

2022 Annual Report

Conference of State Bank Supervisors



The Conference of State Bank Supervisors (CSBS) is the national organization of state banking and financial regulators that educates and informs policy makers, consumers and other stakeholders about issues affecting states' banking and financial services markets.

Representing a network of financial regulators in all 50 U.S. states and territories, CSBS also provides a range of professional development and training programs and serves as a forum for collaborating and developing policies that strengthen financial regulation for the benefit of consumers and communities.

CSBS supports state regulators in advancing the system of state financial supervision by promoting safety and soundness, consumer protection, and economic growth and fostering innovative, responsive supervision.



of all U.S. banks are chartered and supervised by state regulators—more than **3,750 state-chartered banks** with about **\$8.5 trillion** in combined assets.

Institutions range from the smallest local banks to large global banks. When looking at the U.S. banking industry as a whole, state-chartered banks provide:



more than ½ of all small loans to businesses

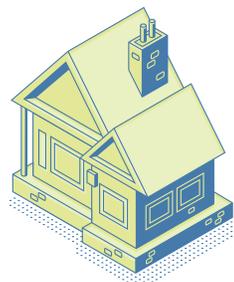


two-thirds of commercial bank agriculture lending

State regulators are the licensing authority and primary regulator of nonbank financial services companies (notably, mortgage providers, money services businesses, consumer finance and debt companies). In 2022:



There were more than **600,000 mortgage loan originators** in the United States; all maintain their licenses or registrations through NMLS.



State-licensed mortgage companies originated **\$1.4 trillion in loans**, accounting for **63% of mortgage originations** in the United States.



State-licensed money services businesses handled **\$5.4 trillion** in payments for U.S. consumers.

LETTER FROM THE PRESIDENT AND CEO



There is a saying that one should always be prepared for the unexpected. Unfortunately, CSBS faced the unexpected in May 2022, during an otherwise ordinary work week. We had been planning for our annual board meeting and the change of officers, as well as the first in-person State Federal Supervisory Forum since the pandemic began, scheduled for the following week. We awoke on Tuesday to the news that our President and CEO, John W. Ryan, had died unexpectedly at home.

We were shocked and incredibly sad. But we are resilient and have stayed the course. The new CSBS Board officers were voted in through a brief, teary meeting, and we spent the week sharing stories of John. We canceled the next week's forum, and I was named CSBS President and CEO.

It wasn't easy. Tremendous change never is. But as I reminded myself and the staff: We can do hard things. And while we mourned, we had work to do. We continued to promote the state system's value among policymakers in Washington. We advocated for the dual banking system and highlighted the value of community banks. We increased engagement with members and found new ways to help state regulators with their daily tasks.

And we championed Networked Supervision, our North Star as an organization and as a system.

John coined the phrase for a strategy that he realized long ago, seeing that a changing financial services landscape must be met with an integrated and empowered state system. Networked Supervision describes both an end state and the process for getting there. We are continually working to improve collaboration – between states and between states and their federal partners – to preserve local accountability while streamlining regulation for regulators and industry.

Our successes in these areas helped set the foundation for the 2023-2025 CSBS Strategic Plan, which is focused on one objective: to be the platform that enables Networked Supervision. We will continue to focus on three strategies towards that goal: building a business technology platform; achieving uniformity in the state system across laws, regulations and process; and developing an innovative state regulatory workforce.

Last year may have been hard, but I am proud of the dedication the CSBS staff demonstrated and the support state regulators provided during unimaginable circumstances. The state system is stronger and more resilient than ever before.

Best regards,

A handwritten signature in blue ink that reads "James M. Cooper". The signature is fluid and cursive, written over a light blue wavy graphic element.

James M. Cooper, CEM



JOHN W. RYAN

JULY 22, 1963–MAY 16, 2022

The loss of CSBS President and CEO John W. Ryan, who died unexpectedly on May 16, deeply shocked all who knew him.

John joined CSBS as an assistant vice president of legislative affairs in 1997 and led the organization as president and CEO for 11 years. He was known for being both a fierce advocate of the state financial system and a congenial consensus builder.

He was committed to the state system and fiercely defended it against federal preemption. Under his watch, CSBS challenged the Office of the Comptroller of the Currency in court to prevent it from creating its own federal nonbank charter. But John also saw the importance of state and federal regulators working together and talking together, which gave birth to the annual State Federal Supervisory Forum. As John would say—it is a state and federal system, and we need to get together to talk and share ideas.

John was a visionary—he knew that we have to look forward to stay ahead. John played a critical role in the creation of what is now the Nationwide Multistate Licensing System, or NMLS, which has provided state regulators with efficiencies and a sharper focus on risk in the growing nonbank space. NMLS played an important role in John's continued vision of Networked Supervision, where the state system uses innovation, partnerships and the regulatory workforce to streamline regulation while preserving local accountability.

After the financial crisis of 2008, John recognized the need for more intellectual capital about the role community banks play in our financial system and the larger economy. He saw that policy makers need facts and figures about community banking. He was instrumental in creating the resulting Community Bank Research Conference, which CSBS co-sponsors with the Federal Reserve Board of Governors and the Federal Deposit Insurance Corporation (FDIC).

CSBS staff remember John as an inspirational leader who was welcoming and supportive. He cultivated a culture of kindness, respect and inclusion at CSBS. Under his leadership, CSBS became an official Great Place to Work[®], and unofficially a warm and welcoming home. As Jim Cooper said in October at the CSBS tribute to John, "There will be other leaders at CSBS as the years go by, but John has created a lasting legacy."

John was truly distinctive. The tributes that poured in across the nation showed that he was respected for his deep knowledge of financial regulation but also his humbleness, kindness and grace.



“For more than a decade, John led the CSBS with skill and vision. He was a close friend and trusted partner in our shared mission to ensure the safety and soundness of the banking system.” —**FDIC Chairman Martin J. Gruenberg**

“John was an inspirational and humble leader who brought incredible dedication, intellect and passion to CSBS, the state regulatory system and financial services more broadly.” —**Montana Commissioner of Banking and Financial Institutions Melanie Hall, CSBS Board of Directors Chair May 2021–May 2022**

“John was a visionary and thought leader on the dual banking system in the U.S. After the 2008/2009 monetary crisis, John saw a need to identify and promote academic research on community banking. His efforts, and those of his colleagues working closely with the Federal Reserve and the Federal Deposit Insurance Corporation, are the reason we’ve continued to present groundbreaking research on community banks for the past nine years. We will miss our friend and colleague, John, but look forward to continuing to support his vision in the years ahead.” —**Jim Fuchs, Vice President, Supervision Division, Federal Reserve Bank of St. Louis and Chair, Community Banking Research Conference Planning Committee**

