

Client Alert

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Mobile Wallet Providers—Pending CFPB Proposal on Prepaid Cards

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The Consumer Financial Protection Bureau (CFPB) recently announced in a blog post that it will hold a field hearing regarding prepaid cards on November 13, 2014, in Wilmington, Delaware. We fully expect that the field hearing will serve as a backdrop for the CFPB to unveil its long-awaited proposed rule to regulate general-purpose reloadable prepaid cards ("GPR Cards"). Mobile wallet providers should review the CFPB's proposal to determine how it will impact their business.

In its May 2012 Advance Notice of Proposed Rulemaking (ANPR) on this topic, the CFPB cited the rapid growth and consumer adoption of GPR Cards as a reason for supporting a more "comprehensive federal regulatory regime" for such cards. The CFPB also signaled in the ANPR that the scope of a GPR Card proposal would not be limited to physical cards by noting that prepaid card products "may include other mechanisms, such as a key fob or cell phone application, that access a financial account."

Given the growth in mobile payment functionality since the issuance of the ANPR, the CFPB is certain to address how the proposed rule will apply to mobile wallet applications that have prepaid card functionality. As a result, the CFPB proposed rule should be of interest not only to banks that issue GPR Cards, but also to money transmitters and other non-bank entities that provide consumers with mobile wallet functionality.

We are following the CFPB's action on GPR Cards closely and will prepare an alert that explains the new rules of the road that the CFPB will propose for these products. To keep abreast of our coverage of mobile payments-related developments, download our app—MoFoMobi\$ (or MobileMoney)—which we created especially for the mobile payments industry. The app, which is available on iOS platforms, offers regulatory overviews, alerts, articles, and a weekly digest of market developments.

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