



The Bank Service Company Examination Coordination Act, Explained

Opinions & Insights

The Bank Service Company Coordination act, passed by the House in September 2019 and currently under consideration in the Senate, will enhance the ability of state and federal regulators to coordinate examinations of – and share information on – banks' technology vendors.

More and more, banks are outsourcing 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 more. Using a TSP does not free a bank from its regulatory requirements, and TSPs are expected to comply with the same applicable laws and regulations as the bank using their services.

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 Act would amend the BSCA to expressly permit federal banking agencies and state banking agencies to coordinate oversight of TSPs and share results of examinations.

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