



2015 ANNUAL REPORT



SINCE 1902

CONFERENCE OF STATE BANK SUPERVISORS

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The Conference of State Bank Supervisors (CSBS) is the nationwide organization of banking and financial regulators from all 50 states, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

Established in 1902 as the National Association of Supervisors of State Banks, CSBS is uniquely positioned as the only national organization dedicated to protecting and advancing the nation's dual-banking system.

“ For more than a century, CSBS has given state supervisors a national forum to coordinate supervision and develop policy related to their regulated entities.

For more than a century, CSBS has given state supervisors a national forum to coordinate supervision and develop policy related to their regulated entities. CSBS also provides training to state banking and financial regulators and represents its members before Congress and the federal financial regulatory agencies.

State regulators supervise 4,792 state-chartered banks with more than \$5 trillion in combined assets, representing 77 percent of the nation's banks. Further, most state banking departments oversee mortgage providers and many other financial services providers, such as money services businesses (MSBs), payday lenders, check cashers, and finance companies. As of December 2015, State regulators license 16,005 mortgage companies, 135,016 individual mortgage loan originators (MLOs), and more than 138,000 additional non-depository financial services providers across the nation.

“ State regulators supervise 4,792 state-chartered banks with more than \$5 trillion in combined assets.

CORPORATE GOVERNANCE

CSBS is a professional regulatory association, and its voting members and Board of Directors are exclusively state financial regulators. CSBS is governed by bylaws and a Board of Directors comprised of 22 voting regulator members. Officers consist of the chairman, chairman-elect, vice chairman, treasurer, secretary, and immediate past chairman. The chief executive officer of CSBS is the

president, who is recruited and employed by the Board of Directors.

AFFILIATED ENTITIES

CSBS EDUCATION FOUNDATION



In 1984, CSBS created the Education Foundation of State Bank Supervisors (EFSBS). The purpose of the

CSBS Education Foundation is to fund and direct CSBS's education and training efforts.

The membership of the CSBS Education Foundation Board of Trustees is comprised solely of state bank regulators and interacts extensively with the CSBS Board of Directors. The CSBS Education Foundation Board of Trustees is chaired by Melanie Hall, Commissioner of the Montana Division of Banking and Financial Institutions. As Chairman of the CSBS Education Foundation Board of Trustees, Commissioner Hall is also a voting member of the CSBS Board of Directors. Other officers of the CSBS Education Foundation Board of Trustees are the vice chairman, treasurer, and immediate past chairman. There are a total of 15 voting members of the CSBS Education Foundation Board of Trustees.

STATE REGULATORY REGISTRY LLC



In 2006, CSBS, on behalf of state regulators and in cooperation with the American Association of

Residential Mortgage Regulators (AARMR), formed the State Regulatory Registry LLC (SRR) to oversee the development and operations of the Nationwide Multistate Licensing System and Registry (NMLS, or the System) as a licensing and registration system for non-depository financial services industries. In 2008, Congress passed the SAFE Act and authorized NMLS as the nationwide tool for licensure of mortgage loan originators.

The SRR Board of Managers is chaired by Robert J. Entringer, Commissioner of the North Dakota Department of Financial Institutions. The SRR Board of Managers is comprised of eight state regulators, including the chairman of the CSBS Board of Directors, who serves on the SRR Board of Managers as an ex officio, non-voting member. As Chairman of the SRR Board of Managers, Commissioner Entringer is also a voting member of the CSBS Board of Directors. In addition to the chairman, officers of the SRR Board of Managers are the vice chairman and the CSBS treasurer. AARMR also has a voting board member on the SRR Board of Managers.

CSBS STRATEGIC PLAN 2015-2018

The following strategic plan was approved and adopted by the CSBS Board of Directors in December 2014. This long-term plan guides CSBS staff efforts and is intended to be implemented over a three-year period.

VISION



The Conference of State Bank Supervisors will be the recognized leader advancing the quality and effectiveness of regulation and supervision of state banking and financial services.

MISSION



CSBS supports state regulators in advancing the system of state financial supervision by ensuring safety, soundness, and consumer protection; promoting economic growth; and fostering innovative, responsive supervision.

GUIDING VALUES



Collaboration – To effectively meet the needs of our diverse economy, the banking and financial services sector demands collaboration and effective dialogue and planning. CSBS will work actively to convene state and federal regulators, other state associations, and industry to identify regulatory challenges and facilitate consensus.

Education – A hallmark of CSBS's work has been the education of a broad base of banking, financial services, and regulatory stakeholders to empower state decision making, to serve its members, and to communicate the value and benefits of a strong dual-banking system and state regulation.

Innovation and responsiveness – CSBS is dedicated to addressing the evolving needs of banking and financial services consumers by facilitating a competitive and diverse market.

Integrity – Honesty and fairness are foundational to public and industry confidence in our regulatory system.

Professional excellence – CSBS will continue to provide training, engage thought leaders, and maintain the highest of standards in all that we do.

Relationship building – CSBS's work depends on our ability to effectively communicate and understand many points of view. Through strong relationships CSBS will continue to work with and learn from others.

Communication – CSBS understands that to be effective and support our vision and mission we must listen and learn before we formulate positions and then share our work in a manner that is understandable and adaptable to CSBS's audiences and stakeholders.

STRATEGIC PLAN OBJECTIVES

Objective 1. Bank Regulation and Supervision: Promote right-sized regulation and supervision of banks consistent with their size, complexity, overall risk profile, and risk to the financial system

Develop appropriate legislative, regulatory, and supervisory solutions. Equip state supervisors to challenge the inappropriate or disproportionate application of federal regulation. Promote the role of state agencies to differentiate them from federal regulators. Support the role and value of banks in the community and economy.

Objective 2. Non-Bank Regulation and Supervision: Facilitate an effective system of non-bank regulation and supervision, ensuring consumer protection and access to necessary financial services and credit

Coordinate the role of the states and the appropriate federal agencies. Advocate, communicate, and highlight the roles of state agencies. Provide support for the activities of the state system.

Objective 3. Education and Professional Standards: Educate and inform examiners, the public, government officials, and CSBS stakeholders

Instill confidence among stakeholders and the public in the state system of financial regulation by enabling high-quality state agency licensing, exam, and management staff through training, certification, and accreditation.

2015-2016 CSBS BOARD OF DIRECTORS

(as of April 1, 2016)

| CHAIRMAN | CHAIRMAN ELECT | VICE CHAIRMAN | TREASURER | IMMEDIATE PAST CHAIRMAN |
|--|--|---|--|---|
|  |  |  |  |  |
| David J. Cotney <i>Commissioner, Massachusetts Division of Banks</i> | Charles G. Cooper <i>Commissioner, Texas Department of Banking</i> | Charles J. Dolezal <i>Superintendent, Ohio Division of Financial Institutions</i> | Albert L. Forkner <i>State Banking Commissioner, Wyoming Division of Banking</i> | Candace A. Franks <i>Commissioner, Arkansas State Bank Department</i> |

SECRETARY

Vacant

Member-at-Large

Charlotte N. Corley
*Commissioner, Mississippi Department of Banking &
Consumer Finance*

Chairman, Non-Depository Supervision Committee

Jan Lynn Owen
*Commissioner, California Department of Business
Oversight*

Chairman, Foreign Bank Regulatory Committee

Robert Donovan
*Deputy Superintendent of Banks, New York State
Department of Financial Services*

Chairman, Legislative Committee

Trabo Reed
*Deputy Superintendent of Banks, Alabama State Banking
Department*

Chairman, Regulatory Committee

Bret Afdahl
Director of Banking, South Dakota Division of Banking

Chairman, State Supervisory Processes Committee

Judi M. Stork
*Deputy Commissioner, Kansas Office of the State Bank
Commissioner*

Chairman, CSBS Education Foundation Board of Trustees

Melanie G. Hall
*Commissioner, Montana Division of Banking and
Financial Institutions*

Chairman, State Regulatory Registry LLC Board of Managers

Robert J. Entringer
*Commissioner, North Dakota Department of Financial
Institutions*

Regulator Co-Chairman, Bankers Advisory Board

M. Shane Deal
*Deputy Commissioner, Minnesota Department of
Commerce*

Industry Co-Chairman, Bankers Advisory Board

K. Brent Vidrine *
Bank of Sunset & Trust Company, Sunset, Louisiana

Chairman, District I

Gordon Cooley
Commissioner, Maryland Office of Financial Regulation

Chairman, District II

Karen K. Lawson
Director, Office of Banking, Michigan Department of Insurance & Financial Services