“Throughout his long career in banking and financial services, John demonstrated unparalleled dedication to his work. His steadfast support for state regulators and his commitment to strong state financial supervision was a tremendous asset to state banks and their consumers and communities across the nation. I had the honor of working with John and enjoyed our lively conversations. I also appreciated his openness to exploring ways for the OCC and CSBS to collaborate to raise the bar on bank regulation to benefit the nation’s financial system. John’s steady leadership will be greatly missed.” —**Acting Comptroller of the Currency Michael Hsu**



“Our hearts are broken upon learning of the passing of John Ryan. As president and CEO of the Conference of State Bank Supervisors, John was a thoughtful and collaborative leader who understood the important role the banking sector plays in our economy and was a respected partner to both state and federal stakeholders. We will miss his visionary leadership, warmth and friendship.” —**American Bankers Association President and CEO Rob Nichols**

“John was an inspiring and impassioned leader, a visionary thinker, a consummate professional, and a true friend. The entire NASCUS community, our leadership, members, and staff, join in extending our deepest sympathies to John’s family and our friends at CSBS. We miss John already.” —**The National Association of State Credit Union Supervisors**

“I’ve known John for decades and benefited greatly from his insights and advice. As President and CEO of CSBS, he led the organization with humility, humor, and integrity. The world of banking supervisors lost a real advocate, true friend, and outstanding leader.” —**National Credit Union Administration Chairman Todd M. Harper**

“He argued that one of the strengths of America was having community banks in every town as a foundation of the economy. Despite having one of the hardest jobs, he was the nicest person, and was always so positive and kind.” —**Jo Ann Barefoot, CEO and co-founder of the Alliance for Innovative Regulation and a former Deputy Comptroller of the Currency**

“John was a friend to ICBA and community banks, a respected leader at the Conference of State Bank Supervisors, and an asset to the nation’s banking and regulatory system.” —**Independent Community Bankers of America President and CEO Rebeca Romero Rainey**

“We worked closely with John on a variety of issues that impact banks and nonbanks alike, and we found him to be a warm, honest broker who always had the best interest of his members and consumers at heart. We will miss his leadership and friendship.” —**Mortgage Bankers Association President and CEO Robert Broeksmit**



CSBS 2023–2025 STRATEGIC PLAN*

Vision: To be the recognized leader advancing the quality and effectiveness of regulation and supervision of state banking and financial services.

Objective: CSBS is the platform for effective Networked Supervision through innovation, partnerships and regulatory workforce development.

Strategies:

- Build a digital business technology platform.
- Achieve uniformity and excellence across the state system in laws, regulations, process and workforce.
- Develop innovative learning solutions and capabilities that promote networked supervision through a high performing, collaborative and trusted state regulatory workforce.

*Updated Dec. 6, 2022

NMLS

CSBS, on behalf of state regulators, owns and operates the [Nationwide Multistate Licensing System \(NMLS\)](#), an online licensing, registration and supervisory platform that brings regulatory efficiency and accountability to the mortgage industry and other nonbank financial services providers.

State-licensed financial services companies and mortgage loan originators (MLOs) must maintain an active license through NMLS, while federally regulated depository institutions (e.g., banks and credit unions) and the MLOs they employ must maintain an active registration. Congress mandates that state licensees and federal registrants must renew their mortgage state license and federal registration, respectively, on an annual basis.

Last year, more than 308,000 state-licensed companies and individuals maintained their licenses in NMLS. The majority of these companies are from the mortgage industry, while the remaining one-third are from the money services, consumer finance and debt industries. More than 387,000 additional MLOs working in depository institutions maintained their registration through NMLS.

As NMLS approaches its 15-year mark, we continue to focus on ways to improve the system's functionality and user experience. In 2021, we successfully moved the NMLS infrastructure from an on-premises data center to a cloud environment, a necessary change

NMLS is used by nearly 700,000 companies and individuals.

State licensed entities 12/31/2022:

Entity Type	Unique entities	Licenses
	308,274	1,238,149
Company	33,135	99,490
Individual	233,988	1,016,502

Registered entities 12/31/2022:

Registration Entity Type	Unique entities
	395,437
Company	8,166
Individual	387,271

→ 110 individual license types

→ 746 company license types

A LOOK BACK AT WHY NMLS WAS CREATED:

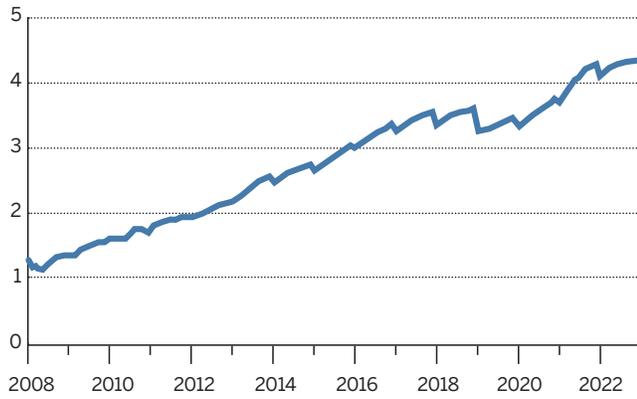
About 14 years ago state regulators recognized growing problems in the mortgage industry as bad actors were taking advantage of a lack of regulatory coordination. Working together, states created uniform MLO license application forms in 2006. A year later, we began building a common licensing platform to better manage and monitor licensed mortgage lenders, mortgage brokers and individual MLOs doing business in one or multiple states. That became NMLS, launched in January 2008.

Congress recognized the value of the new system and codified NMLS in the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, enacted to enhance consumer protection and reduce fraud through required minimum standards for the licensing and registration of state-licensed MLOs. Known as the “[SAFE Act](#),” the law calls on the states to implement and enforce these standards, requiring MLOs to have at least 20 hours of pre-licensing education and an annual eight hours of continuing education.

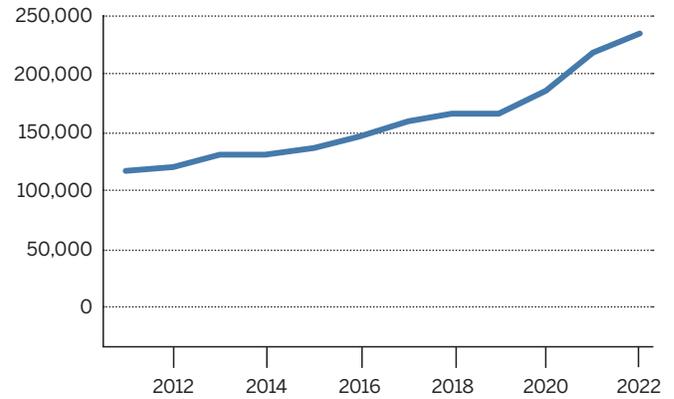
for modernizing the system. In 2022, we took steps to enhance the renewal process for MLOs to make sure the system could operate smoothly at peak loads. We also held a series of live, virtual trainings and refreshed our communications to help ensure MLO readiness for annual renewals. More recently, we have refined our modernization approach to focus on delivering incremental improvements while creating a system that is flexible enough to accommodate policy changes as they develop.

