State regulators strongly support the Bank Service Company Examination Coordination Act. The BSCA, a bill introduced in the 114th Congress, is commonsense, bipartisan legislation that makes state and federal supervision more efficient and more effective.

About Technology Service Providers

More and more, banks are outsourcing their core business functions to Technology Service Providers, or TSPs. TSPs can be used by banks to fulfill a wide range of functions; hardware management, software development, cybersecurity, payments processing, and even outsourcing tellers are all examples of TSP services. Using a TSP does not free a bank from meeting its regulatory requirements, and TSPs are expected to comply with the same applicable laws and regulations as the bank using their services.

Limitations of Current Law

Currently, the Bank Service Company Act, or BSCA, authorizes federal regulators to examine TSPs, but is silent about the authority and role of state regulators. However, many states have laws
allowing state bank regulators to examine TSPs.

The Bank Service Company Examination Coordination (BSCA) Act would amend the BSCA to permit federal banking agencies and state banking agencies to coordinate examinations of TSPs and share results of examinations.

State Regulators’ Position

State regulators strongly support the BSCA Act. The BSCA Act is commonsense, bipartisan legislation that makes state and federal supervision more efficient and more effective.

- Oversight of the businesses providing chartered institutions their bank and technology services is key to ensuring a safe and productive financial system.
- This legislation will enable state and federal regulators to better coordinate their supervision.
- This legislation will also help streamline the supervisory process for third party providers.
- This legislation helps regulatory agencies better safeguard individual institutions, the banking system, and consumers. Sharing supervisory information increases the likelihood of regulators revealing risks and weaknesses in individual institutions and in the greater financial system.