

**Prepared Remarks for John Ducrest
Commissioner, Louisiana Office of Financial Institutions
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Financial technology is affecting so many business and policy decisions today. Some institutions see fintech as an opportunity to expand their market reach. Others see fintech as a competitive threat that might disintermediate them. But all these players would be presumptuous to know how all this might play out. And that requires all financial institutions to be able to adapt.

Regulators have this same challenge. We do not know how fintech will alter the future of financial regulation. We recognize that fintech has the potential to deliver financial services more easily and perhaps more broadly. But we also recognize that business innovations must protect consumers and the safety and soundness of the financial system.

How do state regulators balance innovation, consumer protection, and safety and soundness?

First, we focus on business activities, and not technology alone. In reviewing self-described fintech companies, many of their products and services fit within current laws. For instance, an online lender might change the way consumers get a mortgage, but the business activity fits under the same laws as non-fintech companies. This is also true for money transmitters. By focusing on business activities, we can better understand and supervise these companies.

Second, we support businesses of all shapes and sizes. NMLS gives us a regulatory platform to get innovators up and running, and enable existing companies to expand their reach. For instance, most mortgage companies in NMLS operate in just one or two states. Yet, during the past five years, we have licensed 26 start-ups that now operate in more than half the states, and an additional 119 companies that expanded their business to more than half the nation. While more can be done, our system is flexible enough to support almost any business model.

Third, we ensure local accountability. State consumer protection laws play a central role here. Fintech might change the customer experience, but it should not weaken consumer protection. Regardless how a family enters into a transaction – online or at the kitchen table -- they deserve the same protections as other citizens in their states. We are unyielding in this position.

Fourth, we conduct regulatory evolution, not revolution. We work with companies to understand their business models, how they differ from others, and whether they can withstand economic pressures. Through this exercise, we evolve our regulatory approach. We experiment...we see what works...we replicate the model in other states...and then we

standardize the model nationwide. The progression is always the same: as business models mature, so do regulatory regimes.

Fifth, no prudent regulatory approach for fintech can be achieved without cooperation and collaboration among regulators. I am accountable for what happens in Louisiana, and have a particular concern for the welfare of our citizens. But I want to know what other regulators are learning. What business models are they seeing and how are they regulating it? We can we learn together to support innovation within the context of a stable financial system? Only by working together we will find the right answers.

So, we focus on business activities...support a diversity of business types...ensure local accountability...follow a path of regulatory evolution...and find answers by collaborating. Our approach is working. In NMLS, tens of thousands of companies operate under state licenses.

Unfortunately, a contrary approach is being taken by the Office of the Comptroller of the Currency. It is heading down a path to create a national bank charter for non-banks, including fintech firms. And it is taking exactly the opposite approach of state regulators. For instance:

- Rather than focusing on business activity, the OCC charter is technology-driven
- Rather than leveling the playing field, the OCC will tilt it for a handful of large companies
- Rather than ensuring local accountability, the OCC is saying to folks here in Austin that Washington is in a better position to protect them than Charles Cooper and his department
- Rather than regulatory evolution, the OCC is embarking on an entire new charter structure without providing answers to the public policy implications of its actions
- Rather than practicing regulatory partnership, the OCC prefers to practice preemption

We have called on Congress to debate the policy implications of the OCC's efforts. Hopefully, Congress will see the OCC's actions for what they are – a solution in search of a problem.

While all that plays out in Washington, state regulators will be focused on improving the system that already exists. We have made much progress during the lifespan of NMLS. But there is so much more we can do. So let us work together to figure out how to better support start-ups and national companies alike...how to better serve consumers with innovation...and how to make the marketplace even more productive. You deserve nothing less.

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