Chairman, District III

Ray Grace
Commissioner, North Carolina Office of Commissioner of Banks

Chairman, District IV

Deryl Schuster
Bank Commissioner, Kansas Office of the State Bank Commissioner

Chairman, District V

Iris Ikeda
Commissioner, Hawaii Division of Financial Institutions

CHAIRS EMERITUS**Chairman Emeritus (2013 - 2014)**

Charles A. Vice *
Commissioner, Kentucky Department of Financial Institutions

Chairman Emeritus (2012 - 2013)

Greg Gonzales *
Commissioner, Tennessee Department of Financial Institutions

Chairman Emeritus (2011-2012)

John P. Ducrest *
Commissioner, Louisiana Office of Financial Institutions

Chairman Emeritus (2007-2008)

Jeffrey C. Vogel *
Director, Wyoming Department of Audit

Chairman Emeritus (2006-2007)

E. Joseph Face, Jr. *
Commissioner, Virginia Bureau of Financial Institutions

Chairman Emeritus (2003-2004)

Mick Thompson *
Commissioner, Oklahoma State Banking Department

Chairman Emeritus (2002-2003)

Gavin M. Gee *
Director, Idaho Department of Finance

Chairman Emeritus (1997-1998)

G. Edward Leary *
Commissioner, Utah Department of Financial Institutions

CSBS Staff Director

John W. Ryan *
President & CEO

* = Non-Voting Members of the Board





May 9, 2016

On behalf of the CSBS Board of Directors, I am pleased to present you with the 2015 Annual Report of the Conference of State Bank Supervisors.

This report provides an overview of the activities and initiatives conducted by state regulators through CSBS in 2015. The report also provides perspective on our ongoing work and plans for 2016 and beyond.

Creating a Regulatory Framework for a Diverse Financial System

Each year, CSBS and the Federal Reserve hold the Community Banking in the 21st Century Research and Policy Conference. The conference is designed to promote a better understanding of the impact regulatory policies have on community banks, as well as how community banks impact the national economy and their local community. This year, Federal Reserve Chair Janet Yellen spoke at the conference, and one thing in particular she said grabbed my attention:

“Among the things I learned from [my] experience is that, when it comes to bank regulation and supervision, one size does not fit all. To effectively promote safety and soundness and ensure consumer compliance without creating undue regulatory burden, rules and supervisory approaches should be tailored to different types of institutions.”

I couldn't agree with Chair Yellen more.

The United States stands alone among nations in the number and diversity of our financial services providers, and state regulators charter, license, and supervise the vast majority of these entities. The rich diversity of banking companies we enjoy in this country is vital to the growth of our economy and the resiliency of our financial system. And, for more than 150 years, the United States has gone to great lengths to promote our uniquely American dual-banking system. The dual-banking system is a primary example of the government's longstanding commitment to financial diversity, innovation, and dynamism.

State regulators contribute to the dual-banking system through our local authority. Our approach to financial regulation is profoundly shaped by our close geographic proximity and firsthand knowledge of our regulated entities and the markets in which they operate. By supporting flexible, tailored supervision – the type of supervision Chair Yellen calls for – states foster strong supervision that ensures safety and soundness, protects consumers, promotes economic development, and encourages industry diversity.

Another way state regulators contribute to a more efficient, effective supervisory system is by advocating more efficient, effective policy in Congress. In 2015, CSBS and state regulators made significant legislative progress toward providing a tailored and appropriate regulatory framework to meet the credit needs of local communities. For example, Congress passed CSBS-supported legislation establishing for rural lenders a more flexible approach to the Consumer Financial Protection Bureau's (CFPB) Ability-to-Repay rule, allowing regulators to give a larger number of community banks access to an 18-month examination cycle, and requiring at least one Federal Reserve Governor to have experience working in or supervising community banks.

CSBS and state regulators have also been hard at work advocating for a more comprehensive definition of community banks. It has become increasingly clear that strict asset thresholds fall short in identifying and defining community banks. And, properly identifying community banks has important consequences for making policy and our supervisory approach. I look forward to seeing work on such a definition continue in 2016.

State Regulators Lead in Supervision and Education

When I was elected Chairman of CSBS last May, I highlighted the many ways that state bank regulators have acted as national leaders in supervision and policy. Specifically, I spoke about state regulators' leadership in bank supervision, non-depository supervision, and in education and training. In 2015, CSBS and state regulators made significant progress in these areas.

Beyond the above legislative progress in bank supervision, the states have collaborated with the Federal Financial Institutions Examination Council (FFIEC) to do a line-item review of the Call Report to find opportunities to reduce reporting burden for community banks. Also, as part of the Community Bank Research Conference, CSBS created and facilitated its inaugural Community Bank Case Study Competition in 2015. The competition pairs undergraduate student teams with local community banks to conduct original case studies evaluating the impact of community banks on the local economy. By focusing on the local level, the competition emphasizes the individual and unique stories of community banks.

For non-depository supervision, CSBS established the Non-Depository Supervisory Committee to provide a forum for supervision policy discussions between CSBS members and other non-depository regulators. CSBS also released in 2015 a Model Framework for State Regulation of Certain Virtual Currency Activities, as well as proposed a set of prudential regulatory standards for non-bank mortgage servicing companies.

In training and education, CSBS hosted 15 Executive Leadership of Cybersecurity events nationwide, providing community bank CEOs and board members with resources to help mitigate cybersecurity threats at their banks. The Performance Standards Committees of CSBS and the National Association of State Credit Union Supervisors (NASCUS) partnered to create a joint self-evaluation questionnaire for use by state regulatory agencies in the accreditation process. In 2015, CSBS also initiated a plan to modernize the accreditation program which will, in part, include a complete review of accreditation standards and best practices as well as enable state agencies to submit accreditation information online.

Looking Forward

As the financial services industry continues its rapid progress and change, CSBS and state regulators remain committed to being at the forefront of supervision.

I look forward to continuing the work of CSBS through the coming years. We've made significant progress in 2015, and there is still much more to do in 2016 and beyond.

Sincerely,



David J. Cotney

Commissioner of Banks, *Massachusetts Division of Banks*
Chairman, *CSBS Board of Directors*



May 9, 2016

I am pleased to present you with the 2015 Annual Report of the Conference of State Bank Supervisors (CSBS). We have organized the report to make it easy for you to learn about how state bank supervisors are ensuring broad, safe access to financial services and encouraging economic growth within their 54 jurisdictions. You will read about how supervisors have:

- Partnered with federal policymakers to address right-sized regulation of community banks;
- Empowered state-chartered banks to address emerging risks such as cybersecurity;
- Protected consumers through greater supervision of non-depositories and an expansion of the National Multistate Licensing System; and
- Demonstrated regulatory excellence through an unprecedented level of training and professional development.

All throughout, CSBS members strive to make state regulation smart, effective and fair. And the reason is clear: every day, in thousands of communities across the nation, our members regulate institutions that affect the lives of millions of consumers and thousands of small businesses: the individual using a smartphone app to transmit money to a family member; the local business seeking a loan to help fill a market niche; and so much more. State supervisors affect these activities by:

- Chartering and regulating three-quarters of all banks;
- Overseeing banks that provide three-quarters of farm loans and half of all small business lending; and
- Licensing and supervising thousands of non-banks and financial service providers.

Financial regulation in the United States is based on our system of dual banking, one that includes both national- and state-chartered banks. It is a system where we as a nation recognize that, when it comes to bank regulation, one size does not fit all. At its best, dual banking involves federal regulators focusing on systemic issues while state regulators ensure that communities are well served.

In this system of regulatory federalism, achieving the right balance is never easy and requires constant dialogue. That is why state supervisors and their federal counterparts must partner with, and sometimes challenge, one another to address the emerging issues of the day, from cybersecurity to financial technology to consumer protection, among countless others. This collaboration makes it possible for state and federal regulators to oversee the most diverse and innovative system of banking and financial services in the world.

By facilitating discussions among state and federal regulators, CSBS has become the platform for regulatory collaboration. And this Annual Report recounts the many ways during 2015 that CSBS members have made state regulation a system of strength and resiliency through diversity.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Ryan". The signature is fluid and cursive, written over a white background.

