"How wonderful it is that nobody need wait a single moment before starting to improve the world."

? Anne Frank, born on this day in 1929

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Fintech Tools Are Helping Regulators During the Pandemic

By Kevin Hagler
Chairman, Conference of State Bank Supervisors
Commissioner, Georgia Department of Banking and Finance

A crisis can show a system’s cracks and its strengths. While the Covid-19 virus has
heaped economic havoc on top of medical tragedy, the state financial regulatory system is well-positioned to monitor for safety and soundness and support communities, thanks to our investment in technology and multistate collaboration.

The stay-at-home orders have forced all of us to find a way to conduct examinations without visiting companies on site. As affected states rightly redirect their resources during the pandemic, other agencies such as mine are staring at budget cuts. That means my staff has to do more with less.

Fortunately, state regulators have been able to carry out certain supervisory duties through a new nationwide technology platform, the State Examination System (SES), which is operated by CSBS. SES has given me and other state agencies a single technology platform to supervise nonbank financial institutions, including fintechs.

Through SES, state examiners have been able to work remotely, collect information from supervised institutions securely, and perform key aspects of formal examinations without the normal onsite visits. We can already see the benefit in money transmitter examinations, where there are 250 unique procedures. SES has built these procedures into an automated workflow that is easily accessible from home or office.

What is more, state regulators with supervisory responsibility over these entities have been able to share information. This has allowed each regulatory department to benefit from the work of others, so multiple state agencies do not have to perform all the steps of an exam themselves – a step forward for efficiency, which is timely given our current environment.
Since SES became available in March, 15 state agencies have adopted the new platform and conducted more than 100 exams. Another dozen or so states are currently in line for implementation. And I expect even more to join.

**Vision 2020 Is Paying Dividends**

Now, we did not create SES because of the pandemic, or even begin our work recently. Instead, we began investing in the platform a few years ago as part of [CSBS Vision 2020](#) – a set of initiatives to harmonize the multistate licensing and supervision of nonbanks. These initiatives span everything from new technology platforms to multistate agreements to training and education.

Indeed, in the current environment Vision 2020 has already paid meaningful dividends way beyond SES. For instance, money services businesses (MSBs), which are primarily supervised by state regulators, have been vital in supporting economic activity during the pandemic. Vision 2020 initiatives have strengthened the state’s oversight of this industry:

- Almost all states are leveraging – or will soon leverage – the Nationwide Multistate Licensing System to license MSBs
- 27 states are coordinating the multistate licensing process for MSBs, which has reduced application review times by two-thirds
- A CSBS accreditation program is enabling a state’s MSB supervision to be evaluated against, and learn from, national standards

I am grateful for the foresight that is enabling the states to make supervisory decisions that are better informed, require less time, and leverage collaboration among all of us. That is what state regulators need at a time like today.

Vision 2020 has given all of the states a powerful mindset – one of networked supervision – a roadmap of initiatives we have been steadily implementing, and the tools
to do the job.

As a result, even during the midst of a recession significantly impacting the budget of every state, our state system is providing a strong regulatory framework for the financial system. It is a framework through which we can fulfill our statutory mandates to protect the financial system, consumers and communities.

By keeping markets functioning and consumers protected, I believe we can soften the economic blow being dealt by the pandemic.

State Regulators to Address Post-Crisis Economic Recovery and Financial Infrastructure

State financial regulators stood up a COVID-19 Recovery Steering Group to guide multistate efforts to respond to the personal hardships and financial infrastructure risks caused by the global pandemic. The steering group will work through CSBS.

The group, led by Texas Banking Commissioner Charles G. Cooper, will consider changes to bank and nonbank financial services oversight and will share lessons learned and best practices with fellow regulators and the financial services industry. Commissioner Cooper, a former CSBS chairman, also serves as the state banking representative on the Financial Stability Oversight Council.

