State bank regulators support today’s passage by the House of H.R. 241, the Bank Service Company Examination Coordination Act of 2019. This bill clarifies the ability of state and federal regulators to effectively coordinate bank vendor supervision, thus enabling banks to leverage the latest financial technology on behalf of their customers and communities. This CSBS-supported legislation advances a key component of CSBS Vision 2020, the state initiative to modernize financial services regulation.

The Bank Service Company Act authorizes federal regulators to examine bank vendors for potential risks. The majority of state banking regulators have the same responsibility and authority under state law to oversee the same vendors. Banks rely on these third-party service providers to support core banking functions like loan origination, cybersecurity, cloud computing and payment processing.

Examination of TSPs is a critical piece of assessing the safety and soundness of a financial institution, ensuring the stability of the entire banking system where state regulators oversee nearly four in every five U.S. banks.
Enabling state-federal information sharing and exam coordination moves the dual banking system significantly closer to the CSBS Vision 2020 objective of providing a streamlined supervisory experience for nonbank fintech companies.

Through passage of the Bank Service Company Examination Act, policymakers will be sending a strong message that networked supervision of federal and state authorities is a vital part of the financial system.

We thank Representatives Williams (R-TX) and Meeks (D-NY) for their work to bring this bill forward, as well as Chairwoman Waters (D-CA) and Ranking Member McHenry (R-NC) for their support. CSBS calls on the Senate to take up the measure expeditiously.