John W. Ryan
President and Chief Executive Officer

2015 HIGHLIGHTS

COORDINATION, COLLABORATION, COMMUNICATION

2 Commissioners testified before Congress on behalf of CSBS

40 state agencies represented at the 2015 CSBS Government Relations Fly-In

165 regulators from **44** states attended the 2015 CSBS State-Federal Supervisory Forum

68 joint examinations of money services businesses (MSBs) coordinated through the Multistate MSB Examination Task Force (MMET)

State Coordinating Committee (SCC) facilitated **16** coordinated examinations with the CFPB and **444** exchanges of reports and enforcement notices, or other supervisory information.



RESEARCH



12 Research Papers Presented at the third annual Community Banking in the 21st Century Research Conference

- **4** Undergraduate Research Case Studies Submitted in the 2015 CSBS Community Bank Case Study Competition

Nearly **1,000** community bankers from **39** states participated in the Community Banking in the 21st Century Research Conference Survey

27 States participated in the Community Banking in the 21st Century Town Hall Meetings.

BY THE NUMBERS

TAKING ACTION

15 Executive Leadership of Cybersecurity events conducted, covering **18** states, with nearly **1,700** bankers in attendance.



\$1 Billion – the new asset threshold for well-managed financial institutions eligible for the 18-month examination cycle. CSBS Advocated for this increased threshold.

4 comment letters submitted to federal regulatory agencies by CSBS.

TRAINING AND ACCREDITATION



9 state banking agencies were re-accredited through CSBS's Bank Accreditation Program

7 State Mortgage Agencies earned accreditation or reaccreditation through the CSBS-AARMR Mortgage Accreditation Program

1,004 examiners from **43** agencies representing **41** states certified through the CSBS Certification Program.

- **95** examiners hold multiple certifications.

54 examiners attended the first ever Large Bank Training session.

NMLS

50 agencies using the Uniform State Test on NMLS



61 state agencies using NMLS as their licensing system of record

408,542 state licenses for mortgage loan originators in NMLS As of December 31, 2015

➤ A HISTORICAL PERSPECTIVE OF THE STATE BANKING SYSTEM

The state banking system has existed in some form or another in America for more than 300 years. Until the passage of the National Currency Act in 1863, the state banking system was the only source of banking services for the United States of America and the American Colonies except for the relatively short-lived First and Second Banks of the United States.

“ The state banking system has existed in some form or another in America for more than 300 years.

When the National Currency Act of 1863, the National Bank Act of 1864, and the Bank Note Tax of 1865 were implemented, there was an assumption behind the legislation that the state banking system would fold into the national banking system and create a single, federal banking system. However, during the latter part of the 19th century, state banking experienced a resurgence, with the number of state banks growing to nearly 7,000 chartered institutions from as low as 2,500 institutions prior.

There was a renewed interest in state banking for several reasons. For some bankers, the state system held promise in its highly-profitable banking and trust operations, which were only chartered at the time by states. To others, the system presented the opportunity to be supervised more in line with their size, complexity, and geographic location. And, to some, the state system presented an opportunity to support Federalism and maintain the state-federal balance envisioned in the Constitution.

State regulators were well-aware of the necessity for sound and robust supervision of the banks for whose operation they were responsible. To ensure a strong dual-banking system, state regulators developed an independent, yet effective supervisory regime within their own states, while also maintaining consistency and efficiency between the states.

“ To ensure a strong dual-banking system, state regulators developed an independent, yet effective supervisory regime within their own states, while also maintaining consistency and efficiency between the states.

With a common interest in maintaining the dynamic and valuable nature of the state banking system while providing for a safe and sound financial system, state regulators formed the National Association of Supervisors of State Banks in 1902, today known as the Conference of State Bank Supervisors (CSBS).

CSBS’s aim, at founding and today, has been to strengthen and increase the effectiveness of the state banking system as a component of a strong dual-banking system.

THE BALANCE BETWEEN STATE AND FEDERAL REGULATION

Since the inception of the dual-banking system, our nation’s economy has benefited enormously from the diverse perspectives and tailored approaches to state and federal regulation. On one end, federal regulators have provided the necessary national framework to manage systemic issues. For example, the Federal Deposit Insurance Corporation (FDIC) has brought valuable insight as an insurer and the Federal Reserve has acted as a stabilizing force for the American economy.

“ State regulators are committed to promoting the economic health of their communities by ensuring their supervised institutions operate safely and soundly

State bank supervisors, on the other hand, have a distinct approach to regulation and supervision derived from their local knowledge, authority, and focus. State regulators are committed to promoting the economic health of their communities by ensuring their supervised institutions operate safely and soundly. This dual mandate has led

to a long history of innovating to improve our regulatory and supervisory processes to better meet the needs of banks, their customers, and their states. Many bank products and services that now seem commonplace, like the checking account, variable rate mortgages, and home equity loans, originated in the state-chartered banks and evolved as a result of the regulatory flexibility fostered by the dual-banking system.

THE PUBLIC BENEFIT OF STATE FINANCIAL SERVICES REGULATION

In January 2015, CSBS released a white paper titled “The Public Benefit of State Financial Services Regulation” examining the public benefit and value that state regulators provide to consumers, the financial institutions they license and regulate, and their local economies. The white paper highlights three areas in which state supervisors’ local authority and regulatory focus provide particular value:

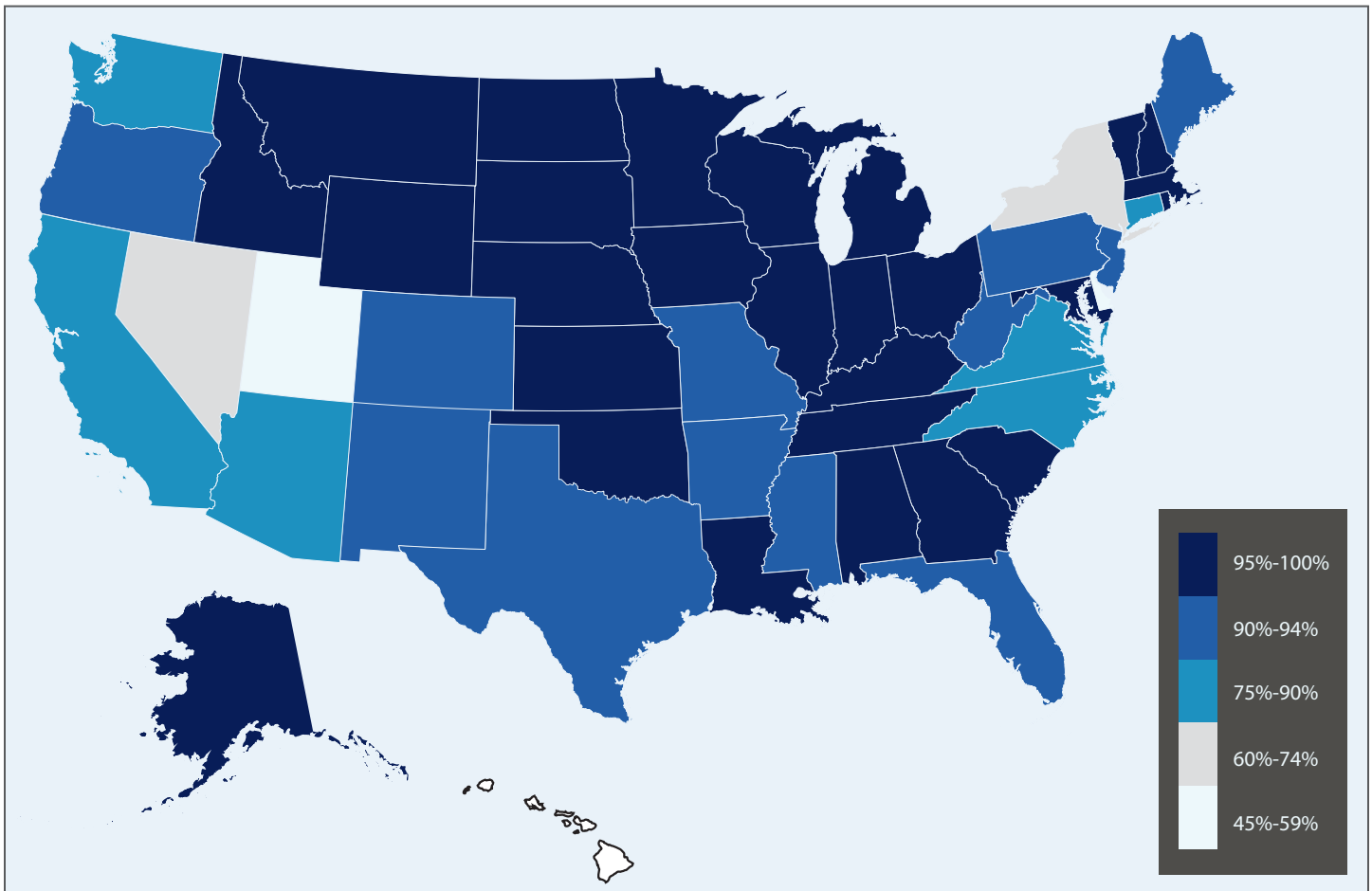
- Supporting a strong community banking system;
- Leading in non-depository supervision; and
- Promoting local economic development.

