

**Prepared Remarks for David Cotney
Commissioner, Massachusetts Division of Banks
Chairman, Conference of State Bank Supervisors
CSBS State-Federal Supervisory Forum
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As they say, all good things must come to an end. And for me, being chairman of CSBS during the past year, has been a very good experience indeed. CSBS has delivered real accomplishments in the areas of bank supervision, non-depository supervision, and education.

Progress in these areas was not made by me alone. Progress was made possible by the research and analysis performed by the CSBS staff, the collaboration demonstrated by our Board of Directors, and the active participation of our broader membership. To each one of you, I offer my profound thanks for all your help and support.

Before I turn the podium over to Charles, who will discuss the future of CSBS, let me salute one past milestone. It has been 20 years since Ed Leary was chairman of CSBS. A man of integrity, intellect and great humor, Ed has been a vital force for Utah state regulation and CSBS for many years. So let's show appreciation.

Now, let's take stock of where we are today.

One year ago, I made a commitment to you. I made a commitment that, when it comes to financial regulation, the states would be leaders, not followers. That we would not take a back seat to anyone. That we would identify the critical issues, work them, and chart a path that *others* would follow.

One year later, I believe we have made substantial progress in this regard.

Let's start with right-sized regulation. How did this become the way that many in Congress now think about financial regulation? The answer: CSBS. Because of our efforts, because we could identify specific cases in which right-sized regulation was needed, we were able to win Congressional passage, and the President's signature, of laws that improved the regulatory regime for community banks.

- The threshold for 18-month exam cycles for well-capitalized banks. It was doubled from \$500 million to, now, \$1 billion. In case anyone forgot, CSBS had the idea for the 18-month cycle going all the way back to the 1990s.
- Community banks operating in rural areas. They gained more exemptions regarding rules applied by the CFPB, including a more favorable designation for qualified mortgages.

Because of our leadership, more banks can spend less time preparing for exams, and more time lending to the community. Because of our leadership, more banks have a larger menu of mortgage options to best suit their borrowers.

Our community bank research conference has become a signature event each year, where high-quality research is reviewed on the future of community banking. I also have seen the excitement generated by our Case Study Competition, where we invite teams of college students to partner with a community bank and compete for the best research paper. Tomorrow, we announce this year's winner.

Clearly, community banking has been a high priority for us.

Now, on the federal level, is all this enough progress? No. We still need to push hard for a common definition for community banking and tangible regulatory relief. And we continue our efforts in relief for the call report, capital requirements, and compliance.

We also demonstrated our leadership in the non-depository area. In years past, the numbers of non-depository licenses have grown and contracted, depending on business cycles and consumer preferences. But in the current era, many signs suggest that a longer-term evolution is in the works for banking services. And CSBS has been out front in responding to this evolution.

From a governance perspective, last year we created the Non-Depository Supervisory Committee. This structure allows us to take a holistic approach to how we regulate the vast array of non-depositories, from independent mortgage companies...to money services businesses...to consumer finance companies. Through this committee, we ensure Commissioner-level engagement on the work of various multi-state committees.

In addition, we are releasing a white paper on money service businesses. The states have identified de-risking as a real issue, with banks denying banking services to MSBs. Banks cite many reasons for de-risking, including a false belief that MSBs are not regulated. In our white paper, we make clear that the states have a regulatory structure in place for MSBs that is focused on consumer protection, safety and soundness, and adherence to the Bank Secrecy Act and Anti-Money Laundering requirements.

Next, let me discuss fin-tech. This is nothing new to us. Through our Emerging Payments Task Force, we put forth a model framework for regulating virtual currency. And we have been operating the NMLS – our version of reg-tech – for a while now. Sixty-two state agencies now use the system to facilitate the licensing of financial services industries that we as state regulators oversee. Roughly 50,000 companies and 500,000 individuals are licensed or registered in NMLS today.

And we're not standing still. During the past year:

- We have gained authority to process criminal background checks concerning non-MLO professionals
- We have provided states with access to federal registry data
- We have enhanced the analytics of NMLS data
- We have continued efforts to leverage NMLS for paperless surety bond transactions
- And we are on our way to building NMLS 2.0 – a modern and flexible system for the states, industry and consumers

When we came together 10 years ago to develop NMLS, we had a vision that the NMLS would become the foundation for state supervision. And we are well on our way.

The skeptics will say we are a patchwork, and that we are stifling innovation. I believe that, just as Justice Brandeis said a century ago, the states are laboratories of innovation. As we have done in other areas of bank and non-bank supervision, we will need to come together to solve the latest regulatory challenge. And if the fintech folks think they need a federal charter to succeed, all I can say is be careful what you ask for.

The last area where I committed that the states would lead is in the area of education and accreditation. Here, we are setting a high bar.

Our education programs are rigorous, timely and relevant. I am proud that more than 1,000 examiners have earned certification from CSBS. And in the past year, we have begun to upgrade our accreditation program, so we can become more effective supervisors through high standards, better technology solutions, and other tools.

Already, we have achieved more efficiency and streamlining with the mortgage accreditation program, and with the NASCUS accreditation program for credit unions. Let me acknowledge NASCUS President & CEO, Lucy Ito, for her commitment to this effort.

What is more, I am proud that state supervisors have led the industry-wide effort to raise awareness about cybersecurity. Together, we have personally reached more than 1,700 bankers. I might add, the very first cyber education event was held by our new chairman from Texas. The events of recent weeks – domestically and abroad -- underscore the importance of data protections. They prove what the states have known all along: we can never let our guard down.

Leadership in bank supervision. Leadership in non-depository supervision. Leadership in education and accreditation. These are all part of your strategic plan that the CSBS staff helps all us collectively implement. We have devoted a substantial amount of energy in getting our plan right. It is a plan that makes it an organizational priority to do three things:

- Promote right-sized regulation for banks
- Put us at the forefront of issues necessary to regulate non-depositories and protect consumers
- And instill strong confidence among policymakers – and the public – in the value and effectiveness of state bank supervision

That is the long-term plan for CSBS because these are the long-term objectives for state bank supervisors.

It has been a pleasure to serve as your Chairman. I am grateful to my fellow Board members. I have enjoyed our many conversations and debates, which have made our decisions much, much better. I am grateful to the CSBS staff, who are an outstanding group of professionals that help all of us every day. And I am grateful to all of my fellow supervisors in the membership.

It has been an honor.

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