Consumer Finance Monitor (Season 4, Episode 16): A Discussion of the Initiatives and Positions of the Conference of State Bank Supervisors, with Special Guest Margaret Liu, CSBS Executive Vice President

Speakers: Alan Kaplinsky, Margaret Liu

Alan Kaplinsky:

Welcome to the Consumer Finance Monitor podcast, where we explore important new developments in the world of consumer financial services and what they mean for your business, your customers, and the industry. I'm your host, Alan Kaplinsky from Ballard Spahr. And I will be moderating today's program.

Alan Kaplinsky:

For those of you who are looking for more information about the topics we'll be discussing today, or anything else in the world of consumer financial services law, I would recommend you that you subscribe to our blog, consumerfinancemonitor.com. Actually it shares a common name with our podcast show, which we've now been doing for two and a half years. And our show is a new show is released every Thursday except for two Thursdays in December where we take some time off for the holidays. So I'm very pleased to introduce our guest for today's show.

Alan Kaplinsky:

And let me point out before getting to that, that since the beginning of this year with the major changes in Washington, changes in the administration, the appointment of a new director of the CFPB, and appointments to other banking agencies, we've been looking to a variety of experts in the area, leaders in their field. And we recently recorded a podcast that many of you may be interested in with Richard Hunt, who is the chief executive officer of the Consumer Bankers Association. We've spoken to the Bank Policy Institute.

Alan Kaplinsky:

And today we're going to be focusing on another very important association, that is the Conference of State Bank Supervisors. And my guest today is Margaret Liu, and Margaret is the executive vice president leading the stakeholder engagement training communications and innovation functions at CSBS. She's also CSBS' lead FinTech and OCC Charter Litigation spokesperson. And prior to joining the CSBS, Margaret was a financial services policy consultant, and worked at Fannie Mae as the vice-president of single family mortgage business, vice president for industry relations, and vice president for policy communication. So Margaret, a very warm welcome to our show today.

Margaret Liu:

Alan, thank you so much. And CSBS has enjoyed a long partnership with you and appreciate the ongoing work and appreciate the chance to spend some time with you today.

Alan Kaplinsky:

Great. So for those of our listeners who aren't completely familiar with what the Conference of State Bank Supervisors is and what it does, I'm wondering if you might describe it.

Margaret Liu:

Absolutely. Yeah, for those who are not day-to-day in the alphabet soup of financial regulation, we might just sound like another collection of letters, but the Conference of State Bank Supervisors is a Washington DC based organization. We're like a hub for state financial regulators. The folks working in the 50 states and territories to license and oversee a really diverse range of financial services providers, that includes banks as well as non-bank financial services providers. So and through CSBS the states they work together, right now very focused on advancing a vision of a more network approach to state financial regulation. We do a lot of convening. We also provide a common technology and data platform for the states that really is supporting a lot of this work around getting more networked and more coordinated.

Alan Kaplinsky:

Right. So while some people may view you as the trade association for state banking departments, I guess that's partially true, but it seems like you perform other functions that typically aren't performed by trade associations for the industry. Am I right?

Margaret Liu:

Yes. Very much so. I mean, we're unusual as a professional organization in that we only have basically 53 members, right 54, it's the states and the territories. But each member is actually an agency from the leader down to a lot of the day-to-day examination and licensing staff. And also because we're a 501 (c) (3) and our members of government agencies, our focus goes much beyond the traditional trade association, the Washington Trade Association. We have a very robust policy function. And that's where we started. But over the past two decades, we have become much more of a force multiplier for the states in terms of really bringing them together. So that as a group, we are evolving from being individual siloed states to a more connected whole of financial regulation.

Alan Kaplinsky:

Yeah. Got it. So we're going to look at a variety of areas today, Margaret, in which CSBS is involved. And I thought we ought to start with the area of supervision and in particular non-bank supervision. So we might be talking about companies that are licensed as money transmitters, and many FinTech companies are engaged in a business that would require licensure in many, many states. And I know, I hear it often from when we're doing work for a client that is in that space, when we tell them about the bad that they're going to need to get a license in 25 states as a money transmitter, the first reaction is they recoil and say, "Oh, my God we were going to be subject to being examined by 25 states." So what are you CSBS doing in that area?

