State financial regulators exist to make sure that consumers have broad, safe access to credit and financial services. We do so by ensuring the safety and soundness of the financial system, while protecting consumers from bad actors and big mistakes. And we need a good regulatory framework to make all this possible.

On the banking side, a lot of the rules of the road have been pretty well defined and mature. But nonbanking is still a work in progress. This is a sector that is big: more than 21,000 entities in the mortgage, money services and consumer finance industries. And it is a sector where technology is having a major impact, enabling the development of new business models and distribution channels, as well as the ability to scale bigger and faster. All this puts responsibility on state regulators, who primarily oversee these entities, to keep consumer confidence high, financial system failures low, and business innovation humming along.

That is why we have been working to modernize our regulatory framework, making changes in how we license and supervise the entire nonbank sector. In fact, we even have a name for our campaign: CSBS Vision 2020.

The core of Vision 2020 is a commitment made by regulators: to bring more
harmonization into the multistate experience of licensing and supervision. Put another way, we want to preserve how we protect the financial system and consumers, while removing a lot of pain points that stand in the way of business expansion and better supervision. Just as technology is enabling change within the industry, it is also enabling change with regulators.

Through Vision 2020, we have set out to get industry feedback, develop a next generation technology platform, empower state departments, and support individual states as they harmonize their regulatory practices. And we have been busy.

We have formed an fintech industry advisory panel of 33 companies, launched development of an examination technology called SES, firmed up our vision for the future of the Nationwide Multistate Licensing System (NMLS), started the most sweeping cybersecurity training program for examiners in CSBS history, created the first national, uniform Call Report for money services businesses, and energized individual states to bring their licensing practices into better alignment.

That’s not all. On Capitol Hill, we have testified against the de-risking practices that are shutting out too many nonbanks from the banking services they need. At the same time, we won passage at the committee level for legislation that will dramatically improve information sharing and coordination among state and federal regulators.

When it comes to creating a modern regulatory structure for nonbanks, we have been running fast and hard.

Just last week, CSBS announced that we will be acting on more than a dozen recommendations from our fintech advisory panel. For months and months, these companies have taken a deep look at how we govern lending and payments, bounced ideas off of state regulators, and came up with a bunch of recommendations that the CSBS Board embraced.

Going forward, you will see us:
● Develop a model law for money services businesses, complete with uniform definitions and business practices
● Create a standardized Call Report for consumer finance
● Make state laws and guidelines more accessible to industry participants
● Simplify guidelines governing ownership control
● Expand the use of NMLS for all nonbanking industries that we regulate
● Realize our vision for SES while marching forward towards the next generation of NMLS

Through these actions and more, we will be collecting a broader set of standardized data in every state, and feeding that information into our technology platform. These actions will enable fintechs and other nonbanks to move through the licensing process faster, more easily expand into more states, and be subject to a single examination that’s shared with all states where they conduct business.

In short, in goes smart regulation, out go a lot of pain points.

What I like about Vision 2020 is that it really captures the essence of what state regulators are capable of doing. We have joined together, as never before, to define how our regulatory system can oversee the nonbank sector more effectively and efficiently. And as we get closer to the year 2020, our action items are clearer to see.

Even better, when I talk to other state regulators, I hear them describe Vision 2020 not only as a series of initiatives, but as a regulatory mindset – one that strives for harmonization while protecting consumers – that will last well beyond the turn of the calendar. It is because of this mindset, because of our ability to take action, that I am optimistic about the future of state regulation and our system of financial services.