The white paper also features specific cases that highlight how various state banking departments have provided value and benefit to their citizens, regulated entities, and state economies.

STATE SUPERVISORS SUPPORT A STRONG COMMUNITY BANKING SYSTEM

All state regulators charter and supervise community banks. However, a number of states charter and supervise some of the largest banks in the country. Regardless of the institution, state supervisors promote right-sized regulation and supervision of banks consistent with their size, complexity, overall risk profile, and risk to the financial system. State supervisors’ regulatory approach and proximity to their state-chartered institutions makes them particularly well suited to oversee community banks.

Percentage of State-Chartered Banks Considered Community Banks, by State





STATE SUPERVISORS LEAD IN NON-DEPOSITORY SUPERVISION

State supervisors facilitate an effective system of non-bank regulation and supervision, ensuring access to necessary financial services and credit. The non-depository financial services landscape varies from state to state. State regulators’ local licensing authority and regulatory agility allows them to effectively monitor and protect consumers in the constantly evolving non-bank financial services industry.

STATE SUPERVISORS PROMOTE ECONOMIC DEVELOPMENT

State regulators promote local economic development due to their unique position within state government, knowledge of local economies and market conditions, and their distinct approach to regulation and supervision. As regulators, our members provide expert guidance to the industry and colleagues in state government. They often facilitate dialogue between their state-chartered institutions and other branches and offices of state government. Most importantly, state regulators set financial services policy and supervision standards that have a profound impact on local lending, consumer protection, access to credit, and the overall financial services marketplace within their state. Their local presence and authority allows state supervisors to truly fine tune financial services policy and supervision in a way that benefits consumers, institutions, and the state economy.

CSBS AND STATE REGULATORS IN 2015

State financial regulators establish, maintain, and lead CSBS, leveraging the organization as a national forum for coordinated supervision and policy development. As the only organization of its kind, CSBS is a reflection of the achievements of state financial regulators throughout the country. CSBS aims to be an innovative, efficient, and effective organization by and for state regulators tasked with tackling supervisory issues in an era of rapid change.

“State regulators set financial services policy and supervision standards that have a profound impact on local lending, consumer protection, access to credit, and the overall financial services marketplace within their state.”

As such, CSBS plays a pivotal role in helping state regulators fulfill their goals. CSBS provides state regulators with tools and resources to:

- I. **Coordinate and collaborate** with one another, federal regulators, Congress, and the industry;
- II. **Develop and foster research and analytical tools** to better understand the industry and emerging risks;
- III. **Develop innovative solutions** for a rapidly changing financial services industry; and
- IV. **Provide education and training** for state agencies, examiners, the industry, and beyond.

The remainder of this annual report will explore the many ways CSBS provided these resources in 2015.

This section adapted from “The Challenge Today to the Dual Banking System,” a publication from CSBS (Then the National Association of Supervisors of State Banks) in 1962. Additional Information is sourced from “The Public Benefit of State Financial Regulation,” a CSBS White Paper published in 2015.

➤ COORDINATION, COLLABORATION, COMMUNICATION

HOW CSBS BUILDS BRIDGES THROUGHOUT THE FINANCIAL SYSTEM

State financial regulators provide innovative, responsive supervision tailored to an institution's size, complexity, and local economy. State financial regulators also coordinate and collaborate together and maintain strong relationships with lawmakers, policymakers, the industry, and one another. These relationships are instrumental to fostering efficient, effective supervision.

“ For state financial regulators to be most effective, they must maintain strong relationships with lawmakers, policymakers, the industry, and one another.

The Conference of State Bank Supervisors (CSBS) plays a key role assisting state regulators in coordinating supervision and developing financial regulatory policy. As the U.S. financial system has grown increasingly complex, state regulators have leveraged CSBS as a resource to engage with a wider audience of stakeholders.

CSBS POLICY-SETTING COMMITTEES

CSBS is governed by the CSBS Board of Directors. The Board of Directors provides direction and oversight of the affairs of CSBS. To achieve CSBS's objectives, the Board of Directors appoints standing committees and taskforces. Several committees appointed by the Board of Directors develop public policy positions that drive CSBS's collaboration and advocacy efforts.

These policy-setting committees are the driving force behind the work of CSBS. The collaborative initiatives, public policy positions, research and analysis, and advocacy efforts of CSBS begin with the work and decisions of these committees.

CSBS LEGISLATIVE COMMITTEE

The CSBS Legislative Committee, chaired by Deputy Superintendent of Banks Trabo Reed of the Alabama State Banking Department, develops CSBS's legislative policy. The Legislative Committee is the forum through which state regulators review and consider legislative proposals that could impact state financial regulation.



Trabo Reed, Deputy Superintendent of Banks at the Alabama State Bank Department and Chair of the CSBS Legislative Committee.

In 2015, CSBS, under the guidance of the CSBS Legislative Committee, examined a range of federal legislative proposals regarding the regulation and the supervision of banks and non-banks. In reviewing pending legislation, priority objectives for CSBS were right-sized regulation and supervision of community banks and improving the efficiency of state licensing and supervision.

CSBS REGULATORY COMMITTEE



Bret Afdahl, Director of Banking at the South Dakota Division of Banking and Chair of the CSBS Regulatory Committee.

The CSBS Regulatory Committee, chaired by South Dakota Division of Banking Director Bret Afdahl, is tasked with developing positions on pending state and federal regulatory and supervisory matters, and making recommendations to the Board of Directors.

Areas of focus for the committee in 2015 included capital policy, changes to loss accounting, the Home Mortgage Disclosure Act, mortgage regulations, fair lending, marketplace lending, large bank supervision, and coordinated compliance supervision, among other topics.

CSBS STATE SUPERVISORY PROCESSES COMMITTEE (SSPC)



Judi M. Stork, Deputy Commissioner of the Kansas Office of the State Bank Commissioner and Chairman of the CSBS State Supervisory Processes Committee (SSPC).

The primary mechanism for coordinating state bank supervision is the CSBS State Supervisory Processes Committee (SSPC). Chaired by Deputy Commissioner of the Kansas Office of the State Bank Commissioner Judi Stork, the SSPC plays a substantial role in promoting consistent supervisory processes across state and federal regulators, as well as in the development of best practices in bank supervision and with the CSBS state bank and mortgage regulatory accreditation program. To more effectively manage bank supervisory issues, the SSPC leverages longstanding working groups specializing in certain aspects of bank supervision. These working groups include the Technology Committee, State Examiner Review Team, the Risk Identification Team, and the Information Technology (IT) Advisory Group.

CSBS FOREIGN BANK REGULATORY COMMITTEE

The CSBS Foreign Bank Regulatory Committee is tasked with developing positions and making recommendations to the Board of Directors on pending state and federal regulatory and supervisory matters of particular impact to state regulated branches and agencies of foreign banks. The Foreign Bank Regulatory Committee is chaired by Robert Donovan, Deputy Superintendent of Banks at the New York State Department of Financial Services.



Robert Donovan, Deputy Superintendent of Banks at the New York State Department of Financial Services and Chair of the CSBS Foreign Bank Regulatory Committee

CSBS NON-DEPOSITORY SUPERVISORY COMMITTEE

In 2015, the CSBS Board of Directors amended the CSBS By-Laws to create a new Non-Depository Supervisory Committee as a standing committee. Chaired by Jan Lynn Owen, Commissioner of the California Department of Business Oversight, the committee provides a forum for discussion of interstate non-depository supervisory matters and provides advice on non-depository policy development to CSBS.

The committee is responsible for providing oversight and support for the functional committees established by nationwide cooperative agreements for non-depository supervision. The committee may also serve as a liaison between the CSBS Board of Directors and other state and federal regulatory agencies for the benefit of a coordinated system of non-depository supervision.



