# 2022 Government Relations Fly-In
## Talking Points

**About State Financial Services Regulators**

States charter and supervise a vibrant financial ecosystem, including 79% of all U.S. banks and a variety of nonbank companies, including money services, mortgage, consumer finance and debt industries.

*Primary issues:* building a strong state supervisory system through Networked Supervision, representation of state regulatory voices in federal decision-making, opposition to an uninsured federal charter, helping consumers and small businesses withstand and recover from the COVID-19 pandemic and leveraging the collective strength of the state system.

**Strengthening Financial Regulation**

States are working through CSBS to create a regulatory network empowered by technology platforms and the collective intelligence of its users. Networked Supervision is responsive both locally and globally – protecting individual consumers and markets at the state level, while employing robust and streamlined oversight of digital-first fintech firms.

Congress should partner with state regulators and build off their Networked Supervision model to achieve the promise and address the challenges of the evolving financial services market.

- Leverage the states' numerous **Networked Supervision initiatives** (listed below) to modernize the state regulatory and supervisory framework for nonbank financial services companies.
- Enact the **Bank Service Company Examination Coordination Act** (HR 2270/S 1230) to enhance state and federal regulators' ability to coordinate their oversight of bank technology partners, such as fintech lending platforms or cloud service providers.
- **Reign in efforts by the Office of the Comptroller of the Currency** to charter nonbank companies without FDIC deposit insurance. An uninsured federal fintech charter that does not receive insured deposits disrupts the balance between state and federal authority, will lead to the federal government picking winners and losers and to the preemption of important state financial regulations and consumer protection laws.

*Networked Supervision Initiatives*

States are building a more integrated and empowered regulatory system to encourage a level playing field, enforce strong consumer protections and reduce friction for businesses operating nationwide.

To advance Networked Supervision, the CSBS Board prioritized several initiatives, including:

*For Money Service Businesses (MSBS):*

- **Provide a coordinated multistate exam for MSBs operating in 40 or more states** through the One Company, One Exam program. In 2021, states completed coordinated, multistate- examinations for all payments companies operating nationwide, reducing duplicative exams by 78%. The program will continue in 2022.

CONFERENCE OF STATE BANK SUPERVISORS

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- **Pilot a standardized licensing process for new companies** through the Multi-State MSB Licensing Agreement (MMLA). Twenty-nine states participated in the agreement in 2021, reducing licensing time for new companies by 25%. Ten more states have committed to join the MMLA in 2022 and 2023.
- **Adopt a model law for money transmitters** to create one set of requirements for payments companies nationwide. In 2021, the CSBS Board approved the Model Money Transmission Modernization Act for state adoption. Legislation is now pending in West Virginia and South Dakota, with more states expected to act in 2022.

*For Mortgage Companies:*

- **Pilot a joint multistate exam for a mortgage company** through the One Company, One Exam program. Fifty-one state agencies coordinated in 2021 to complete the pilot. CSBS will work with the participating agencies to study the exam results and determine the next steps for this important initiative.
- **Finalize model regulatory prudential standards for nonbank mortgage servicers.** The CSBS Board approved the prudential standards in 2021. CSBS staff are now working with state agencies to understand the path to adoption in their state.

**Leverage State Regulators' Perspectives & Expertise**

State financial regulators play a key role in the U.S. financial system, and Congress can ensure the Biden administration leverages the collective strength of the state system.

- Confirm an **FDIC Board member with state bank supervisory experience**, as required by law.

  Congress has long valued our local regulatory perspective and has sought to include it at individual federal agencies, including the FDIC, where federal law requires that at least one FDIC Board member have state bank supervisory experience. Given vacancies at the FDIC, at least one nominee must be a current or former state regulator for the Board to be legally constituted.

- Ensure executive branch and **federal agency nominees support the dual banking system and the unique role of state regulators** in protecting consumers.
- **Support state regulators'** ability to respond quickly to emerging and evolving threats, including data privacy and cybersecurity, by setting a federal floor instead of ceiling.
- Require federal agencies properly **consult and coordinate with state regulators** as required when implementing the BSA/AML reforms of the Anti-Money Laundering Act.

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