assets Law. Effective July 2026.
24. CSBS. Money Transmission Modernization Act and Networked Supervision.
25. CSBS. MTMA Model Law: Authorized Delegate Provisions.
26. Goodwin LLP. Bank-Fintech Cease-and-Desist Count June 2023 to June 2024.
27. Corporate Compliance Insights. FDIC Enforcement Actions Targeting Sponsor Banks 2024.
28. Alloy. State of Embedded Finance Report 2024.
29. FinTechTris. 2024 FinTech Wrapped. fintechtris.com.
30. EY-Parthenon. How Banks Can Fix Broken Fintech Partnership Models.
31. PYMNTS. Crypto and FinTech Cry Foul Over Debanking. November 2024.
32. FinCEN. Guidance FIN-2019-G001. May 9, 2019.
33. FinCEN. Administrative Ruling FIN-2008-R007. 2008.
34. Montana Division of Banking. Money Transmitters. banking.mt.gov.
35. Montana Division of Banking. The Challenge of Being the Only State Not Regulating Money Transmitters.
36. California DFPI. Agent of Payee Exemption Opinion Letters 2014 to 2019.
37. Vermont DFR. In Re: Mercari Inc. Consent Order.
38. DOJ. KuCoin Jan 2025; OKX Feb 2025; Binance Nov 2023. justice.gov.
39. Wolters Kluwer. Bank-Fintech Partnership Compliance Survey 2024.
40. CSBS / California DFPI. Multistate Consent Order: Wise US Inc. July 9, 2025.
41. CFPB. Consent Order: Wise. January 30, 2025. consumerfinance.gov.
42. Fortune. The Spectacular Synapse Collapse. March 7, 2025. fortune.com.