Margaret Liu:

Well, that's a great area for us to talk about Alan. I'm glad you asked that question because the states have been focused actually for many years on figuring out ways to better coordinate that supervision. The states recognize certainly the individual states and as a group that if you're a large entity operating in financial services and you're state licensed, you could potentially be subject to multiple exams in a given year or exam cycle. We use a year just for ease sake. And over the past three or four years, we have piloted, and now have rolled out into production. If you will, an exam approach that we're calling One Company, One Exam or network to MSB supervision. So there's two areas where this work is focused in right now. And I'll talk about MSBs first.

Margaret Liu:

And there in 2019, we actually piloted. And then during 2020, we spent the year looking at lessons learned and developing the program for nationwide rollout, this One Company, One Exam approach where literally you have a large multi-state company having one exam a year, but it's an exam that meets every state's exam needs as much as possible. And so that is about a coordinated exam team. It's about figuring out a way to rationalize and address sometimes state specific needs without asking a state to have to recreate an exam. And with in 2021, we announced nationwide rollout of this. And this year we expect just over 70, large, nationally operating MSBs to be examined in this approach. And this means coordinating everything from scheduling to the specific exam requests, to interaction with the company.

Margaret Liu:

There's a technology platform that we're employing with some of these exams also what's called the state exam system. That again is making it much more seamless for the states to work together. And this is a platform that the states use, but also that the examined entity uses for interaction with the regulators. So I do think this one is a pretty significant game changer. We've already had 13 companies either done or going through this coordinated exam approach, this one company one exam.

Alan Kaplinsky:

And are you getting positive feedback from the companies that are being examined under this approach?

Margaret Liu:

With the pilot and then with the rollout, we've gotten a lot of positive feedback, I think. But also our hope is that as we continue to do this, we, the states get better at it. And we have a feedback loop with the companies. I don't have any specifics there for you. But I think that the industry was very receptive when we announced it as a pilot, the pilot companies, I think overall had a positive experience, but also we appreciated that they spent the time to tell us what didn't work through that. And I think that our approach is going to be one of constant refinement and improvement.

Alan Kaplinsky:

Yeah. Now am I right that the pilot program only applies to money services businesses or money transmitter businesses, it doesn't cover the full range of non-bank industries that are licensed by your members?

Margaret Liu:

Actually thank you for reminding me. So the pilot, which was 2019 was with a handful of money services businesses. And we have rolled out nationwide One Company, One Exam for money services businesses, but also this year, we are piloting One Company, One Exam in the mortgage space as well. And so the proof of concept started with MSBs, nationwide rollout has begun with MSBs, but we certainly are looking at this as an approach that I think will ultimately be leveraged across multiple non-bank categories of financial services licensees. So the mortgage pilot is this year.

Alan Kaplinsky:

And we're talking about mortgage origination and servicing both?

Margaret Liu:

The focus is on nationwide origination company.

Alan Kaplinsky:

Oh, okay. So very, very interesting Margaret, what about though in the area of applications and licensing? Every state, as I understand it has its own statutory requirements for being licensed for various kinds of businesses, be it mortgage origination, mortgage servicing, money services businesses, payday lending, auto finance credit, home improvement finance, I guess I could go on and on. What are you doing in that area to simplify and to make more uniform because that's another area that is I think really in need of some simplification and unification, maybe that's the wrong word, but making it a lot easier to get licensed for certain kinds of business.

Margaret Liu:

Yeah. So licensing of course, if you think about what the regulatory life cycle is, it starts with licensing because that's the way that you enter a market to do business. Right. And I think that there are some and I'm of course not suggesting that that's how you're characterizing it. But as you know licensing performs an important function in terms of ensuring that entities that want to do business in a given state or jurisdiction have the right qualifications to do that business and are willing to be held accountable to following the rules of the road in whatever business they operate in. And Alan as you know, through all of your work across financial services, that in the non-bank area, the state approaches the activity space in terms of regulatory scope and jurisdiction.

