CSBS

SINCE 1902

CONFERENCE OF STATE BANK SUPERVISORS

April 9, 2012

Monica Jackson
Office of the Executive Secretary
Bureau of Consumer Financial Protection
1700 G Street, NW.
Washington, DC 20006

Dear Ms. Jackson,

The Conference of State Bank Supervisors (CSBS) is pleased to have the opportunity to comment on the Consumer Financial Protection Bureau's (CFPB) proposed rule regarding remittance transfers, Docket No. CFPB-2011-0009, RIN 3170-AA15. From a policy perspective, CSBS supports the definitional exemption approach outlined in the proposed rule's safe harbor provisions and encourages the CFPB to continue to promulgate consumer financial regulations in this fashion. However, for this particular exemption to be meaningful, the threshold number of transactions must be significantly higher.

Exemptions are a crucial regulatory tool to be utilized for well-regulated depository institutions that are not the intended focus of statutory changes. Where a product is originated as a means of accommodating customer demand and not as a business driver, the standard examination process should govern as a means of ensuring consumer protection. The use of definitional exemptions is a powerful tool to achieve this result. CSBS encourages the CFPB to continue to utilize exemptions for individual regulations as well as in a broader framework that recognizes the need for tiered regulation. As Director Cordray recently noted, "one size does not fit all," and disclosure requirements for remittances that are provided as a customer accommodation fall into this category for many community banks.

Broadly, exemptions are needed to ensure community banks still provide the consumer products at issue. Communities across the country have limited access to financial products like remittances, and if the local bank does not provide a particular service, the community suffers. Often, these services are not business drivers for the community bank and are provided purely as a means of supporting customers and the local community. Where this is the case, the cost of compliance can be a deal breaker.

While CSBS supports the use of an exemption for the regulations implementing § 1073 of the Dodd-Frank Act, the threshold must be considerably higher than 25 to be meaningful. Many of the smallest rural banks that clearly provide remittance transfers strictly as a customer accommodation would still fall outside of this threshold requirement. Since the CFPB has requested data on remittance transfers by banks with less than $10 billion in assets, CSBS recommends utilizing such data to determine an exemption threshold that will be meaningful for the types of institutions the exemption is designed to safeguard.

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Remittances are a customer accommodation for many community banks. Accordingly, CSBS is concerned that many community banks will cease providing remittances if they have to bear the cost of updating compliance programs. Since depository institutions are not the focus of the statute implemented by the final rule, CSBS recommends a higher exemption threshold for depository institutions and the development of tiered examination procedures. By increasing the threshold for depository institutions only, the CFPB can rely upon the other federal and State banking agencies to ensure consumers are protected. The CFPB can then work through the FFIEC to create exam procedures for depository institutions providing remittances below the threshold. This ensures consumers are able to safely utilize community banks for their remittance needs and allows community banks to continue to accommodate their customers.

The CFPB is in the delicate position of balancing consumer protection with product availability. Where a depository institution is providing a consumer financial product as an accommodation to customers, exemptions and safe harbors should be utilized to ensure new compliance burdens do not force depository institutions to exit the market for a particular product. Remittances are a prime example of this scenario, and the proposed rule can strike the appropriate balance if the threshold is increased for depository institutions subject to examination oversight.

Sincerely,

John W. Ryan
President & CEO