While NMLS is used by regulators and industry, the public also can review individual and company licensing status and publicly available regulatory actions through its public facing website [NMLS Consumer Access](#).

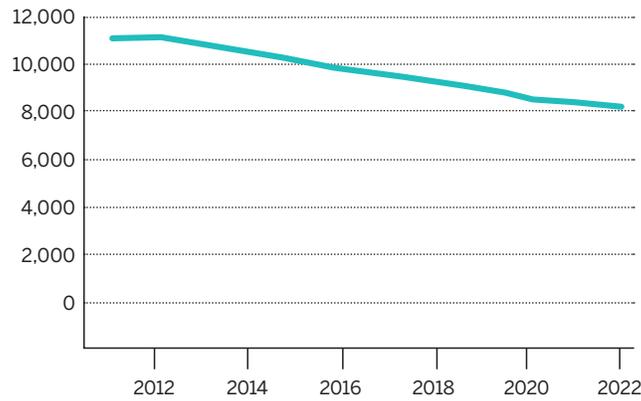
Licenses per MLO by Year in NMLS



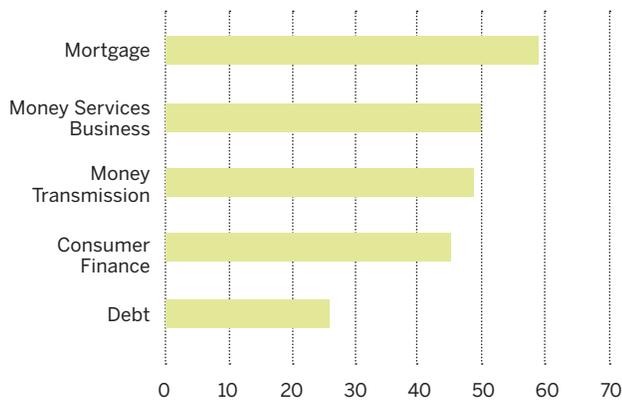
Individuals Licensed in NMLS by Year



Federal Institutions Registered in NMLS by Year



Number of Agencies that Regulate Each Business Activity through NMLS



In 2022, a total of 28 state agencies posted 1,382 public regulatory actions in [NMLS Consumer Access](#), and the Consumer Financial Protection Bureau (CFPB) posted 28 actions it has taken against companies and individuals in NMLS. In the same year, NMLS Consumer Access received more than 196.5 million page views from more than 8.4 million visitors.

The NMLS program includes an extensive set of support services that enables state regulators, state licensees, federal registrants and other federal agencies to use the system, access ongoing training and more. The NMLS program also includes the NMLS Annual Conference & Training. In 2022, like in 2021, the NMLS Conference was held as a virtual event and attracted approximately 1,000 regulator and industry attendees. The virtual conference included panels covering NMLS use as well as a range of sessions on nonbank regulatory and industry topics. The 2023 NMLS Conference will return to an in-person format.

THE STATE EXAMINATION SYSTEM

CSBS launched the [State Examination System \(SES\)](#) in 2020 to provide an efficient and secure platform for states to conduct exams and investigations, and to manage consumer complaints in a collaborative, networked manner that preserves state control over information sharing.

With SES, state regulators have a powerful tool to bring uniformity, efficiency and a less burdensome supervisory process for companies.

SES matured in 2022, adding several enhancements for a richer user experience such as the “QuickIR” functionality that allows companies to prepare and maintain answers to standard exam questions for re-use. In addition, we implemented a web-based content platform for SES users to efficiently access instructional and support materials.

At the end of the year, 51 state agencies had been onboarded to SES, completing 1,950 single state examinations and 19 multistate examinations through the system. State agencies have processed more than 2,100 consumer complaints in SES.

SES Exams Started by Year

Year	Mortgage	Money Services Businesses	Debt	Consumer Finance
2020	244	14	15	48
2021	963	98	99	139
2022	1,532	126	136	191

SES Consumer Complaint Monetary Relief Returned Over the Years (System launched in September 2020) *

Year	Monetary Relief Returned to Consumers
2020	\$21,370
2021	\$586,144
2022	\$1,386,826

*15 agencies are using SES to process complaints received by consumers.

ENABLING STATE COORDINATION

One Company, One Exam

[One Company, One Exam \(OCOE\)](#) is a key initiative in advancing Networked Supervision. Under OCOE, all states are encouraged to participate in or accept the result of one multi-state exam for one company. The OCOE Money Services Businesses (MSB) process, which began as a pilot program in 2019, has evolved into a successful supervisory examination program with a respectable level of companies examined only once in a cycle. In 2022, a total of 80 MSBs were examined through the OCOE program.