Jan Lynn Owen, Commissioner of the California Department of Business Oversight and Chair of the Non-Depository Supervisory Committee

COORDINATION BETWEEN STATE REGULATORS

CSBS acts as the first resource for state regulators when it comes to collaboration with their peers in other states. Beyond policy-setting committees, coordination between states through CSBS is done through steering groups, task forces, and working groups.

COLLABORATING ON POLICY FOR THE FUTURE OF COMMUNITY BANKING

The **CSBS Community Bank Steering Group**, established in 2011, focuses on the community bank business model and investigates impediments community banks may face stemming from public policies and market pressures.

92.7 percent of State-Chartered Banks are Community Banks under the FDIC definition.



Shane Deal, Deputy Commissioner, Minnesota Department of Commerce, and Chairman of the Community Bank Steering Group.

In previous years, the steering group has worked to identify areas of regulatory relief that could be afforded to community banks. Building on this work in 2015, the group focused its efforts in three areas:

- Steering the Community Banking in the 21st Century Research and Policy Conference;
- Promoting a statutory definition for community banks;
- Evaluating the fair-lending examination procedures of the federal banking agencies; and
- Determining a path forward for community banks that would like to share services (or employees).

SHARING KNOWLEDGE TO EFFECTIVELY SUPERVISE LARGE BANKS

While all states supervise community banks, many state banking departments also supervise some of our nation's largest financial institutions. As of the 4th quarter 2015, there were 48 state-chartered banks in 21 states and Puerto Rico with more than \$10 billion in assets.

In the spring of 2014, CSBS announced the formation of a working group known as the **Large Bank Peer Group**. The group is open to supervisors and examiners who regularly examine large banks. The purpose of the group is to provide large bank examiners with a common venue to discuss emerging risks, examination strategies, and other issues pertaining to the supervision of large, state-chartered banks.

As of 4th quarter 2015, there were 48 state chartered banks in 21 states (plus Puerto Rico) with over \$10B in assets.

CSBS and the FDIC have facilitated training for state examiners who supervise large banks. The first iteration of the week-long training course was held in January 2015, and the 2016 edition will be held in March.

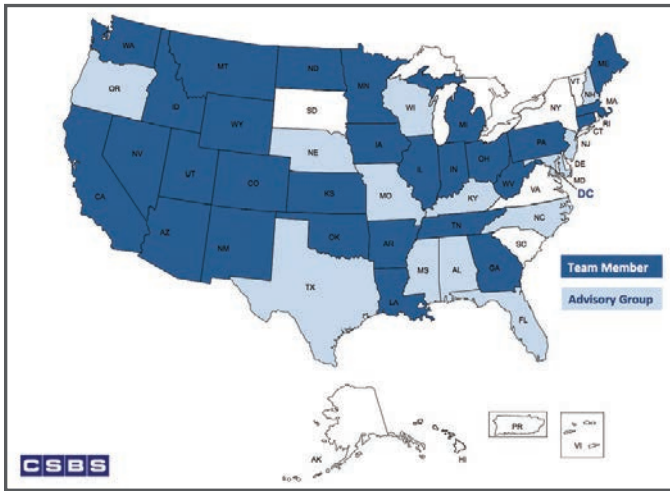
COORDINATING TO IDENTIFY AND RESPOND TO EMERGING RISKS

For more than a century, state financial regulators have used CSBS as a forum for discussing and addressing new and emerging financial challenges. Where risks are identified, state financial regulators often look to CSBS to coordinate and develop proactive and innovative approaches to these challenges, as well as to share state-developed solutions with their peers on a national basis.

The **CSBS Risk Identification (Risk ID) Team** and its Advisory Group bring together more than 100 field examiners from 40 state banking departments to discuss risks and emerging supervisory concerns.

More than 100 field examiners from over 40 state banking departments collaborate to discuss risk and report on emerging supervisory concerns.

Membership in the CSBS Risk ID Team



Recognizing that examiners are often the first to detect a financial system risk or trend, this group was formed in 2013 to foster more regular discussions amongst state examiners on these topics. The Risk ID Team's Advisory Group, which is a smaller subset of the full team, meets regularly to provide more in-depth analysis of the Risk ID Team's discussions. If appropriate, issues are elevated up to counterparts at federal agencies.

“ The Risk ID Team and its Advisory Group have identified several emerging issues since its inception, elevating those emerging risk concerns to state and federal regulators' attention.

Through the Risk ID Team and its Advisory Group, state regulators have identified and elevated in 2015 several emerging issues, including increased levels of credit risk in certain banks' commercial real estate loan portfolios, apparent increased appetites for out-of-territory loans, and divergence in practice when identifying certain assets subject to new capital risk weights. By successfully identifying emerging risks and sharing them with regulators across the nation, the Risk ID Team helps regulators to be better prepared for emerging issues, fostering a safer national financial system.

In 2015, CSBS began hosting the risk identification staff from the federal agencies to further the exchange of information and identify areas for further collaboration.

CSBS Emerging Payments Task Force

For the past few years, state financial regulators have spent more and more time on emerging payments issues. This has been driven by an accelerating pace of technological innovation in the financial services industry and an increase in sector interconnectedness.

To better understand new innovations in the financial system, emerging technologies, and virtual currencies, CSBS formed the **Emerging Payments Task Force** (Task Force) in February 2014. The Task Force was charged with evaluating payments developments and innovations, examining the intersection between emerging payments and state supervision, identifying areas for consistent regulatory approaches among states, and discovering how payments and other innovations may fit with established regulatory framework. Georgia Commissioner of the Department of Banking and Finance Kevin Hagler serves as Chairman of the Task Force.



Kevin Hagler, Commissioner of the Georgia Department of Banking and Finance and Chairman of the CSBS Emerging Payments Task Force

Some of the changes in the financial marketplace the Task Force has studied throughout 2014 and 2015 include various mobile payment developments, virtual currency, and broader payments modernization efforts. The Task Force sought to determine the impact of these developments on consumer protection, state law, and banks and non-bank entities chartered or licensed by the states. In doing so, the Task Force engaged with a broad range of stakeholders through various outreach events and meetings.

In 2015, the Task Force finalized a Model Regulatory Framework for Virtual Currencies. More information on the final Virtual Currency Framework is available on page 40 of this report.

COORDINATION BETWEEN STATE REGULATORS ON NON-DEPOSITORY FINANCIAL SERVICES

State regulators are the front line for non-depository supervision. In addition to banks, state regulators also license and regulate consumer finance companies, payday lenders, check cashers, debt collectors, money service businesses, mortgage companies, mortgage loan originators, and a host of other financial services providers.

Over the past several years, the non-depository financial services marketplace has rapidly expanded, both in the number and diversity of licensed non-depository financial services providers. State regulators, through CSBS, have developed several tools and resources to monitor and address emerging non-depository regulatory issues.

STATE REGULATORY REGISTRY – COORDINATING LICENSURE AND MONITORING OF NON-BANK FINANCIAL SERVICES



Robert Entringer, Commissioner for the North Dakota Department of Financial Institutions and Chair of the State Regulatory Registry (SRR)

The State Regulatory Registry LLC (SRR) is a non-profit entity and a wholly owned subsidiary of the CSBS. SRR operates the Nationwide Multistate Licensing System and Registry (NMLS, or the System) on behalf of state financial regulators. Through coordination with the SRR Board of Managers, state agencies, and various working

groups and committees, the System provides a platform to aid the states in their oversight of non-bank financial services.

The SRR Board of Managers is chaired by Robert Entringer, Commissioner for the North Dakota Department of Financial Institutions.

THE NATIONWIDE MULTISTATE LICENSING SYSTEM AND REGISTRY (NMLS, OR THE SYSTEM)



State regulators developed and launched NMLS in January 2008 as a way to better license and monitor mortgage

loan originators (MLOs) across state lines. In the wake of the 2008 financial crisis, Congress recognized the value of having a uniform system for accountability and embraced NMLS as the national platform for mortgage supervision. NMLS is now part of the very fabric of mortgage supervision.

NMLS allows regulators to more efficiently coordinate and share information, provides a more streamlined process for licensing, and, through a searchable consumer portal, allows consumers to obtain the licensing status and employment history of their financial services provider.

Building on the success of NMLS as a regulatory and licensing system for the mortgage industry, state regulators have expanded their use of NMLS to include other industries such as check cashing, debt collectors, and money service businesses.

At the end of 2015, NMLS was the licensing system of record for 61 state agencies, managing a total of 585 different license authorities covering a broad range of non-depository financial services. This is an increase from 538 at the end of 2014. NMLS manages 310 company license types, 192 branch license types, and 83 individual license types. These statistics serve as evidence that NMLS is a successful, state-created model of coordinated, efficient state and federal supervision.