Margaret Liu:

And so you mentioned several of the main categories of state licensing in financial services. We've already talked a little bit about MSBs and payments activities, mortgage, definitely a large diverse set of consumer finance activities, even debt collection. And there are a few commonalities to all of this, one of the main things being the nationwide multi-state licensing system. So since let's introduce a new acronym into the conversation, N-M-L-S. So NMLS is a technology platform that started out as a state-based technology platform in the 2006, 2008 range. For those listening and in the mortgage area, NMLS was also embraced in federal law in 2008 through the Safe Act. So now, if you are involved in mortgage loan origination, you are licensed or registered through NMLS, actually, regardless of whether you've worked for a bank or non-bank. That was where NMLS got started, but it was always envisioned to be a platform to support multiple different state licensing types.

Margaret Liu:

So that, the development and launch of NMLS itself was a key milestone in terms of modernizing and starting to rationalize state licensing, one platform for the license applicant and for the regulators. So it's the regulators workflow and it's the licensee's workflow in terms of their interaction with the regulator. And so NMLS one was one of the main, first key development, and it's provided an opportunity for a lot of rationalization around forms, particularly in the mortgage space pretty much across all the United States. If you are going to be a state licensed mortgage loan originator, you're subject to the same set of standards, you're subject to the same testing requirement. It's actually a nationwide test, even though it's a test of state content.

Margaret Liu:

And there is a consistent set of pre-licensing and then continuing education requirements. All consistent across the states, all managed through one platform. In the past four or five years, one of the things that the states have done is really to take a deep dive at what the MSB licensing process looks like. And they have more recently the states launched something called the Multistate MSB Licensing Agreement. And so this is a cooperative licensing approach, cooperative among the states. We've got close to 30 states involved. And so if you are a new company that's looking to get licensed in multiple states, you can choose to go this path in which case you're not going to, I think the number might be 28. If you go this path, you're applying to all 20 state 28 states, but not all of them are independently reviewing every aspect of your license application.

Margaret Liu:

These states will work together so that one state will take on the work of one phase of the license review and the other states, the other 27 agree to rely on, and accept that one states work in the licensing review. And the license process is basically divided into two phases. So the phase one piece is collaborative and collective, which leaves the states to focus on the phase two piece, where there is an indepe... each state acts on its own, but the phase one piece rationalizes a lot of the work, it reduces the processing times between 50 to over 60%.

Margaret Liu:

And what I love about this initiative is this started with one state looking at its own licensing process, and a few of the other states saying, "Hey, we're doing the same thing. Let's figure out a way to do this collectively, no one's giving up any authority, but what we're doing is we're relying on each other's work so that then we can more effectively deploy our licensing resources to the aspects that may be do require more work that's really unique to the individual states." And the MMLA is also implemented through NMLS. So it's implemented through the technology platform, and that continues to grow in terms of the number of states signing on to it.

Alan Kaplinsky:

Well, first of all, let me ask the question. What you described, does it only apply to money services businesses, or does it apply to the full range of entities that your members license?

Margaret Liu:

Yeah. Right now the MMLA is only for MSBs.

Alan Kaplinsky:

Okay. And plus those in the mortgage business, right? Because it started in the mortgage areas as I understand it.

Margaret Liu:

Right. Yeah.

Alan Kaplinsky:

Yeah. Okay. I got it. Okay. So all of these, the streamlining that you've done and these technological tools that you're using in order to accomplish the streamlining, has it enabled state banks to compete? Not so much state banks, we've been talking about non-banks here, but a lot of companies particularly in the FinTech area are very interested in getting a national charter, either a national bank charter or a national thrift charter. And part of the motivation is that you only have to apply to the comptroller of the currency. And if you get approved, you're dealing with one regulator and not a multiplicity of regulators. Am I right?