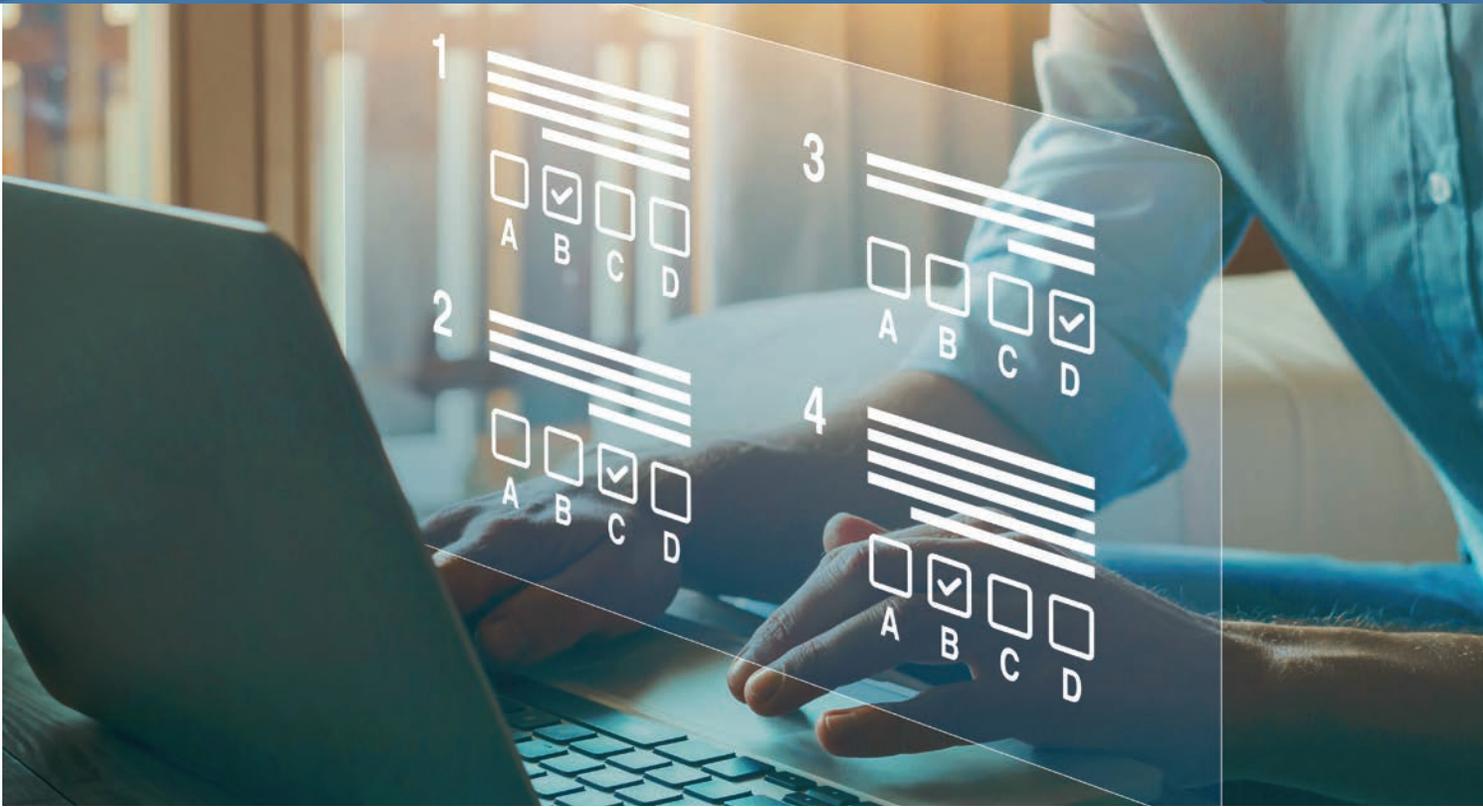
Building on this success, CSBS conducted an OCOE pilot program for mortgage supervision that was geared to enhance coordination and networked supervision efforts among state mortgage regulators while minimizing the regulatory burden for the mortgage entity being examined. The pilot program closed in July 2022 with an after-action review process that elicited feedback from the states and the examined company. As a result, CSBS has established a work group comprised of 17 states to identify the standardization necessary to make the OCOE Mortgage program scalable and sustainable. The group's work will result in a significant reduction in the over 1,500 examination requests that currently exist across the state system and will bring an agreed-upon standardized list of requests into SES for a more uniform approach to state supervision.

Implementing common standards

CSBS supported the states in advancing common standards through the [Model Money Transmission Modernization Act \(MTMA\)](#) in 2022. Notably, Arizona became the first state to fully adopt MTMA. CSBS staff is paving the way for additional states to do so by establishing coordination mechanisms between states and industry, conducting education outreach on the MTMA and the state legislative process, as well as developing a transparent reporting structure for tracking adoption progress.

Effective adoption of the [Model State Regulatory Prudential Standards for Nonbank Mortgage Servicers](#) can occur through law, rule or even formalized examination procedures as determined by each state. In 2022, Connecticut passed a new law, while Maryland adopted a new rule. We expect more in the next year.

In early 2022, CSBS staff updated the [Model Data Security Law](#) to align with the Federal Trade Commission's Safeguards Rule and to include notification requirements applicable to banks and nonbanks. We also developed an additional streamlined model for alternative adoption of the model law. With the model law complete and available for adoption, CSBS staff will begin assisting states in determining the best course of action, which could be through law, rule, guidance or exam procedures.



Large Bank Supervision

[Networked Supervision](#) is an initiative that encompasses bank and nonbank strategic priorities. When it comes to banks, large bank supervision is an area of priority for advancing a networked approach. Our team has engaged with commissioners to share data and the overall landscape for state-chartered banks with over \$10 billion in total assets. This includes providing a large-bank specific version of our popular Risk Scoping Workbook tool to empower large bank examiners with horizontal review capabilities. As a part of enhancing coordination among state and federal large bank supervisory teams, staff facilitated quarterly calls with the Federal Reserve and FDIC that covered important topics including mergers, digital assets and the impact of rising interest rates.

In addition, District III held a meeting of large bank examination teams from its states. At the meeting, teams shared large bank supervisory processes and experiences communicating and coordinating with the federal banking agencies and discussed important issues like exam scoping and resource planning, ongoing monitoring and regulator and industry pain points.

To address the challenges state-chartered banks experience when seeking to establish either loan or deposit production offices outside of the state in which they are chartered, CSBS created a 50-state guide for regulators and state agency staff. The guide tracks state requirements and includes state regulatory points of contact for interstate banking questions.

PROMOTING STATE REGULATION OF COMMUNITY BANKS

State regulators charter and oversee 79% of the nation’s banks. For decades, our core mission has revolved, and continues to revolve, around preserving the state charter as the charter of choice as part of a vibrant and diverse dual banking system.



John W. Ryan Award winner co-author Gregory Weitzner from McGill University with CSBS Chair-Elect Lise Kruse

More than 10 years ago, we began an effort focused on community banks and the role of state regulators in chartering and supervising community banks. CSBS continues to work with and for our members to promote the value of state-chartered banks through a number of venues.

Community Banking Research Conference

In October, we celebrated the tenth year of the [Community Banking Research Conference \(CBRC\)](#), an important partnership with the

Federal Reserve System and FDIC. More than 500 academics, community bankers and federal and state regulators attended the hybrid event, held once again at the Federal Reserve Bank of St. Louis. While building the findings into effective change takes time, we have seen the impact of the conference over the past decade, as lawmakers and federal policymakers increasingly cite the research it generates.

In one of the most notable developments this year, the annual award for the best academic paper was renamed the “John W. Ryan Award

for Most Significant Contribution to Community Banking Research.” John was a visionary force behind the creation of the conference and addressed attendees every year.

This year’s [award-winning paper](#), *Bank Loan Markups and Adverse Selection*, was co-authored by Mehdi Beyhaghi with the Federal Reserve Bank of Richmond, Cesare Fracassi with the University of Texas at Austin and Gregory Weitzner with McGill University.

CSBS Annual Survey of Community Banks

CSBS canvasses community bankers every year and releases the findings at the Community Banking Research Conference. Their concerns in the ninth annual [CSBS Annual Survey of Community Banks](#) mirror the nation’s economic uncertainties, with a lagging economy, high interest rates and

geopolitical issues, all while the pandemic lingered. The nearly 500 community bankers nationwide who responded ranked net interest margins, economic conditions and loan demand as their highest external risks. Cybersecurity ranked highest among internal risks, while staffing concerns rose 10% from a year prior.