“NMLS, the licensing system developed by CSBS and built into law by Congress, is the system of record for 63 state agencies.”

As the system of record for state financial services regulatory agencies, NMLS is able to track the number of unique companies and individuals operating in the state system, as well as the number of licenses these companies and individual hold in each state.

Count of State Entities in NMLS

| 2013 STATE LICENSED | ENTITIES | LICENSES |
|---------------------|----------|----------|
| Companies | 18,993 | 39,903 |
| Branches | 23,467 | 43,066 |
| MLOs | 130,311 | 331,351 |
| 2014 STATE LICENSED | ENTITIES | LICENSES |
| Companies | 19,882 | 44,020 |
| Branches | 25,583 | 49,904 |
| MLOs | 131,725 | 359,992 |
| 2015 STATE LICENSED | ENTITIES | LICENSES |
| Companies | 20,440 | 47,688 |
| Branches | 26,655 | 56,402 |
| MLOs | 135,016 | 408,542 |

Count of Federal Entities in NMLS

| FEDERALLY REGISTERED | 2013 | 2014 | 2015 |
|----------------------|---------|---------|---------|
| Institutions | 10,848 | 10,566 | 10,220 |
| MLOs | 404,239 | 398,492 | 407,529 |

“ During 2015, eight state agencies added an additional 33 license types to the System

In addition to being a system of state licensing of financial services, NMLS operates a registry (known as “**NMLS Federal Registry**” or “Registry”) of federally regulated institutions that are required to register in NMLS prior to originating mortgages.

“ The combination of the state licenses managed on NMLS and the NMLS Federal Registry makes the System a complete repository of companies, both depository and non-depository, and individuals authorized in the United States to originate mortgages.

The combination of the state licenses managed on NMLS and the NMLS Federal Registry makes the System the most complete repository of companies, both depository and non-depository, and individuals authorized in the United States to originate mortgages. Since state agencies began expanding their use of NMLS to additional financial services industries, the System has been moving towards the ability to provide a national perspective on these other industries. For a more complete look at NMLS, please refer to the 2015 SRR Annual Report.

MULTI-STATE MORTGAGE COMMITTEE (MMC)

Mortgage and non-bank supervision extend beyond just licensing. In addition to the critical function NMLS plays in helping states license entities within their state, regulators must also be able to coordinate on examinations and supervisory actions across state lines.

“ In addition to the critical function NMLS plays, regulators must also be able to coordinate on examinations that cross state lines.

The **Multi-State Mortgage Committee** (MMC) serves as the main coordinating body for the state system of mortgage supervision. The MMC is made up of 10 members, five appointed by the CSBS Board of Directors and five appointed by the American Association of Residential Mortgage Regulators (AARMR)¹ Board of Directors. By engaging members from across the country, a fair and reasonable approach to state regulation is achieved.

“ Among other duties, the Multi-State Mortgage Committee’s goals are to protect consumers; ensure the safety and soundness of multi-state mortgage entities; and identify and prevent mortgage fraud.

The goals of the Multi-State Mortgage Committee are to:

- Protect consumers;
- Ensure the safety and soundness of multi-state mortgage entities;
- Identify and prevent mortgage fraud;
- Supervise and examine in a seamless, flexible, and risk-focused manner;
- Minimize regulatory burden and expense; and
- Foster consistency, coordination, and communication among state regulators.

The MMC has coordinated 60 examinations since the beginning of 2010. The size of entities examined is variable, with some holding licenses in every domestic jurisdiction and some holding licenses in only 10 states. Multi-state exam teams on these 60 exams ranged from 3 states to 30 states. Historically MMC exams average approximately 12-14 states per exam, with the average being over 12 states per exam in 2015. MMC exam types include origination, servicing and reverse mortgage exams, conducted as both traditional, onsite, full-scope exams, and Limited Scope Electronic exams (LSEs).

States have satisfied approximately 780 required single state exams through the multi-state process from 2010 to present². Over 300 state examiners have participated in multi-state examinations, and most states have participated in at least one exam. The MMC, through its Risk Profiling Group and the NMLS Mortgage Call Report Data, has developed risk profiling tools to aid in the examination selection process. The MMC used these tools to aid in the 2016 exam selection process. For 2016, the MMC has scheduled 11 multistate exams. Eight of the exams will be in coordination with the CFPB. Additional exams are likely to be scheduled based on need and resources.

Looking forward into 2016, the MMC is focusing on its mortgage examiner training program; improving its risk based approach for exam selection and scheduling; and enhancements to the MMC Examination Manual to reflect updated rules and regulations, and incorporate emerging review areas such as cybersecurity assessment procedures.

More information on the MMC can be found in the 2015 MMC Annual Report.

MULTI-STATE MONEY SERVICES BUSINESSES EXAMINATION TASK FORCE (MMET)

Like the MMC, **The Multi-State Money Services Businesses Examination Task Force (MMET)** is the state representative body charged with coordinating and facilitating multi-state supervision of MSBs. The MMET is tasked with leveraging the state system for money services businesses supervision and protecting consumers and state economies, while fostering regulatory consistency.

The MMET consists of 10 state regulatory representatives appointed by CSBS and the Money Transmitter Regulators Association (MTRA)³. In 2015, the MMET was chaired by Charles Dolezal, Superintendent of the Ohio Division of Financial Institutions.

48 state regulatory agencies, including D.C. and Puerto Rico, had signed the MSB Agreement and Protocol setting in motion enhanced processes for supervision.



*Charles J. Dolezal,
Superintendent of the
Ohio Division of Financial
Institutions and Chairman
of the Multi-State MSB
Examination Task Force.*

In 2015, the MMET focused on executing joint examinations and improving coordination with federal regulators. By year-end 2015, 68 joint MSB exams occurred, several on a coordinated basis with the Financial Crimes Enforcement Network (FinCEN) and Consumer Financial Protection Bureau (CFPB). 40 percent of these exams are for MSBs licensed in 40 or more states.

By year-end 2015, 68 joint Money Services Businesses Exams occurred, with about 40 percent of these exams for MSBs licensed in 40 or more states.

Looking forward into 2016, the MMET expects to continue the current pace of joint state examinations while focusing on examiner training and examination infrastructure. With hundreds of MSB exams scheduled per year, training the next generation of MSB examiners is an important goal to ensure effective, consistent, and efficient exams.

¹The American Association of Residential Mortgage Regulators (AARMR) is the national organization representing state residential mortgage regulators. AARMR's mission is to promote the exchange of information and education concerning the licensing, supervision and regulation of the residential mortgage industry, to ensure the ability of state mortgage regulators to provide effective mortgage supervision for a safe and sound industry meeting the needs of the local financial markets and to protect the rights of consumers.

²Calculating 60 exams times an average of 13 participating states.

³MTRA is a national non-profit organization dedicated to the efficient and effective regulation of money transmission industry in the United States of America.

COORDINATION BETWEEN STATE AND FEDERAL REGULATORS

Just as important as state regulators having the necessary tools to work together, state regulators must also be able to coordinate, collaborate, and communicate with the federal financial regulatory agencies. State regulators have maintained a presence in Washington, DC through CSBS to increase their collaboration with federal agencies and with Congress. As the financial system's growing complexity has made policymaking and supervision more challenging, state regulators have increasingly used CSBS to ensure the state supervisory perspective is considered in federal regulatory agencies and in Congress.

“As the financial system's growing complexity has made policymaking and supervision more challenging, state regulators have used CSBS to foster and maintain their relationships with federal regulators.”

A SEAT AT THE TABLE: REPRESENTATION ALONGSIDE AND WITHIN FEDERAL AGENCIES

The U.S. financial regulatory structure did not come about by accident – its current state reflects a process that has repeatedly placed a value on multiple regulatory perspectives and sought to avoid an excessive consolidation of regulatory power. This regulatory diversity encourages a more dynamic financial services marketplace, encourages collaboration between regulatory agencies, and gives states a voice in the supervision of their chartered and licensed entities.

As such, a key priority for CSBS has been to ensure state supervisory representation at the highest levels in federal banking agencies.

“A key priority for CSBS has been to ensure state supervisory representation at the highest levels in federal banking agencies.”

Federal Financial Institutions Examination Council (FFIEC) and the State Liaison Committee

CSBS plays an instrumental role in the states' representation on the **Federal Financial Institutions Examination Council (FFIEC)**⁴.



