Wow, what a year this has been – for me, for CSBS, and for the community banks we supervise! I want to sincerely thank each of you for giving me this opportunity to serve as your Chairman over the past year. It has truly been an honor and a privilege.

It has been said that if you are the smartest one in the room, you are in the wrong room. Well, as I look around the room today, I can confidently say, I am in the RIGHT room! The level of expertise and professionalism that is represented here today, and all through the state regulatory system, is impressive – inspiring, really.

I want to thank my wife and travel partner, Tina. As many of you have learned over the past year, she is the much more interesting one of us. Thank you for all of your support and encouragement and the countless hours crisscrossing the country to various meetings and conferences this past year. Thank you, Tina.

I also want to recognize and thank the “most excellent” staff at CSBS, not only for all the support they have given me this past year, but also for the tireless support they provide to the state system as a whole each and every day. The data, supervision support, ground-intel and representation on the Hill that they provide for regulators is not only very supportive, but down-right impressive! So, CSBS staff, thank you! I sincerely appreciate
all you have done for me as well as the state system this past year!

One of the highlights of the past year for me was attending the various District meetings across the country. Those meetings continually reminded me of the strength of leadership and talent that we have in the state regulatory system. That talent and leadership is exemplified in our new Chair, Charlotte Corley. I have no doubt that under Charlotte’s leadership, CSBS will reach new heights and continue to be a thought-leader in financial institution regulation.

Plus, I am certain she will bring southern charm and civility back to the Chair! Congratulations Charlotte – and good luck!

A year ago, I expressed that as state regulators:

- We would continue to help community banks strengthen their businesses by ensuring that credit is available in neighborhoods of all shapes and sizes.
- We would work with Congress to reform bank regulation laws.
- We would continue to provide our federal counterparts with information, insight and expertise to make sure bank regulation supports banks of all sizes.
- We would work to make multi-state regulation a more seamless experience that helps customers benefit from more sources of banking services; and
- We would modernize state banking departments so that we can effectively regulate new kinds of financial entities.

Suffice to say, we have succeeded in many ways. Now, that is not to say our work on these things is over. Rest assured, there continues to be much more we can - and will - do. However, I think it is only fair to take a few moments to recognize the strides we made over the past year.

As we all know, state regulators have a unique responsibility that differs from our federal colleagues. We are charged with maintaining a financial regulatory system that promotes
a sound banking environment and provides the public with convenient, safe and competitive banking. We are charged with ensuring fair and lawful consumer related financial transactions. AND we are charged with doing this in a manner that allows for economic development within our respective states.

Therefore, we must be deliberate about our supervisory efforts. This is why we continue to work towards common-sense supervision and tailored regulation.

We continue to recognize the many differences between the rural communities and urban centers -- not only the value that each has in our national economy, but also the unique, local challenges that each pose. We understand banking and other financial services businesses are often a risk-versus-reward proposition. Working with our institutions to ensure that risks are properly mitigated is an important part of our jobs.

Allowing banks and other financial institutions to bring new products to market and to work with vendors and fintech partners, benefits not only the banks and their customers, but also the communities in which they operate.

I want to thank you all for the effort you put into maintaining regular contact with your senators and representatives, both at home and in DC, on the many legislative initiatives that are important to state regulators and the institutions we supervise. It really does make a difference. Here’s a look at what happened in the past year …

We championed tailored regulations through Hill testimony - Charles Cooper testified on right-sized banking before the Senate Banking Committee in June, and in February Bryan Schneider testified on de-risking before the House Subcommittee on Financial Institutions and Consumer Credit. We drove introduction of bi-partisan, bi-cameral legislation to strengthen the FDI Act’s existing requirement that the FDIC Board include a member with state supervisory experience.

We took action last fall when staff learned the CHOICE Act included a provision assessing an examination fee on state-chartered banks. We went into high gear on this,
with individual commissioners reaching out to their home state senators and representatives and to industry to oppose this “fee” as a tax on state-chartered banks. Charles Cooper can attest to the fact that Chairman Hensarling was none too happy that we described his bill as imposing a new tax on banks. We held a mini-Fly-In to drive this message home. We made this proposal a third rail, but will have to remain vigilant.

More recently, in March, regulators from 39 state agencies attended our annual Governmental Fly-in. We do not go to the Hill to lobby Congress on behalf of our banks – that is up to the trade associations. Our job is to educate Congress on the important role of state regulators and not only the need, but the value, of tailored regulation.

We reminded Congress of a few key facts that we are all familiar with, like 79 percent of all banks are state chartered; 90 percent of all banks are considered community banks using the FDIC’s research definition; and community banks, while maintaining only 25 percent of banking assets, provide nearly half of all small business loans.

Furthermore, community banks continue to bear an unfair amount of regulatory burden. That is why S. 2155, the Economic Growth, Regulatory Relief and Consumer Protection Act … a/k/a, the Crapo Bill … is so important. Because of your efforts, the Crapo bill includes language that gives state regulators a role in setting and implementing standards aimed at tailoring capital requirements for community banks. Of all people, we know the value of a strong and diverse financial system.