Other key findings from the 2022 survey include:

- Inflation was described as a persistent but manageable challenge.
- Community bankers expect relationship-based lending to expand more than transactional lending.
- The percentage of bankers who said adoption of new technology is extremely important doubled over the past three years;



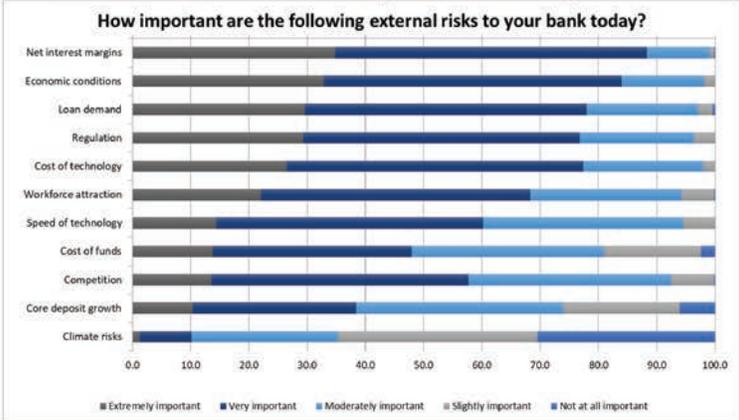
Community Banking Research Conference
Where Research and Policy Meet

2022



Key Finding #1: Net interest margins, closely followed by economic conditions, is the top challenge for bankers.

How important are the following external risks to your bank today?



Risk Category	Extremely important	Very important	Moderately important	Slightly important	Not at all important
Net interest margins	35%	55%	10%	0%	0%
Economic conditions	30%	50%	15%	5%	0%
Loan demand	25%	45%	20%	10%	0%
Regulation	20%	40%	25%	15%	0%
Cost of technology	15%	35%	30%	15%	5%
Workforce attraction	10%	25%	35%	25%	5%
Speed of technology	10%	20%	30%	35%	5%
Cost of funds	10%	30%	35%	20%	5%
Competition	10%	25%	35%	25%	5%
Core deposit growth	10%	20%	30%	35%	5%
Climate risks	5%	15%	25%	45%	10%





however, high costs related to technology continue to be a concern.

- Compliance costs at community banks continued at levels that have persisted for several years.
- In-house provision of core processing services, compared with services provided externally, was viewed by bankers as cheaper but less secure.

Community Bank Sentiment Index

CSBS polls community banks across the nation about their outlook on the economy every quarter for the [Community Bank Sentiment Index \(CBSI\)](#). Their answers are analyzed and compiled into a single number, with 100 being neutral. The index stayed below 100 throughout the year, as community bankers reported a gloomy economic outlook in the seven key components.

The CBSI hit a milestone in August when it was added to the Federal Reserve Economic Database platform, informally known as the FRED. This online database, maintained by the Federal Reserve Bank of St. Louis, is widely used across the economic-data user community and

CSBS Community Bank Sentiment Index



greatly expands the CBSI's reach to economists, policymakers, researchers and other public stakeholders across the nation.

CSBS Student Competitions

CSBS sees great value in investing in the future through two annual undergraduate student competitions aimed at building a further understanding of the community banking business model and the role community banks play in local communities.

CSBS Data Analytics Competition

CSBS began the [CSBS Data Analytics Competition](#) in 2020, creating another avenue for encouraging students to learn about community banking and consider a career in the sector. The top four teams receive monetary awards.

In 2022, CSBS asked students to develop a data analytics model that demonstrates the role community banks played during the pandemic using data from the Paycheck Protection Program. A team of students from the College of William and Mary emerged as the winner with their research that found fintech partnerships could help better diversify the banking ecosystem and encouraged further research in this area. A team from the University of California at Irvine placed second, a team from Carnegie Mellon University placed third and a team from Southern Methodist University placed fourth.

CSBS Community Bank Case Study Competition

The capstone event, the annual [Community Bank Case Study Competition](#), began eight years ago to provide undergraduate students an opportunity to produce original research while making connections with



The 2023 Case Study winning team from James Madison University: (l-r) Emelia Potteiger, Nicolas Gonzalez Ortega, Noah Vanhoy, Faculty Advisor Carl F. Larsson, Ph.D., Sara Kate Garman. Not pictured: Collin Blanchard

bankers, academics and federal and state regulators. These case studies in turn provide policymakers with invaluable insight into operating conditions in communities across the country, informing future regulatory responses to the obstacles and opportunities facing the community banking industry.

The top three teams and their faculty advisors receive monetary prizes and are published in the [CSBS Journal of Community Bank Case Studies](#). The winning team presents its findings at the Community Bank Research Conference.

In 2022, more than 100 students from 21 universities participated in the competition, with the challenge of looking at community banking 10 years back and 10 years forward. A team from James Madison University emerged as the winner. A team from Mansfield University of Pennsylvania came in second, and a team from Mississippi State University ranked third.

“This competition gives us a chance to get to know the students and listen to their thoughts and observations. They are sharp, motivated and look at things through a different lens. The diversity of ideas can bring new perspective to make F&M a better bank.”

**F&M Bank President and CEO
Mark Hanna**

ADVANCING STATE SYSTEM THOUGHT LEADERSHIP

CSBS has ensured that state financial regulation continues to be at the forefront of the policy discussion as financial services continue to evolve and the nation recovers from a global pandemic.

Navigating change means staying abreast of emerging issues, such as digital assets. CSBS issued a Cryptocurrency Examination Questionnaire for states to use in the examination process. In August, we updated the “Commissioner’s Guide to Digital Assets” to help members keep pace with the quickly changing area. Throughout the year, the CSBS Fintech and Innovation Steering Group discussed emerging trends and business models as well as policy proposals related to stablecoins and digital assets.

We raised awareness of the federal statute that requires state bank supervisory experience on the FDIC board. Much like the requirement that no more than three members of the FDIC board can be from the same party, the state bank supervisory experience requirement represents the diversity of perspective inherent in the nation’s dual banking system. While the new appointments to the board did not reflect this experience, we will work with the entire FDIC board on ways to strengthen our partnerships and shared interests. We also will continue to promote the importance of having the state bank regulator viewpoint on the FDIC board.

Sharing our advancements as a state system with Washington decisionmakers is central to our role as a membership organization. When the House Financial Services Committee Task Force on Artificial Intelligence invited CSBS to provide the state perspective of artificial intelligence in reg tech, then-Chair Melanie Hall used the opportunity to communicate how states are focused on building the regulatory system of the future through Networked Supervision.

