

## Exemption from Money Transmitter Licensure for Certain Payroll Processors

August 20, 2026

During its 2026 session, Delaware's General Assembly passed Senate Bill 18, the Delaware Money Transmission and Virtual Currency Modernization Act, as amended. That bill was signed by Governor Matt Meyer on July 6, 2026. This new law will be implemented one year from the date of enactment or upon notice by the State Bank Commissioner, published in the Register of Regulation, that final regulations to implement the Act have been promulgated.

The new law excludes certain payroll processing arrangements from the definition of *payroll processing services* for the purposes of licensure. Under the following circumstances, entities engaged in payroll processing activities are not required to obtain a license:

- An employer performing payroll processing services on its own behalf, on behalf of its affiliate, or a professional employment organization subject to regulation under other applicable state law (§2303(25)a);
- A person designated as an agent of a payor for the purpose of providing payroll processing services for which the agent would otherwise need to be licensed under this chapter, if all of the following apply:
  - There is a written agreement between the payor (*employer*) and the agent (*payroll processor*) that directs the agent (*payroll processor*) to provide payroll services on the payor's (*employer's*) behalf (§2303(25)b2A);
  - The payor (*employer*) holds the agent (*payroll processor*) out to employees and other payees as providing payroll services on the payor's (*employer's*) behalf (§2303(25)b2B); and
  - The payor's (*employer's*) obligation to a payee, including an employee or another party entitled to receive funds via the payroll processing services provided by the agent (*payroll processor*), is not extinguished if the agent (*payroll processor*) fails to deliver funds to employees (§2303(25)b2C) .

If the above conditions are met, and the payroll processor does not provide any other services defined as money transmission, the processor need not obtain or hold a Delaware money transmitter license.

***Payroll processors currently licensed as money transmitters but exempt under the new law may allow their current license to expire on December 31, 2026.***