David J. Cotney, Commissioner of Banks, Massachusetts Division of Banks; Chairman of CSBS; and Chairman of the FFIEC State Liaison Committee.

State regulators are represented on the FFIEC through the State Liaison Committee (SLC). The Chair of the SLC is a voting member of the FFIEC. The SLC was established to incorporate the state supervisory perspective into the FFIEC and to make recommendations to promote uniformity in the supervision of financial institutions at the state and federal level. The SLC is comprised of five representatives of state banking departments designated by CSBS, the American Council of State Savings Supervisors, the National Association of State Credit Union Supervisors (NASCUS), and the FFIEC.

The many different working groups and task forces under the FFIEC umbrella benefit from the state representation of the SLC members. The FFIEC's role in shaping the regulatory process of our nation's banking system is improved by the inclusion of state regulators, and CSBS provides staff support for states' participation. State representatives often bring local and practical experience to their respective FFIEC roles. This input helps to formulate the final outcome, whether it be new regulatory guidance or a new examination process, in a way that recognizes and respects the diversity of financial institutions across the country.

State Regulators and the Financial Stability Oversight Council (FSOC)

Established by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Financial Stability Oversight Council (FSOC) is a body of regulators that collectively monitors and responds to financial stability threats. FSOC is chaired by the Secretary of the Treasury, and its

⁴The FFIEC is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions. Members of the FFIEC are the Chair of the Board of Governors of the Federal Reserve System (Federal Reserve), the chairman of the Federal Deposit Insurance Corporation (FDIC), the Comptroller of the Currency, the chair of the National Credit Union Administration (NCUA), the director of the Consumer Financial Protection Bureau (CFPB), and the chairman of the State Liaison Committee (SLC).

membership consists of state and federal regulators with oversight of banking, insurance, and capital markets.

Commissioner John Ducrest of the Louisiana Office of Financial Institutions serves as the non-voting state banking member of FSOC. In this role, Commissioner Ducrest provides the state banking supervisory perspective in deliberations regarding the financial stability of the United States.

Representation on the Federal Reserve Board of Governors

Because the Federal Deposit Insurance Corporation (FDIC) and the Board of Governors of the Federal Reserve System share supervisory responsibility for nearly 4,800 state-chartered banks with state financial regulators, it is critical these two federal regulatory agencies have leadership that understands the important role of state supervision and the vital role community banks play in local economic development.

CSBS made significant strides in 2015 to ensure state representation on the FDIC Board and the Federal Reserve Board of Governors. Because of state regulators' efforts, Congress introduced and signed into law in 2015 a provision requiring at least one Federal Reserve Governor have "demonstrated primary experience working in or supervising community banks." State regulators also support legislation clarifying the language of the Federal Deposit Insurance (FDI) Act to ensure the FDIC Board of Directors include an individual who has state bank supervisory experience. Learn more about these achievements in the "Taking Action" section of this report on page 34.

2015 CSBS STATE-FEDERAL SUPERVISORY FORUM

Every year, CSBS hosts the annual **State-Federal Supervisory Forum**. The event brings together state and federal regulators to discuss current trends and supervisory issues and share information. In 2015, the State-Federal Supervisory Forum was held May 27-29 in San Francisco, California.

In all, 100 state regulators and 65 federal regulators attended the event, representing 44 states as well as the Federal Reserve Board, the Federal Deposit Insurance Corporation (FDIC), the Consumer Financial Protection

Bureau (CFPB), the Office of the Comptroller of the Currency (OCC), and the Financial Crimes Enforcement Network (FinCEN).

“ 165 regulators from 44 states attended SFSF in 2015.

STATE REGULATORS, THE FDIC, AND THE FEDERAL RESERVE – THE SUPERVISORY PROCESSES COMMITTEE

The Supervisory Processes Committee (SPC) brings together representatives from the state banking departments, the FDIC, and Federal Reserve each quarter. These three entities' alternating or joint bank supervision process necessitates the type of frequent and engaged dialogue that the SPC facilitates. At SPC meetings, state and federal regulators are able to share their thoughts and insight with one another and share supervisory experiences. These meetings improve the consistency of supervision across these agencies and serve as a forum to exchange ideas and perspectives on emerging issues.

THE CFPB AND STATE REGULATORS – THE STATE COORDINATING COMMITTEE (SCC)



Charles A. Vice, Commissioner of the Kentucky Department of Financial Institutions and Chairman of the CSBS State Coordinating Committee.

In 2011, the Memorandum of Understanding (MOU) between the Consumer Financial Protection Bureau (CFPB), CSBS, and various state financial authorities established an agreement for coordination and information sharing in supervision and enforcement work. As part of the MOU, the CFPB and CSBS created the 2013 **CFPB-State Supervisory**

⁵The Framework can be here: <http://www.csbs.org/regulatory/Cooperative-Agreements/Documents/2013%20CFPB-State%20Supervisory%20Coordination%20Framework%20050713.pdf>

⁶CSBS, American Association of Residential Mortgage Regulators (AARMR), Money Transmitter Regulators Association (MTRA), National Association of Consumer Credit Administrators (NACCA), North American Collection Agency Regulatory Association (NACARA), and National Association of State Credit Union Supervisors (NASCUS).

Coordination Framework (Framework⁵ as a flexible and dynamic process enabling efficient implementation of the Information-Sharing MOU. In addition, 63 state regulatory agencies and all six state financial regulatory associations⁶ are signed to the Information-Sharing MOU. The **State Coordinating Committee** (SCC) was formed as the official state coordinating body under the Framework.

Under the MOU, the parties agree to promote consistent standards for examinations; use resources of the CFPB and the state regulators efficiently and coordinate supervisory activities; promote efficient information sharing; enforce federal consumer financial laws and State consumer protection laws effectively; and minimize the regulatory burden on providers of consumer financial products and services operating in multiple States.

“ By the end of 2015, 63 state regulatory agencies and all six state financial regulatory associations had signed the Information-Sharing MOU with the CFPB.

The SCC facilitates state supervision in concert with the CFPB for certain larger non-depositories. Annually, the SCC and CFPB meet to discuss the inherent risks within each supervised industry and sets the following year’s coordinated examination schedule based on those risks. Beyond coordinated exams, the SCC and CFPB exchange reports of exam, enforcement actions and other relevant supervisory information. In 2015, the SCC conducted the following activity with the CFPB:

- 16 coordinated examinations of 11 institutions covering mortgage, money transmitters, payday lenders, and debt collectors.
- Exchanged 396 reports of examination.
- Exchanged 50 enforcement notices.
- Exchanged 13 Memorandums of Understanding and supervisory letters.

This level of coordinated supervision provides a more effective regulatory framework and reduces the overall regulatory burden on institutions by reducing the number of onsite examinations. State regulators conduct approximately 20,000 non-depository examinations per year. Sharing select and requested information with the CFPB and other states creates an environment of greater regulatory certainty and reduces the potential for supervisory duplication.

STATE REGULATORS ON CAPITOL HILL

CSBS works to advance the policy priorities of state financial regulators before Congress. In doing so, CSBS aims to ensure state regulators have a strong, unified voice on Capitol Hill and that lawmakers enact financial legislation that recognizes diversity in the banking and broader financial services industry and the crucial role of state regulators in the financial regulatory landscape.

“ CSBS aims to ensure state regulators have a strong, unified voice on Capitol Hill.

Ensuring that the state regulatory perspective is heard in Congress require constant and consistent effort. This necessitates ongoing engagement with congressional staff and key members of Congress, active monitoring and analyses of legislative proposals, direct engagement by state financial regulators with their home state delegations, and formal expressions of policy views through letters to Congress and congressional testimony.

GOVERNMENT RELATIONS FLY-IN

Maintaining a strong relationship with Congress is critical to ensuring the state perspective is heard in the policymaking process. When Congressional proposals affect state and local financial markets and the consumers and businesses those markets serve, state financial regulators communicate that impact to their elected representatives.



House Financial Services Committee Chairman Emeritus Spencer Bachus

Every year, CSBS hosts its **Government Relations Fly-In**, inviting state financial regulators to Washington, D.C., for two days of regulatory briefings and legislative advocacy. CSBS members use the Fly-In as an opportunity to inform

policymakers on the legislative priorities of state financial regulators. During the Fly-In, CSBS distinguishes itself as a non-partisan advocate for flexible, common-sense regulatory policies and for a diverse financial services industry.