Alan Kaplinsky:

It would it be fair to say that the reason CSBS has gotten into this is really a need to make sure that the playing field is more level, that companies will no longer have to say, "Well, geez, we need to get a national bank charter because it's going to be such a headache having to deal with 50 different states." Is that?

Margaret Liu:

Well, I guess the way that I would respond to that, Alan, is that if you think about the financial services sector in our country, there are a lot of different methods and points of entry in regulatory structures. Every company is going to make its own business decisions about its operating model. And we have these diverse points of entry and different regulatory structures to meet various business models and companies of varying sizes too, and we'll probably get to this a little more further on in our conversation. But state laws have come about and evolved to meet these different needs as they're appearing in the states. And one of the important things about state licensing in the non-bank area is that you can be very small and be state licensed, or you can be very big and be state licensed. State licensing is not only for that have reached a certain size and you can start out with a license in a single state.

Margaret Liu:

And a lot of companies do that. What it allows for is it allows for experimentation. Financial services activities in the United States are heavily regulated. I don't think anyone argues with that. And I think that's part of the bargain of being able to do that business in the United States, it is a regulated industry. There's state regulation and there's federal regulation. But there are multiple paths depending on your business model. But like I said, importantly you can operate in one state and you can be small and you can be a startup and you can approach it. You can start off by experimenting in one state or a few states. And then you have a system that can support you as you get larger, if you aspire to.

Margaret Liu:

But also it's a system that creates minimum disruption if you choose to exit the market for whatever means, maybe it just doesn't work, right. There's a structure for you to unwind and exit the market or maybe it's a company that is successful and merges or wants to evolve its business model. We see that too. And one of the important things about a lot of the initiatives that we have underway is that they come from a robust dialogue with the industry. With companies like the clients that you represent, none of this was developed by regulators just in a silo of regulators. NMLS has had robust industry interaction and in the development phase and as we've continued to evolve and modernize the system, several years ago, I guess about three or four years ago pulled together a FinTech industry advisory panel.

Margaret Liu:

We had 30 plus companies and we asked them to engage over the course of 18 months in a very robust back and forth dialogue with the regulators to identify with a fair amount of specificity, the pain points, the state licensing supervision. And so some of the things that we've talked about today came out of that, One Company, One Exam was born from that. One of the things we haven't talked about yet that is in the works is a model state MSB law, another effort at rationalizing and driving towards more consistency, that effort came out of the industry's recommendation. And there are other efforts underway again, where the feedback and engagement with the industry is really important.

Alan Kaplinsky:

Yeah. You referred to this Model MSB Law, is that being done through CSBS, or is it being done through the uniform commissioners on state laws?

Margaret Liu:

This is being done through CSBS. It's still in the works. We've had over the... if you've been involved in any model law efforts you know that it's a significant effort. Because it is focused on MSBs and because of the integration with things like our One Company, One Exam approach, and ultimately our licensing and exam platforms, we felt that it was important for it to succeed for it to be a CSBS effort. We've stayed in touch with the Uniform Law Commission. We've got a long partnership with the Uniform Law Commission in a lot of different areas, but this one is being done within CSBS and of course with interaction with the member and a lot of hands-on involvement by the individual States as well.

Alan Kaplinsky:

And is the goal here after you've developed the model law then for each state banking department to try to get that enacted to replace whatever they have?

Margaret Liu:

The model law is still in development. And one of the things that we have found with a lot of this work is that to really get meaningful consistency does not always begin or end statutory language. A lot of the work that we are doing is about aligning approaches and processes. And many of those are not necessarily dependent on a similar type of statutory language. So it's one tool in the toolbox. I think there are some States that may choose to leverage and adopt pieces of it, but I think there are probably a good number of States that will be able to be part of and help drive this networked approach without any changes to their state laws.

Alan Kaplinsky:

Okay. So let me turn to another area, Margaret and that is why is it that CSBS is so strenuously opposed to the comptroller of the currency granting a national bank charter to a FinTech company? Is it something that... Well, I'll let you answer the question rather than for me to suggest answers.

