SPEECHES

The Resiliency of the State System - Even Through a Pandemic

May 19, 2021
|
Download PDF
Share:

Remarks delivered by Kevin Hagler, CSBS Immediate Past Chair and Georgia Commissioner of Banking and Finance, at the State-Federal Supervisory Forum, May 19, 2021

Last year, when I spoke to you, we were only eight weeks into the Covid pandemic. Now I am speaking to you with 60 weeks of pandemic experience. That means we've been at this for 15 months. And I have chaired CSBS for 12 of them.

While it was not the challenge I expected when I signed up for the role, it has been an extremely rewarding experience. There has been a lot of change in the world since I addressed you on the screen a year ago. For one, I am much better at talking to my computer.

On a more serious note, state regulators have had to swiftly address challenges as they have appeared. Sometimes we've had to adjust the rules, like helping home buyers by allowing mortgage lenders to work from home. We've helped distressed homeowners by making sure they are aware of all of the available safeguards to help them stay in their homes. We've helped community bank customers have access to credit even when lobbies closed. And we had to figure out how to keep the institutions we regulate safe and sound while conducting examinations remotely.

Through all the mayhem, what has not changed is clear – the resiliency of state financial regulation.

Now, we have been around a long time, and throughout, our core commitments remain - ensuring safety and soundness, protecting consumers and promoting economic growth and fostering innovation. But the strength of the state system is adapting to change.
Some changes have taken time – I'll bet many of you conducted exams on paper when you started as a regulator, not unlike our predecessors. But advances in technology have really pushed changes in the state regulatory system quickly. We need to consider how to supervise a financial ecosystem that is rapidly changing as fintechs expand their capabilities and reach, and as community banks consider how to use technology and stay true to their relationship lending model.

Embracing change has helped us navigate the pandemic. A lot of our success in the past year is due to the planning we started before we had even heard of Covid-19. As many of you know, nearly two years ago, the CSBS board worked with a futurist to create a strategic plan that really took the future into consideration. We looked at the factors that would likely shape state regulation and financial services in the next 10 years and came up with a markedly fresh strategic plan that focused on data, technology and partnerships.

We didn't factor in a pandemic, but that planning has most certainly guided us and kept us on course in the past year. It forced us to think ahead about how we can use technology to improve state regulation. And it showed us how we can work better, together, to create a strong state system.

Earlier this year, we issued our final report on Vision 2020 – a set of initiatives that led to increased harmony among the states. By working together, states reduced the time it takes to license a money services business by half. Think of how helpful that is for a company that is scaling across multiple states.

Now we are building on what we learned with Vision 2020 to create Networked Supervision.
States are harnessing technology to operate as one system of regulation wherever possible, while still maintaining their authority. Think of the benefits - reduced regulatory burden, better consumer protections and enhanced partnerships with each other and with our federal counterparts.
Many initiatives are already being realized and have helped us through the pandemic. How many of you would consider letting your staff conduct examinations without crossing a facility's threshold just a few years ago? What used to take a lot of time and paper can now be done using our technology platform called the State Examination System. The benefits go beyond remote examinations – state regulators can now easily share their findings with each other.

This highlights an important aspect of Networked Supervision – as a commissioner, I have limited resources. By accepting findings from other states, my examiners can sharpen their focus on areas that need it most.

That is why the Multistate MSB License Agreement is so successful. It started with a handful of states working to help new money service businesses scale fast – but safely. Now nearly 30 states have committed to a multi-state agreement that standardizes certain key elements of the licensing process for money transmitters like background checks and anti-money laundering compliance. These checks make up a large part of an application review workload. Accepting these common requirements has been a huge time saver for both state regulators and the businesses. The average time to issue a license through this agreement has dropped from more than four months to just 44 days.

This is only the beginning of Networked Supervision. We're also working to modernize our NMLS system to create more uniformity in MSB licensing. Just a few weeks ago, we asked the industry for their feedback on a new streamlined licensing approach. That input and more will lead to the new system being rolled out first for the MSB industry in 2022. And we are building new data and risk ID tools that will help not just the state system but federal regulators as well.

So, as I look back to this year, I see a state system that has thrived, despite unexpected challenges. I see a state system that navigated local shutdowns and economic stress. I see a system where states are embracing change – together – to make sure that financial regulation remains strong in the future, no matter what lies ahead.

I want to close by thanking the CSBS team for their work during this year – and not just on the areas I have outlined. The staff shifted to remote work seamlessly. As an example - there is more to Sebastien than SFSF MC – he's led his team in rapidly moving our education and training formats online. So, we may not have met any of our new hires in the past year, but thanks to CSBS, we know they have the tools they need to move forward.

And I wish Melanie Hall all the best as she takes over as chair. She will be a great leader as we continue to adapt and grow stronger as a state system.

Thank you, and now, Sebastien, I will hand turn things back to you.

Related Posts