



Advocating for the State Regulatory System

May 15

CSBS continues to advocate for state authority as policymakers discuss and debate the role of regulation in a rapidly evolving financial services sector.

The House Financial Services Committee passed the [Bank Service Company Examination Coordination Act](#) in February 2023, priming the bill for full passage during the current Congress. Along with a coalition of partners, CSBS also helped advance the Senate Banking Committee's first passage of [cannabis banking](#) safe harbor legislation.

CSBS continues to closely monitor federal policy proposals and advocate against those that undermine state authority and the dual banking system. In particular, we have sought to serve as a check on the CFPB's expansive regulatory ambitions. We opposed the CFPB's proposed registry for nonbanks, arguing it would be largely duplicative of NMLS, provide little benefit to consumers, and increase regulatory complexity, confusion, and cost for the industry. Our advocacy has spurred an ongoing dialogue with the agency about the registry's role and interconnections with state regulators.

State regulators took issue with the CFPB's proposal to implement [Sec. 1071](#) of the Dodd-Frank Act, which requires covered financial institutions to collect and report data on applications for credit for small businesses. The final rule adopted several CSBS recommendations: increasing the minimum threshold of originations for a financial institution to be subject to the data reporting requirements, reducing duplicative reporting requirements, and lengthening the implementation timeframe to reduce burden on smaller institutions.

When the Federal Reserve System recently began publishing a database of financial institutions with access to Federal Reserve Bank master accounts and services, it notably adopted and implemented our request to publish a financial institution's "tier" designation as part of that public master account database, bringing needed transparency to a traditionally opaque process.

Cantero v. Bank of America

In December, CSBS and the American Association of Residential Mortgage Regulators jointly filed an [amicus brief](#) in support of the petitioners to the U.S. Supreme Court in the case of *Cantero v. Bank of America*. The implications of *Cantero* extend well beyond state laws requiring interest payments on certain escrow accounts, raising fundamental questions about the ability of the federal government to preempt state consumer protection laws — indiscriminately and without justification.

CSBS and Congress

CSBS serves as a conduit through which states can connect with their federal policymaking counterparts — both at federal agencies and in Congress. The Government Relations Fly-In welcomes state regulators from across the country for two days of meetings and engagements with federal agency leaders and D.C. advocacy experts. The CSBS Day on the Hill featured speakers from both the House Financial Services Committee: Ranking Member Maxine Waters (D-CA), Rep. Ritchie Torres (D-NY), and Rep. French Hill (R-AR), and the Senate Banking Committee: Sen. Katie Britt (R-AL), Sen. Jon Tester (D-MT), and Sen. Thom Tillis (R-NC).

Our congressional speakers addressed the hot issues of the day, including the response to state bank closures, cryptocurrency and stablecoins, cannabis banking, and international issues. Our members also met with their home state congressional delegations, discussing the importance of state and federal coordination on issues like the [Bank Service Company Examination Coordination Act \(S.1501/H.R.1109\)](#) and emerging technologies like stablecoins.

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