Margaret Liu:

Sure. And Alan, I mentioned before that the different licensing and supervisory regimes, that the States all are all born of state laws and decisions made by the state legislatures over a long series of time, including pretty recently. And at the heart of our opposition and legal challenge to the OCCs, "FinTech Charter," is that the OCC does not have the authority to do what they propose. Our view is that this is beyond the bounds of the National Bank Act and the other Federal Banking Act. And that this is not something that a regulator can just by Fiat do. I mean, really what they're proposing to do is to change what it means to be a bank. And Alan, you've worked with a range of clients during the course of your practice. And from our standpoint, if you're going to be a bank, you need to take deposits and obtain deposit insurance. Those are foundational. This isn't about expanded powers for existing banks. This is about fundamentally what it means to be a bank. This is around the inner limit of what it means to be a bank.

Margaret Liu:

And what the OCC has proposed to do with the FinTech Charter is to say, "Well, you don't have to take deposits. If you lend, or if you cash checks you could be a bank. We can deem you a bank." And from where we sit and based on our extensive legal analysis, this is not within the OCCs authority. The OCC doesn't get to make this decision, Congress ultimately has to make this decision and it's about the significant public policy implications. It's about the letter of the law, but it's about the policy deliberation that Congress is supposed to be having. If you think about consumer protection issues, market distortion, for example, I think the OCC has commented over the years that this FinTech Charter, this non-depository charter that they would grant, it's not going to be for that company I just talked about that's a startup, it's going to be about the company that's already succeeded.

Margaret Liu:

And so the OCC basically wants to pick a winner and bring it under the umbrella of the National Bank Act. And by the way, Congress has decided this over and over again, right, with the National Bank Act and with multiple theories of effort around shaping or reshaping the National Bank Act. Congress has never gone as far as what the OCC wants to do. And if you look at Dodd-Frank, it was a pretty clear that Congress saw issues with the scope of the OCC's activities, and back then a rather aggressive push at the edges of the national bank charter.

Alan Kaplinsky:

Yeah. It's not so much that CSBS objects to FinTech owning, or having a national bank charter, or converting their existing non-bank business into a national bank charter. You're okay with that. And I don't want to be... please, I'm not trying to put words in your mouth, but you're okay with that as long as one of the activities they engage in is accepting FDIC insured deposits.

Margaret Liu:

Yes.

Alan Kaplinsky:

Okay.

Margaret Liu:

I mean, as well as all of the other requirements that entities go through pretty frequently to become a bank, but yeah, that is the foundational requirement as far as we're concerned.

Alan Kaplinsky:

And just so our listeners understand why certain FinTechs might resist the requirement of accepting insured deposits is that it might make many of them bank holding companies. And they would either not want to be regulated by the Federal Reserve Board as a bank holding company, or they may be engaged in certain other activities that would disqualify them from being a bank holding company. Am I right?

Margaret Liu:

Right. Well, certainly the way that we have seen the FinTech Charter proposed by the OCC the entity would not be subject to the bank holding company because it is the deposit taking the deposit insurance that's the hook there. Yep.

Alan Kaplinsky:

Right. But if they were let's say an industrial bank in Utah and that's been a type of charter available for many, many years not completely unique, but somewhat unique, I take it you're okay with that. I mean, because it's the state charter that somebody is getting, it's not a national bank charter, and therefore you don't have that same objection to that.

Margaret Liu:

Well, in that case, the deposits are FDIC insured, there's deposit insurance, and there's clear authority in state and federal law for that business model and that charter.

Alan Kaplinsky:

Right. Okay. Let's turn to a somewhat related topic in that it involves federal law and a couple of the other decisions that were made by the Acting Comptroller of the Currency, Brian Brooks during his very short tenure in office, and that is he came out with two regulations. One of them intended to deal with and override a second circuit opinion in the so-called Madden versus Midland Credit case situation where credit card issuer in Delaware sold some charged off the pounds to a debt buyer in New York. And the debt buyer in New York continued to charge the same interest rate on the credit card that was being charged by the bank before it got charged off and sold.