The state perspective was well publicized in May when we sent letters to the House and Senate urging Congress to not just pass the Secure and Fair Enforcement Banking Act, which would provide a safe harbor to depository institutions that provide banking services to legitimate cannabis related businesses, but to also add a safe harbor for money transmitters. While the legislation is still in play, our timing generated press interest and served to expand our coalition.

A central piece of our advocacy efforts is engaging directly with policymakers in Washington. In March 2022, we held our first in-person Government Relations Fly-In since

2019, enabling our members to once again meet face to face with their federal elected officials. Top influential leaders also addressed attendees, including House Financial Services Committee Chair Maxine Waters, Senate Banking Committee Chair Sherrod Brown, Acting-FDIC Chairman Martin Gruenberg and White House senior staff.

CSBS submits many comment letters to federal agencies on issues of concern to the state system. In 2022, the Federal Reserve proposed a tiered review framework for Reserve Bank master account access requests, which created an unlevel playing field between certain state-chartered and federally chartered institutions. CSBS sent a [comment letter](#) voicing our concerns and raised the issue directly with the Federal Reserve Board of Governors at our annual Fly-In. The Federal Reserve improved their tiered review framework based on our recommendations, and it later released a separate proposal to publish a list of institutions that have Fed master accounts based on our calls for more transparency.

The Anti-Money Laundering Act of 2020 requires FinCEN to substantially strengthen and modernize the Combating the Financing of Terrorism infrastructure to reflect the capabilities of emerging technologies and new criminal methodologies. Staff worked with Congress to ensure that state regulators were consulted as part of this process, and we continue to support a task force of commissioners in the ongoing coordination with FinCEN as it works to revamp the Bank Secrecy Act/Anti-Money Laundering Act framework.



State financial regulators visit Capitol Hill at the CSBS Government Relations Fly-In

CREATING PARTNERSHIPS IN SUPERVISION

Mortgage loan originators (MLOs) are required by state and federal law to take a certain number of education classes each year. These classes can be in person or online, and CSBS monitors participation under its SAFE Act mandate. When CSBS discovered irregular activity through a gesture-driven authentication tool called BioSig-ID, states took action and discovered a fraud scheme involving over 600 MLOs nationwide who claimed to have completed annual continuing education as required under state and federal law.

In January, 44 financial agencies, led by the California Department of Financial Protection and Innovation, announced they had reached settlements with more than 450 of the MLOs. Through the settlements, the mortgage loan originators surrendered their licenses for a period of three months, paid fines of \$1,000 for each state in which he or she held a license and committed to additional continuing education above and beyond federal and state SAFE Act requirements. The settlement fees totaled more than \$1.2 million.

Shortly after, several states reached a settlement with Danny Yen, owner of the Carlsbad, California-based course provider Real Estate Educational Services, for providing false certificates and taking courses on behalf of mortgage loan originators through other education providers in violation of the SAFE Act.

This case shows how CSBS helps state regulators to act quickly to uphold the requirements of the SAFE Act and to defend the integrity of the NMLS Testing and Education program.

Federal Agencies

Strong relationships between state and federal regulators are crucial to effective financial regulation. These relationships form the basis for coordination and collaboration across a range of supervisory tools and processes.

In 2022, CSBS staff and the states began a multi-year effort with the Federal Reserve and FDIC to determine the future of interagency examinations tools. This shared effort ultimately will yield reduced regulatory burden for the banking community, a simplified technology landscape for supervisory staff, improved access to data leading to more effective analytics, better collaboration between agencies and reduced long-term IT costs for regulatory agencies.

Information sharing between state and federal regulators is critical to efficient and effective supervision. With this in mind, CSBS opened channels of communication around sharing mortgage industry information with the Federal Housing Finance Agency and Ginnie Mae and by adding to existing agreements with the CFPB and U.S. Department of Housing and Urban Development.

STATE REGULATION AND INTERAGENCY ENGAGEMENT

CSBS supports state-federal coordination across a range of supervisory and regulatory structures and work streams. Decades of engagement with the federal banking agencies informed CSBS's efforts to ensure that the law creating the CFPB codified coordination with state regulators. For more than a decade, the states have been leaning into that partnership through supervisory efforts, information sharing and enforcement through a coordinated supervision framework and information sharing memorandum of understanding.

State financial regulators and the state regulatory perspective also are integrated into key regulatory councils and committees. The key interagency bodies and state regulatory participants are:

Financial Stability Oversight Council, a body chaired by the U.S. Treasury Secretary to monitor for risks to the financial system's stability:

- Texas Department of Banking Commissioner Charles G. Cooper (until Dec. 31, 2022)
- New York State Department of Financial Services Superintendent Adrienne Harris (as of Jan. 1, 2023)

Federal Financial Institutions Examination Council, a body of federal and state financial regulators charged with setting examination standards. State Liaison Committee representatives are:

- Indiana Department of Financial Institutions Director Tom Fite (Chair)
- Montana Division of Banking and Financial Institutions Commissioner Melanie Hall
- Arkansas State Bank Department Bank Commissioner Susannah Marshall
- Georgia Department of Banking and Finance Senior Deputy Commissioner Steve Pleger (through Aug. 14)
Deputy Superintendent of the New York Department of Financial Services Yolanda Ford as of Sept. 14)
- Ohio Division of Financial Institutions Superintendent Kevin Allard

STATE REGULATION AND INTERAGENCY ENGAGEMENT (CONT'D)

Financial and Banking Information Infrastructure Committee, a group of federal and state regulators charged with improving coordination and communication among financial regulators, promoting public-private partnerships within the financial sector and enhancing the resiliency of the financial sector:

- Texas Department of Banking Commissioner Charles G. Cooper (CSBS Principal)
- Ohio Division of Financial Institutions Superintendent Kevin Allard (representing American Council of State Savings Supervisors)

Interagency Supervisory Processes Committee, a committee of senior state, Federal Reserve and FDIC bank regulators who meet quarterly to discuss coordination and collaboration on supervisory matters.