Our efforts on the Hill are not to weaken the banking system, but just the opposite – to encourage a robust financial system that recognizes where the risks are and differentiates community banks from systemically important financial institutions.
We’ve brought a grassroots perspective to Washington. And through our roles in the FFIEC and FSOC, we continue to help federal regulators identify areas that need improvement, like capital simplification and streamlined Call Reports. We are also working with the FFIEC on the interagency exam modernization initiative and to address the appraiser shortage problem.

We are now in our sixth year of our research partnership with the Federal Reserve, which includes the nationwide community banking survey and culminates each fall with the Community Banking Research Conference. This conference brings together state and federal regulators, academics and community bankers.

And the CSBS Community Bank Case Study Competition has grown significantly since we started it four years ago as opportunity for undergraduate students to gain valuable first-hand knowledge of the banking industry. This year, 51 teams from 45 universities nationwide entered the competition – that is an increase of 18 teams, or over 30%, from last year.

These initiatives continue to uncover data on community banking – shining light on those working in the trenches, wading through the quagmire of regulation, and coping with compliance costs that last year’s CSBS/Fed community banking survey estimated to be $5.4 billion annually.

The MSB Call Report from the NMLS is another tool states are using to provide us and our federal colleagues with tremendous insight into the money services business, including the world of cryptocurrencies. This is unique to the state system, as we are the primary regulators of nonbanks. And our regulatory disclosures show MSBs handled more than $1.13 trillion in 2017.

As CSBS members, we have committed that, by 2020, we will adopt an integrated 50-state licensing and supervisory system. This is the heart of Vision 2020. We are working together to enable businesses to achieve scale while respecting local authority. While the focus might be a little different, non-depository licensing and fintech solutions, this is not
a new concept for state regulators. As states, we forge interstate agreements and compacts. That started with banking and branching and has expanded to licensing processes and multi-state examinations.

As states, we find ways to work together toward a common goal. This can be seen in current initiatives such as the multi-state MSB licensing agreement as well as the state innovation contacts that gives companies a point person for answers and guidance. One of those initiatives originated from a single state seeing an opportunity to work together with other states, and the other from a group of states--an entire District, actually--but both recognize and maintain state sovereignty while striving to make the multi-state process easier to navigate--without jeopardizing or weakening standards.

We have organized a Fintech Industry Advisory Panel that is helping us identify points of friction – and solutions – in the multi-state experience. We have fintech representatives who come from the payments space, consumer finance and community banking. And we just held our first nationally scaled Fintech Forum, bringing together regulators, industry and consumer groups to inform and educate each other, not only on the pain-points but why certain regulations are important and the purpose of consumer protection laws.

We are well on our way in designing and building the next generation of NMLS, creatively, or perhaps not so creatively, named NMLS 2.0. This is being done with the goal of not just improving the system but rethinking and completely transforming the state regulatory process. We are moving away from a focus on discrete processing tasks to being user and data driven and more intuitive to streamline the process and identify higher risks that need our intervention.

Along with this, we are developing the State Examination System to both improve exam standardization and begin a digital transformation for nonbank supervision.

We’ve also created tools to help state regulators do their job better. We know cybersecurity is a priority, so we created an examiner guide and best practices to help. In the past year, CSBS also delivered a BSA/AML self-assessment tool, the Current
Expected Credit Losses readiness checklist tool and a state-by-state marijuana related businesses legislative tracking map.

We have taken our accreditation program and enhanced it with new tools and training. We are leveraging a new online system to set higher standards and take action based on analytics. That includes identifying the expertise needed for our individual agencies … knowing how to address our weaknesses … learning from other agencies … and enhancing our regulatory systems. As I have said in the past, so much of state regulation rests of the shoulders on our examiners and other staff. And we must continue to work together to empower our staff with better data and analytical tools to further advance the examination process.

We had lofty goals this past year and we accomplished many of them and the others are well under way. We continue to find efficiencies not only in our own agencies, but collectively in the state system. We have demonstrated, and will continue to demonstrate, our commitment to shaking-off the old patchwork quilt of the multi-state system to work cooperatively, efficiently and effectively to make a stronger system across this great country of ours. We will continue to utilize and share our unique experiences and perspectives to benefit all of us and make CSBS an even stronger organization.

Just as I began my comments today, I want to thank each of you. Thank you for what you do each and every day back home. Like many of you, I have spent nearly my entire career as a state regulator. So, naturally, I am biased towards the state charter and state-level supervision. I believe, and research has shown, that regulation and supervision is best closest to the entities subject to that regulation.

However, I believe we as state regulators offer much more than that. Many of us have close ties to our home states and communities our institutions operate in.

And that gives a unique perspective and appreciation for the challenges they face each and every day. But for me, it also gives hope. Hope that these institutions can and will
continue to serve their communities and support local organizations and charities. We will be there supporting where we can, and holding accountable when we need to; working to keep the state financial system safe and sound.

Thank you again for a wonderful year and allowing me to serve as your Chairman!