As the primary regulator of fintechs, state financial regulators have expertise, data and real-time insight into how these companies are interacting with consumers and functioning in the marketplace, Washington Department of Financial Institutions Director Charlie Clark told a House task force today. You can read his written testimony here.

Clark represented the Conference of State Bank Supervisors (CSBS) on a panel of regulators that addressed fintech regulation before the House Committee on Financial Services’ Task Force on Financial Technology. Clark also chairs the CSBS Non-Depository Supervisory Committee.

Clark: “The current intersection between financial services and technology has accelerated change in the industry and for the state system. With industry participation, we are leveraging technology and data to create a more networked system of state regulation that functions more efficiently, with stronger consumer protections.”

Insight: In licensing and supervising fintechs, state regulators focus on a firm’s business activities, such as lending or money transmission, and not its technology per se. This approach allows regulators to apply current laws, which include consumer protections, to most cases.
Data: Through the Nationwide Multistate Licensing System, one of the state’s regtech solutions for licensing and regulating fintech firms, state regulators are tracking in real time the migration of the mortgage and MSB industries from a physical to online presence.

Action: CSBS and state regulators are implementing Vision 2020, a set of initiatives, including developing a next generation technology platform, designed to harmonize multistate licensing and supervision of nonbanks. Through broad use of technology and data, Clark said, state regulators can spot trends early and prioritize resources to address risks.