

FOR IMMEDIATE RELEASE
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**PAYSERVICES FILES PETITION TO WAIVE DEPOSIT INSURANCE
REQUIREMENT FOR BANK THAT PROVIDES NO LOANS**

On October 6, 2021, PayServices, Inc. submitted a petition for waiver of a Florida banking regulation to the Florida Office of Financial Regulation (“FLOFR”). PayServices has asked Florida’s top financial regulator to waive its directive for all proposed banks in the state to file an application for deposit insurance with the Federal Deposit Insurance Corporation (“FDIC”) and its authority to deny an application for a state banking charter simply because an institution does not have deposit insurance from the FDIC.

PayServices is a Florida-based financial technology company which provides compliance assistance services and payment processing solutions. One of its leading products includes an online platform for commodity exchanges between merchants and buyers. It also collects customs fees, customs duties, and tariffs from import-export transactions on behalf of the customs authorities of sovereign governments. PayServices’ proposed bank is set to create more than 1,200 medium-to-high salary jobs in the financial sector in Florida, according to Kat Tatochenko, the company’s Chief Business Development Officer. “The company also intends to provide training on its systems that will enable employees to enter the financial sector who might otherwise not have the opportunity,” said Tatochenko. The company is currently a licensed Money Transmitter with FLOFR. In February 2021, the company filed an application for authority to organize a state-chartered bank in Florida with the agency. The application remains pending.

PayServices explains in the petition filed with FLOFR that its business model is one in which the proposed bank would require all parties to an import-export transaction would have accounts in which one hundred percent of their deposits are protected. PayServices provides access to the platform in exchange for a transaction fee. The proposed bank does not issue any form of loans or credit. The deposits are not used for investments or subject to any leveraging. The proposed bank only receives and holds deposit for safekeeping and transfers the funds from the deposits to parties to a transaction and the government client who must collect taxes from the transaction.

PayServices argues that the purpose of deposit insurance is to ensure customers’ funds against risks of loss where the funds are used for loans, credit, and investments (such as trading in securities). While Florida law provides that banks must obtain deposit insurance from the FDIC prior to opening, the state’s Financial Institutions Code also allows banks to operate based on membership in the Federal Reserve System and provides the Commissioner of the agency with the discretion to waive certain requirements to account for innovative banking models.

“PayServices is one among a growing list of fintechs that are positioned to provide innovative payment solutions and financial services that expand access to capital and liquidity in the U.S. payment system,” explains Lionel Danenberg, founder and CEO of PayServices, Inc. and the lead developer of its innovative software solutions. “States have the discretion to apply their banking laws flexibly to account for new banking models that solve previously unsolvable challenges. Since the FDIC was established in 1933, it has emphasized that debt is the greatest threat to a

bank's stability and security. A bank that provides no loans, credit, or mortgages, and that does not engage in any investments or securities trading of any kind does not pose a risk to deposits which the FDIC is designed to insure.”

Financial services industry experts and regulators around the country have recently begun to address new ways that state and federal banking laws should apply to digital financial services providers other than traditional banks. In 2020, Wyoming passed a law which provides charters to special depository institutions that perform non-traditional banking services, many of which do not involve the issuance of loans or credit. Under the law, these institutions are exempt from the typical requirement to obtain federal deposit insurance. Connecticut, Vermont, Michigan and Maine have similar laws. Earlier this year, a similar bill to allow for the waiver of FDIC deposit insurance requirements was submitted to the Kentucky legislature.

These states have become vocal in encouraging the Federal Reserve to open up access to the U.S. payment system. In May 2021, the Fed published proposed guidance that would clarify the rules for non-traditional financial services providers to obtain master accounts with the Fed to perform banking services. Wyoming Sen. Cynthia M. Lummis and Jorge Perez, Commissioner of the Connecticut Department of Banking, both submitted public comments to the Fed in favor of the proposed changes. Both Sen. Lummis and Perez, along with many other experts, advocated for enhancing transparency and removing the arbitrary restrictions that make it difficult for non-traditional banks to enter the market. If PayServices' petition is granted, Florida would become one of the first states to challenge the FDIC deposit insurance requirement for a non-traditional bank through its regulatory powers under state law.

The market has become ripe for the services that PayServices' proposed bank would provide. Last week, Florida Governor Ron De Santis lamented the increase in holiday supply-chain shortages and the backlog of ships waiting off the coast of various U.S. ports, attempting to bring goods into the country for eager shoppers, saying, [“These boats, these ships, they're just sitting there.”](#) Ron Raitan, PayServices' Chief Operating Officer, explained that failures related to the payment of customs fees often hold up ships from exiting and entering various ports – a problem that PayServices' customs fees collection platform is designed to remedy. According to Raitan, the company is in talks with several potential customers, including customs administration officials for various nations, about the need for the product. According to data from the World Bank and the International Monetary Fund, countries lose billions of dollars each year as a result of customs fraud and underpayment of customs fees. The only holdup is the company's bank charter application with FLOFR. “Florida has a reputation of ambitiously pursuing and keeping business in the state,” said Raitan. “We expect that the State of Florida will take the same approach in keeping our business here.”

According to Danenberg, “As we look out over the market, it's clear that PayServices is a unicorn. We're thankful that potential customers see the same uniqueness and value in our model. Potential customers are growing impatient that the application process for a permit to organize in Florida is so long and so slow, and that the state is not more proactive in pursuing this opportunity with PayServices.”

In fact, it is not just customers who are interested in the company's platforms. So are other states. "PayServices may have to pursue other opportunities if the state does not work proactively to ensure that its success happens in Florida," said Danenberg.

The agency published the petition in the Florida Administrative Register on October 11, 2021. State law allows for the public to make comments on the petition until Monday, October 25, 2021. Public comments may be submitted online at https://www.flrules.org/Gateway/View_notice.asp?id=25117585. If further assistance with making comments is needed, the Department of State directs interested persons to call (850) 245-6270 or email AdministrativeCode@dos.myflorida.com.

All inquiries may be directed by contacting the company on its website: www.PayServies.com .