



The Examiner

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"The only difference between a good shot and a bad shot is if it goes in or not."
- basketball player Charles Barkley, born on this day in 1963

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State Financial Regulators Launch Nationwide Technology Platform to Examine Fintechs and Other Nonbanks

This week CSBS announced the nationwide rollout of the [State Examination System](#) (SES), the first nationwide platform to bring state regulators and companies into the same technology space for supervision, fostering greater transparency and collaboration. Through SES, state regulators will be able to enhance supervisory oversight of nonbanks while making the process more efficient for regulators and companies alike.

SES is developed and operated by the State Regulatory Registry (SRR), a CSBS subsidiary that also operates the Nationwide Multistate Licensing System (NMLS).

John Ducrest, SRR Board chairman and Louisiana Office of Financial Institutions Commissioner: "Nationwide deployment of SES is the single biggest technology initiative that CSBS has implemented since NMLS more than a decade ago. SES embodies [CSBS Vision 2020](#) by using technology to promote multistate harmonization, strengthen state supervision and protect consumers."

SES is built to:

- Support networked supervision among state regulators
- Standardize workflow, business rules and technology across states
- Facilitate secure collaboration between licensees and their regulators
- Help examiners focus more attention on higher-risk cases
- Move state supervision towards more multistate exams and fewer single-state efforts

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The Power and Potential of the State Examination System

Remarks by John Ducrest

Chairman, State Regulatory Registry and Commissioner, Louisiana Office of



ference, San Francisco, California, February 19, 2020

Good morning, everyone! And, Happy Mardi Gras. Oh, wrong

city. Well, welcome to the annual NMLS conference, which has now spanned three different decades. Show of hands: how many of you were at the first NMLS conference in New Orleans? Thank you for continuing your involvement in the NMLS. And welcome to everyone else. We are glad you could join us here in San Francisco, a city almost as fun as New Orleans. We have a great conference in store for you.

As chairman of the SRR Board of Managers, yesterday I presided over our regular Board meeting. We covered a number of issues. And we made one big decision. That is: as of

today, we are going nationwide with the new State Examination System, or SES.

We are expanding the system from the current seven beta states using SES for mortgage and money transmission examinations and, now, are offering SES to every state regulatory department in the country. We have field-tested our system and we are ready to roll it out nationwide.

For state regulators, this is a really big deal. Nationwide deployment of SES is the single biggest technology initiative that CSBS has implemented since we rolled out NMLS more than a decade ago. Indeed, I fully expect SES to do for examinations what NMLS has done for licensing. So, how can SES live up to that reputation? It's simple, deliver!

At the heart of the Vision 2020 strategy is utilizing technology the fullest extent possible. For industry, we will address unnecessary pain points from the multistate experience and identify where states can better harmonize their practices. For regulators, it's about improving the quality and efficiency of state supervision...building a more effective network of supervision...and continuing to protect consumers.

SES does all this by providing a single technology platform to collect information from fintechs and other nonbanks...tap into data analytics to analyze cases based on risk...and electronically share the information nationwide so each state doesn't have to collect the same routine data.

Because of SES, regulators will be able to make better supervisory decisions with less time invested. Given that we oversee roughly 25,000 nonbank entities, I cannot emphasize enough what we expect SES to accomplish. At a higher level, we see SES as the platform through which the state system becomes a more powerful supervisory network, one that empowers state agencies to work more closely together.

Now, a lot of people are responsible for getting us to this point. Credit goes to the CSBS and SRR Boards...a terrific staff...a strong technology vendor...and dedicated regulators. Together, they put together a sound business plan...funded the initiative...built a development roadmap...received feedback from other regulators and industry...and deployed this one-of-a-kind system. And all this in less than 18 months! Really amazing work.

In the coming months, staff will be crisscrossing the country. We already have more than 30 states committed to using the SES. Staff will be meeting with state agencies who will be new to the SES... briefing them on how SES can fit into and enhance their supervisory practices...getting them up and running on the system...working with industry on what

they can expect....and supporting regulator needs on an on-going basis.

You will soon see the SES being used by many different regulators across the country...maybe even on your next exam. Our goal is for there to be more multistate exams and fewer single-state efforts. So, I encourage you to participate in the SES sessions here at this conference. Learn about it. Try it out. Ask questions about it.

I predict that you will come away convinced that state regulators have taken a big step forward...for efficiency...for multistate harmonization... and for even better supervisory decisions...ones that can support business growth, protect consumers, and instill confidence with those using your products and services.

Again, thanks for coming this week and I hope you enjoy the rest of the conference.

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Simply Stated #18 - Revolutionizing the Supervision of Fintechs & Nonbanks

Interviewer: Matt Longacre

Guest: CSBS President and CEO John Ryan

Timestamps

- [2:38](#) - What is a "Networked System of Supervision?"
- [4:28](#) - Before NMLS and "Regtech," Where Did Gaps Exist?
- [8:06](#) - What Recent Developments Have Enhanced the Network of Supervision?
- [9:35](#) - What does NMLS Solve? What Does SES Solve?
- [13:16](#) - How Data Drives Supervision
- [14:25](#) - Why Build These Systems?
- [16:05](#) - What Will an Exam Look Like in the Near Future?

Right now, in San Francisco, over 800 people have gathered for the 2020 NMLS Conference. The System, initially designed to handle all the work that goes into licensing mortgage loan originators, is now used for all sorts of nonbank financial companies.

This conference attracts everyone in the nonbank space. State regulators, federal regulators, licensees, the press... And the meeting serves as a forum to discuss what's new in licensing and compliance. It's all centered around this platform - NMLS.

That's because NMLS revolutionized how companies got licensed. It sped up the time for approval, it made it easier to get licenses in multiple states and even made completing the test you take to get a license way more straightforward.

This year, there's some big news coming out of the conference. An entirely new piece of tech - the State Examination System - seems poised to revolutionize how regulators examine - or "check in" - on these companies.

All of this is a big push for a more "networked system of supervision."

Today, I sit down with CSBS President and CEO John Ryan to talk about this concept. What does a "networked system of supervision" look like for nonbanks? What is the vision for a fully tech-enabled world of compliance? What is a day going to look like in the life of an examiner?

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