Alan Kaplinsky:

And the second circuit held in a very controversial opinion that the right to charge the interest rate permitted under Section 85 of the National Bank Act, which is the federal usury provision and the right to export that rate from Delaware throughout the country, including New York, that once that account got sold a debt buyer or a non-bank, it lost that right. At that point that non-bank would have to immediately reduce the interest rate to whatever the maximum might be under New York law.

Alan Kaplinsky:

And the comptroller went through a rule-making procedure. Shortly after that the FDIC did a similar rulemaking under Section 27 of the Federal Deposit Insurance Act, a provision that became law in 1980 with the intent of putting state chartered banks on a level playing field with national banks from a federal usury law perspective. What is CSBS's position on the so-called Madden, anti Madden rule? I know it's complicated.

Margaret Liu:

Or the Madden-Fix rule.

Alan Kaplinsky:

The Madden-Fix rule.

Margaret Liu:

And it is a complicated issue. We looked at the rule and we certainly did comment to the OCC the need for some certainty and a mechanism for preserving the negotiability of instruments. I think our members definitely sympathized with that objective. In terms of the actual execution, in terms of how the OCC went about it, we focused our comments on some concerns that this is from our standpoint, it's a preemption determination. And the Section 25 (b) of the National Bank Act articulates how the OCC is to go about preemption determinations. And it sets out not just a process, but what the standard is that has to be met, right. 25 (b) says that if it's a preemption determination, the OCC has to go about it on a case by case basis and find that there is substantial evidence that what would be preempted would otherwise prevent or significantly interfere with national bank powers, the OCC chose to not go through that path and in putting this rule out. So we flag that as a concern.

Alan Kaplinsky:

Of course, they claimed just some... They're not on our podcast today, but they will claim that no, it's not a preemption determination. It's just an interpretation of Section 85 of the National Bank Act.

Margaret Liu:

Right. And that's where we differ. Yeah. I mean, I think that the OCC has gone to great to never actually have any rule be considered a preemption determination. I don't think they've ever used 25 (b).

Alan Kaplinsky:

Yeah. I think you're right. Okay. So he didn't like the procedure. And what about now the FDIC did the same thing for state charter banks. What about that, their rule making?

Margaret Liu:

Well, we certainly do appreciate that there should be an equal treatment between state and federally chartered institutions and if this is something that's going to go through, that state chartered banks need to be on equal footing with national banks. And something else Allen that we might be getting to is that there is a connection between the valid when made rule and another proposal, the true lender rule.

Alan Kaplinsky:

Yeah, let's talk about that one. Maybe if it mattered, why don't you describe for our listeners, what the OCC did there?

Margaret Liu:

So with the true lender rule, and Alan, you're probably going to be just as good or actually better than I, but in a nutshell it's a very simple rule, so it's very easy to articulate. They basically said that any transaction that the bank touches the bank is the true lender. And so that is a rule that we oppose because in that instance, there's a body of case law around what it means to be a true lender. And again, this is a case law that articulates substantial predominant economic interest should be the determinant of whether or not the bank is a true lender. Our concern is that the way that the rule was written and proposed by the OCC, it's very formalistic. And like I said, basically a national bank can be a true lender even if it has no actual economic interests. Why does that matter?

Margaret Liu:

What it does is it gives financial services entities that look to partner with banks, again, if this rule were to take final effect, an entity could partner with a bank and thus avoid the usury laws, as well as state licensing laws without the bank actually really having an economic interest. And I think that from our standpoint, that's an improper leveraging of a state bank charter.

Alan Kaplinsky:

Even though, I mean, the OCC would say it would have the right to supervise and in a sense regulate the non-bank that is partnered with a national bank. And if it saw that it was violating some consumer protection requirement, or engaging in unfair or deceptive acts or practices, it would have the right to come down on that bank and non-bank like a ton of bricks. What do you say to that, Margaret?