Charles G. Cooper: “State regulators are committed to our state and local communities’ economic recovery, and we are putting infrastructure in place to ensure that state-chartered banks and state-licensed nonbank financial services companies are positioned to serve their customers. The Recovery Steering Group will stay focused on our role in protecting consumers and supporting our local economies.”
“This group of regulators has experience gained in past crises to make systemic changes to banking and financial services oversight.”

Changes to state or federal laws or regulations to improve operational flexibility, information sharing and coordination are also being considered.

**COVID-19 Recovery Steering Group members**

Kevin Allard, superintendent, Ohio Division of Financial Institutions
Manuel Alvarez, commissioner, California Department of Business Oversight
Charles Cooper, commissioner, Texas Department of Banking
John Ducrest, commissioner, Louisiana Department of Financial Institutions
Tom Fite, director, Indiana Department of Financial Institutions
Mary Gallagher, commissioner, Massachusetts Division of Banks
Greg Gonzales, commissioner, Tennessee Department of Financial Institutions
Rick Green, commissioner of banking, South Carolina State Board of Financial Institutions
Jeff Plagge, superintendent, Iowa Division of Banking
Charles Vice, commissioner, Kentucky Department of Financial Institutions
Max Zappia, deputy commissioner of financial institutions, Minnesota Department of Commerce

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**National Survey and “Five Questions for Five Bankers” - Today's Issues Inform Tomorrow's Policies**

*In the following message, CSBS Chairman Kevin Hagler offers a brief reflection on the*
increased value of the CSBS National Survey of Community banks during the pandemic.

Dear Colleague,

First, I hope you, your family and your staff are safe and well in this challenging time.

I know these past few months have meant a lot of adjustments for everyone, and I write in hopes that you can both encourage the banks you supervise in your state to complete the CSBS National Survey of Community Banks and engage them in the “Five Questions for Five Bankers.” With your state’s participation, we can generate awareness and a better understanding of current issues that are important to community banks.

I realize that it might not seem like the best time to make such a request. However, I believe this year their responses are more important than ever.

Community banks are showing their strength during this pandemic and the economic crisis it has created. They quickly adjusted to operating their banks while stay at home orders took place. Across the nation, community banks were among the quickest to get federal loan applications approved and transmitted to local small businesses.

Seven of the survey questions focus on their response to the pandemic and its economic effects. But the survey also asks new questions on BSA/AML, third party service providers and the future of the banker’s bank and their community.

I think banks are eager to share their experience. In fact, last year, only seven total banks from my state participated in the survey. This year, 10 banks from Georgia already have responded, and I anticipate more.

The survey results will be published for the eighth annual Community Banking in the 21st Century Research and Policy Conference. The conference, sponsored by CSBS, the Federal Reserve System and the FDIC, brings together community bankers, academics, policymakers and bank regulators to discuss the latest research on community banking. I
encourage you to visit www.communitybanking.org to view highlights from last year's conference and for additional information.

I want to assure you that the conference will take place in some format as scheduled on September 30 and October 1. The planning committee will share more information at a later date.

From now until the conference, we will provide regular updates on the National Survey and the “Five Questions for Five Bankers” in the CSBS Weekly Update. If any questions please contact Mike Stevens (mstevens@csbs.org or 202-728-5701) or Alisha Sears (asears@csbs.org or 202-759-9403).

I appreciate your participation and look forward to another successful Community Banking Research Conference.

Links
• A link to distribute the 2020 National Survey is available here.
• A link to the “Five Questions for Five Bankers” is available here.

June Economic Insights Webinar

In part one of this webinar, CSBS Senior Economist Tom Siems gives the US economy a brief "health checkup," looks at what available data is telling economists about consumer behavior – are Americans dining out again? Flying? Using public transit? – and offers a glimpse of what the economic recovery might look like.

In part two, Dan White, Director of Public Sector Research at Moody's Analytics, takes an in-depth look at how state government budgets have been impacted by COVID-19, and whether they will be able to "weather the storm" under a range of different economic
Podcast: What Is An Agent Of The Payee?

In this mini-podcast, we answer the questions "What is an agent of the payee? Are they licensed? How are they regulated?"