- Indiana Department of Financial Institutions Deputy Director Christopher Dietz
- Georgia Department of Banking and Finance Deputy Commissioner for Supervision Melissa Sneed
- Iowa Division of Banking Bank Bureau Chief Shauna Shields
- West Virginia Division of Financial Institutions Commissioner Dawn Holstein

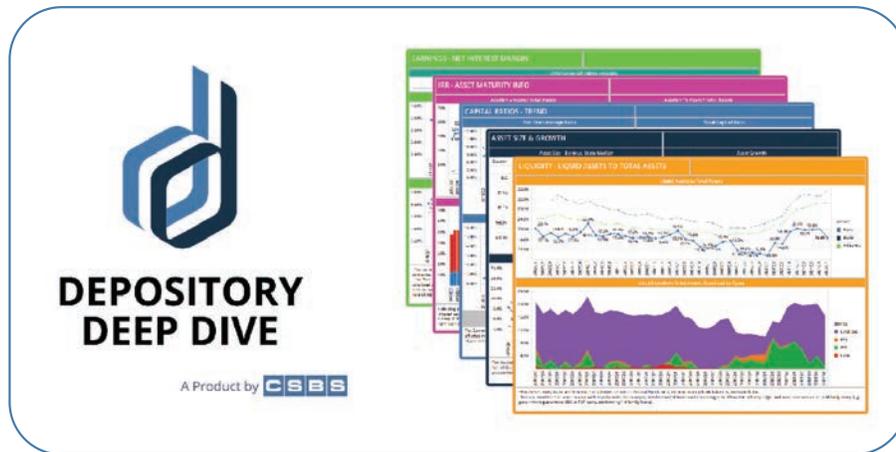
As a new voting member of the Mortgage Industry Standards Maintenance Organization, CSBS began participating in the development of mortgage regulatory data standards, in collaboration with industry, for compliance technology applications. These new standards will improve and bolster the use of compliance technology in mortgage supervision.

Effective financial supervision requires extensive reporting of information by supervised institutions to their regulators. Under federal law, bank reporting is reviewed every five years to verify that the usefulness to the regulatory

agencies justifies the burden of collection. State regulators participated in the FFIEC's statutorily mandated full review of the Consolidated Reports of Condition and Income.

For the last several years, CSBS has given the FDIC access to data from our Annual Survey of Community Banks to shape research in the FDIC Community Bank Study – a widely-used and relied-upon resource in the banking community. Specifically, the data CSBS provides to the FDIC is central to its exploration of how community banks use technology.

EMPOWERING THE REGULATORY WORKFORCE



Advancing Data Awareness

The financial services industry grows in volume and complexity each year. Data, and analytics specifically, are among the most effective tools for state financial supervisors to anticipate and mitigate risk within the financial system quickly and efficiently. That requires both finding new ways of capturing data and also building an understanding of how to interpret data.

In October, CSBS hosted its third DataPaloosa, a multi-day, multi-track virtual conference dedicated to advancing state regulators' tactical and strategic approaches to data analytics. The event serves several purposes tied directly to the CSBS Strategic Plan, including advancing a data-literacy culture, building more technically savvy and data-driven examiners and helping regulators share their use of data.

CSBS also held its second iteration of an in-person data analytics intensive training seminar to assist bank regulators with building their own reports and dashboards using quarterly call report data. While the training

focused on report building and design, CSBS instructors also trained attendees on its existing suite of pre-built tools, how to load their own data onto the platform and how to be a better data champion in their agency through important change management concepts. Staff added a series of nonbank modules to its on-demand analytics training videos that help new examiners quickly become familiar with the data tools available to them and provide easy access to reference materials for all examiners.

The launch of the Depository Deep Dive (3D) data tool this year represents an important accomplishment for CSBS. 3D provides a visually immersive deep dive on an individual bank with almost 100 different charts and graphs that compare a bank's historical performance to state and national averages. Since its launch in July 2022, there have been over 300 page-requests from more than 35 different states, with several regulators heralding the tool as a "game changer" in its ability to connect non-technical agency staff with important insights about bank performance. 3D has a comprehensive suite of

user training and support resources. Access is integrated into CSBS's most popular existing analytics tools, so regulators don't have to learn a new workflow. In addition to streamlining Uniform Bank Performance Report analysis, the narrative customization feature allows states to use 3D as a training tool for helping new examiners get up to speed more quickly. It is also being used more formally by instructors of the CSBS Capital Markets School, who have used an anonymized version of 3D (and several other analytics tools) to integrate a data-focused case-study into its curriculum.

CSBS continued to build awareness for a bank data analytics tool introduced in 2021 known as Risk Identification for State Chartered Institutions, or RISCI, which measures a bank's risk on a quarterly basis. RISCI allows state regulators to quickly identify existing and emerging risks between examination cycles. Using RISCI also gives state regulators another opportunity to proactively engage early with their supervised institutions when a wider range of remediation options are available.

Strengthening Cybersecurity

Cybersecurity remains a critical concern for state regulators and the financial institutions they oversee. It's a frequent topic of conversation at most CSBS convenings, and it was the number one internal concern cited by community banks in our annual survey. CSBS took a multi-pronged approach to addressing these concerns.

Increased Russian cyber threats at the start of the year led to the first state-coordinated issuance of a cyber alert statement from state regulators to the financial institutions they supervise. CSBS bolstered the alert by hosting two webinars on the potential impact of heightened geopolitical tensions to the

financial sector with the U.S. Department of Treasury that reached nearly 4,000 bankers. When Russia invaded Ukraine, CSBS worked directly with Treasury's Office of Foreign Assets Control to identify sanctioned licensees. Staff issued daily updates to keep state regulators informed of the latest information related to Russian cyber threats.

Cyberattacks and ransomware have become more prevalent and a daily issue. To aid state agencies with examinations, CSBS issued an updated NonBank Cyber Baseline Work program and a new Expanded Work program, which we shared in an all-state training webinar.

We also increased our education and learning programs. CSBS held two live virtual sessions of our IT Examiner School with a combined 60 examiners from 19 states. We also resumed our annual in-person Cyber and IT Supervisory Forum in early October with over 64 attendees from 20 states. To meet an ever-growing need for cybersecurity training, we partnered with a reputable third-party training vendor to offer foundational and advanced cybersecurity training in the final two months of 2022 that reached approximately 90 members from 36 states.

Cybersecurity also involves conversations with federal agencies. Staff redrafted the CSBS Model Data Security Law to align with the final Federal Trade Commission (FTC) Safeguards Rule, developed alternative streamlined legislative language for state adoption and established a working relationship with FTC on data security issues. We also partnered with Treasury to offer ransomware tabletop exercises for banks.

As demonstration of our own organizational efforts to remain vigilant on cybersecurity threats, NMLS retained its FISMA Authorization

to operate from the CFPB, as required. This demonstrates that data in NMLS is being handled securely and in compliance with federal regulatory requirements. In addition, CSBS successfully completed a cybersecurity risk audit of the entire enterprise with no significant issues.

Examiner Certification Program

The [CSBS Examiner Certification Program](#) is a voluntary program designed to recognize and promote the professionalism and highly specialized skillsets of state financial regulatory agency personnel. Established over 30 years ago and overseen by the CSBS Education Foundation's Certification Committee, the program offers 31 different credentialing opportunities to our state

regulatory members, covering bank safety and soundness, mortgage, money services businesses, trust, IT/cyber and other specialty areas. In 2022, more than 1,100 state regulators from 48 agencies in 41 states actively participate in the program.