Margaret Liu:

You're absolutely right, Alan. Actually in the preamble and some of the explanatory materials that the OCC put out with the proposed rule, they actually set out a fair amount of what you're saying, what their "supervisory expectations" would be. But none of that actually got included in the language of the rule. And so at that point, it becomes nothing more than a pinky swear that they would do that and leaving only a very overly broad and formalistic rule that could be subject to a wide range of interpretations and abuses.

Alan Kaplinsky:

Right. Okay. Interestingly enough, the FDIC did not issue a comparable rule. And I understand the reason for that is that they believe they didn't have the authority to do it under Section 27 of the Federal Deposit Insurance Act. The OCC, I think relied on Section 27 of the National Bank Act. And interestingly enough, not Section 85 as I understand it. Well, let's turn to what I think is the final area that I want to get some input from you on.

Alan Kaplinsky:

You also, your CSBS engages in lobbying for federal legislation from time to time. And I understand that you've been supporting a bill at least in the last legislative session, and I assume it will be re-introduced or it already has been introduced this year, called the Bank Service Company Examination Act. What is that all about, Margaret?

Margaret Liu:

Sure. And maybe I think the place to start is that for the folks listening to this, the Bank Service Company Act is a law that's been around for several decades, and that governs the activities of well banks, service companies. I think when the law was originally enacted you had banks owning companies that were providing services back to the owner, but to other banks. But the law's application and utilization has evolved, so that it is the foundation for federal supervision and oversight of bank vendors. And when you think about banking today, and the fact that banks of all sizes rely on a wide range of technology and related partners as the core service providers, of course, but also well beyond the cores, a lot of other entities, a lot of them tech companies that are looking to work with banks to help banks do a range of things, whether it's back office or customer facing activities. And this law governs the federal oversight of these bank vendors.

Margaret Liu:

And then similarly under state law, close to 40 States have authority under state law to exercise the same type of oversight. But there is no connection in statute between the federal and the state authority. And so what we have been working on for several years with Congress is making some small changes to the federal law, to the Bank Service Company Act to integrate the states so that the states can coordinate. This gets back to that theme that I started with around network supervision, and about CSBS's vision and philosophy that regulators need to be operating as a network, as opposed to in silos. And so this is a silo breaking exercise, if you will by getting the states integrated into the Bank Service Company Act.

Margaret Liu:

We've had bipartisan legislation introduced in the past two Congresses, last time around the house actually passed our bill unanimously in a very partisan, challenging environment. And you're right, we just got the House bill introduced, and I believe the Senate bill also has been introduced both with bipartisan support and the ideas for state and federal regulators to coordinate and to share information. One thing I want to be clear for you and certainly for other practitioners who might tune into this... Excuse me, to this podcast, Alan, is that this bill doesn't grant any new authority to state regulators. It's just about the fact that you've got regulators who are already doing this work and they need to talk to each other, they need to coordinate.

Margaret Liu:

And when you think about, particularly for small banks, the states oversee and charter close to 80% of the banks in the country in terms of by number of institutions. And so a lot of these small banks rarely build their own digital offering, they're looking for partners but these vendor relationships can bring regulatory risk too. And so the regulators need to be working together.

Alan Kaplinsky:

Yeah. I got it. Yeah, I'd be surprised if there would be much pushback to that legislation. And just a question of Congress prioritizing that with everything else they've got on their plate.

Alan Kaplinsky:

Well, we've come to the end of our show today, Margaret, and I very much want to thank you for participating in the show. I hope in the future we'll have you back when there are developments that are occurring that warrant the input of CSBS. I also want to thank all of our listeners today. Everyone who downloaded our podcast and remind everyone that you can find our podcast show on our website, ballardspahr.com, or you can find it on any platform essentially where you get your podcasts, including Apple, Google Play, Spotify, et cetera. Thank you once again.

Margaret Liu:

Thanks Alan.