The CSBS Accreditation Program involves an in-depth review of an agency's policies, procedures and operations to determine if it meets the standards set by the Performance Standards Committee. These standards create a framework for state supervision, promote process standardization and help states share best practices for state financial regulation.

We offer accreditation in three areas: bank, mortgage and money services businesses.

Regulatory training, examiner certification and agency accreditation

BY THE NUMBERS

In 2022,



14 in-person and **27** live virtual events and programs with a combined **2,300+** regulators from all **50** states.



1,100+ certified regulators from **48** agencies in **41** states.



45 accredited agencies for bank supervision, **30** for mortgage supervision and **8** for MSB supervision.

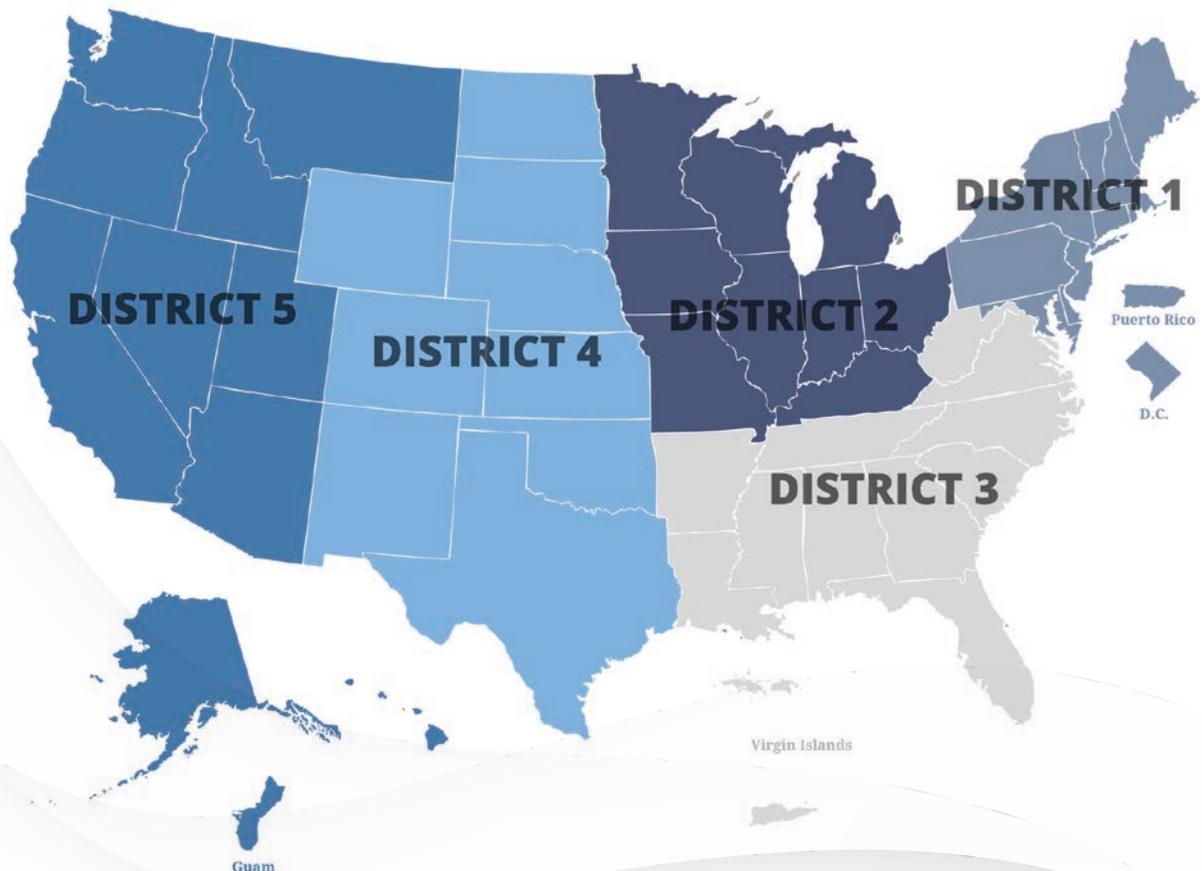
ENGAGING WITH MEMBERS

Many of our events were still virtual at the start of the year due to pandemic restrictions, including the NMLS Annual Conference & Training, which welcomed more than 1,000 regulator and industry participants online.

We pivoted to in-person engagement as conditions improved, while continuing to support and conduct a range of virtual trainings, events and governance meetings.

CSBS also supports state regulators in regional meetings throughout the year and across all five CSBS districts. These meetings, which hosted

more than 260 state regulators and more than 60 federal regulators in 2022, are an important CSBS platform for effective collaboration. They allow states to communicate and share current topics and concerns, such as staffing issues, and emerging trends, like challenges for banks operating in a rising interest rate environment.



CSBS training provides an opportunity for state examiners to gain new skills, increase their effectiveness during examinations and improve the quality of the examination process for both supervised depository and non-depository institutions. Uniquely, the CSBS training and education courses are developed and taught by fellow state examiners. This process enriches the programs by enabling state regulators to share their hands-on experience throughout the state system.

We offered virtual trainings as frequently as needed and resumed in-person trainings on a wide range of topics including mortgage origination, Multistate Mortgage Committee Examiner In-Charge training, cryptocurrency fundamentals, effective technical writing for examiners and bank safety and soundness examiner schools. In July, CSBS held a three-day regulatory summit for senior-level agency staff with a deep dive training into legal and supervisory issues.

CSBS held its first in-person strategic planning meeting since 2019 in Montana. More than 76 regulators from 36 states participated to align and articulate the state system's strategic goals and priorities. This meeting marked the beginning of the next three-year strategic plan, covering 2023–2025.



State financial regulators and staff members attend the CSBS Strategic Planning meeting in Montana



CSBS employees received a Lunar New Year care package from the Asian American Pacific Islander Employee Resource Group

SUPPORTING OUR PEOPLE

Building a team that can weather the ups and downs of a fast-changing environment takes time and effort from both leadership and staff. We are more resilient when we foster an inclusive culture and give everyone an opportunity to contribute their knowledge, skills, experience and perspectives. One of the ways CSBS creates an environment of deeper appreciation is through our Diversity Council, which is comprised of the following employee resource groups:

- CSBS Diversity Network Employee Resource Group
- African American Employee Resource Group
- Asian American Pacific Islander Employee Resource Group
- Pride—LGBTQIA+ Employee Resource Group
- Womxn's Interactive Network (WIN)

All staff members are welcome to attend the meetings, which have resulted in rich conversations and fostered connections in our hybrid environment. In 2022, our Diversity Council formed a group of executive, senior and functional leaders to promote and oversee the implementation of our diversity and inclusion strategic initiatives across the organization.

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has a new address:

CONFERENCE OF STATE BANK SUPERVISORS

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