Senate Banking Committee Chairman Richard Shelby (R-AL)

More than 70 state financial regulators representing 40 state agencies attended the Government Relations Fly-In.

In March 2015, more than 70 state financial regulators representing 40 state agencies attended the Government Relations Fly-In. In addition to meetings with the Federal Reserve Board of Governors, other federal financial regulators and their home state congressional delegations, state regulators attended sessions with Senate Banking Committee Chairman Richard Shelby (R-AL) and Ranking Member Sherrod Brown (D-OH). House Financial Services Committee Chairman Emeritus Spencer Bachus – a long-time advocate for state regulators – also spoke to state regulators during the Fly-In.



Senate Banking Committee Ranking Member Sherrod Brown (D-OH)

CONGRESSIONAL TESTIMONY

Congressional hearings are the principal formal method used by Congress to collect and analyze information and obtain stakeholder input. For this reason, congressional hearings are a powerful forum for ensuring Congress hears the state regulatory perspective.

“ In 2015, state financial regulators were called upon twice to give congressional testimony on behalf of CSBS, with several recommendations enacted by Congress

CSBS is sometimes called upon by federal lawmakers to share state regulators’ perspective on financial regulatory issues affecting banks as well as non-depository financial institutions. In 2015, state financial regulators were called upon twice to give congressional testimony on behalf of CSBS.



Candace Franks, CSBS Immediate-Past Chairman and Commissioner of the Arkansas State Bank Department

In early 2015, Then-CSBS Chairman and Commissioner of the Arkansas State Bank Department Candace Franks testified before the Senate Banking Committee. Commissioner Franks’ testimony highlighted ways in which policymakers can adopt right-sized policy solutions for community banks and shared state regulators’ vision for a new framework for community bank regulation.

In April 2015, CSBS Vice Chairman and Commissioner of the Texas Department of Banking Charles G. Cooper testified on examining regulatory burden facing community financial institutions. Cooper expanded on the concept of regulatory right-sizing, a process by which state regulators aim to supervise an institution in a manner appropriate for its size, complexity, and risk profile.

Several recommendations made by Franks and Cooper were enacted at the end of 2015, including an increase in the upper limit for banks eligible for the 18-month exam cycle and a provision requiring the CFPB to create a petition process for areas to be considered rural for exemptions in consumer finance law.



Charles G. Cooper, CSBS Vice Chairman and Commissioner of the Texas Department of Banking

Both Franks and Cooper also included in their testimony support for a better way to define community banks. Learn more about CSBS' position on defining community banks on page 36.

STATE REGULATORS ENGAGE THE INDUSTRY

As state regulators remain on the forefront of efficient, effective supervision, it is necessary to engage with industry stakeholders. While they maintain strong relationships with their bankers and licensees throughout their state individually, state regulators also leverage CSBS's national reach to gather feedback from industry stakeholders across the country.

CSBS BANKERS ADVISORY BOARD (BAB)

When state regulators come together through CSBS to make decisions, the impact of their choices have a lasting effect on the supervision of banks across the nation. CSBS has a long-standing Bankers Advisory Board (BAB) to benefit from the perspective and experience of state-chartered banking institutions. The duties of the BAB are to advise and assist the CSBS Board of Directors in pursuit of the organization's goals and to provide industry input on current issues.

In 2015, the BAB provided feedback to the CSBS Board of Directors on a variety of issues, including: regulatory relief provisions in Congress, such as extending the examination cycle for certain banks to 18 months; the FFIEC's Cybersecurity Assessment Tool, including a panel at the December CSBS Supervisors Symposium where three members of the BAB – Kim DeVore (WY), Bubba Logue (MS), and Trey Maust (OR) – gave in-depth suggestions and recommendations for the CAT; improvements to the Call Report; the FDIC's definition of "brokered deposits;" participation in the EGRPRA public hearings as panelists; BSA/AML examinations; new reporting requirements under HMDA; marketplace lending; TILA-RESPA Integrated Disclosure (TRID); and banks sharing services or employees.

TOWN HALL MEETINGS

In 2015, state regulators from 27 states held town hall meetings and roundtable discussions with their community bankers as a part of the engagement portion of the annual Community Banking in the 21st Century Research Conference. The meetings are designed to be an open forum for community bankers with their state regulator, allowing state-chartered banks to express themselves in their own words.

Some common themes emerged from the town hall meetings. For example, while bankers typically considered safety and soundness exams to be helpful and meaningful in helping them to identify problem areas and offer opportunities for resolution, compliance exams were seen as more burdensome. The survey also revealed that small banks are struggling to maintain human capital and attract younger employees.

Information gathered during town hall meetings with community bankers provides real-world input on timely issues facing community banks today. Combined with the information gathered by regulators, research presented by academics, and survey data collected as part of the research conference, state regulators are able to see a more comprehensive picture of community banking today.

The full summaries of each state's town hall meetings can be found at www.communitybanking.org.

NMLS ANNUAL CONFERENCE & TRAINING

The Nationwide Multistate Licensing System (NMLS) Annual Conference & Training is a great opportunity for state regulators and representatives from the non-depository financial services industries to gather and learn from each other.

“ The NMLS Annual Conference provides state financial regulators with another opportunity to get industry feedback as they work to establish the best non-depository system possible through NMLS.

The seventh NMLS Conference was held February 2015, in San Diego, California, with more than 540 registrants in attendance. State regulators from 54 state agencies joined licensees from a range of industries, education providers, law firms, and consultants to engage in a variety of topics concerning state and federal non-depository regulation.

The conference provided an opportunity for regulators, licensees, and registrants to learn from industry experts and peers to solve business and industry challenges, expanding beyond state and federal mortgage industry issues to include sessions for money services business, debt collection, and consumer finance. In addition, sessions included presentations on Mortgage Call Reports (MCRs), testing and education, Federal Registry System use, numerous new and upcoming System enhancements, and more.

The NMLS Annual Conference provides state financial regulators with another opportunity to get industry feedback as they work to establish the best non-depository system possible through NMLS. The conference is NMLS-user focused, and is aimed to provide opportunities for dialogue and engagement on how to improve the System.

ADDITIONAL INDUSTRY ENGAGEMENT ON LICENSING THROUGH NMLS

Beyond the NMLS Annual Conference, the State Regulatory Registry (SRR) consults with the industry on a regular basis to ensure the NMLS system is working as intended and not providing any undue burden on its industry users.

One way SRR engages the industry is through the **Industry Development Working Group**. The group provides input into the technical and functional development of NMLS, including licensing compliance issues and concerns, the tracking of Electronic Surety Bonds, and license expiration policy.

Similarly, the **Industry Advisory Council** provides input on NMLS system policies and operation. Industry Advisory Council members consist of individuals from state-licensed non-depository financial services companies, financial institutions, and financial services-related industry trade groups, as appointed by the Chairman of the SRR Board of Managers.

More information on the NMLS system is available in the SRR Annual Report.



State financial regulators rely on accurate, relevant data and analysis to get their job done. Regulators must be able to simultaneously analyze the individual performance of a single institution against its peers while also understanding the broader market forces affecting the nation, their state, and individual communities. This is why collaboration with their peers and the industry is so critical to successful supervision.

However, if state regulators are to get the full value out of the bridges they have built throughout the financial services industry, they must have the most up-to-date data tools to support them. CSBS enables state regulators to combine their efforts to attract top-level research and develop valuable analytical tools and reports. The research and analysis facilitated by CSBS helps improve the supervisory practices of state regulators, leading to more

effective, more efficient supervision tailored to a rapidly-changing financial services industry.

“The research and analysis facilitated by CSBS helps improve the supervisory practices of state regulators, leading to more effective, more efficient supervision tailored to a rapidly-changing financial services industry.”

CSBS-FEDERAL RESERVE COMMUNITY BANKING RESEARCH CONFERENCE

2015 was a milestone year for community bank research, as CSBS partnered with the Federal Reserve System for the third time to host the annual Community Banking in the 21st Century Research and Policy Conference.

“This is the third year for this conference, which I consider a milestone. The first time you organize a conference like this, all you can be sure about is that there was indeed enough research and interest for such a conference. The second time it is held, you proved that you could do it again. But the third year, this year, is when we can start to feel we have established a tradition.”



- Federal Reserve Chair Janet Yellen

The annual research conference promotes better understanding of the impact that financial policy and regulations have on community banks and the financial system as a whole. The conference is unique in how it brings together a diverse group of industry participants to explore issues impacting community banks in a neutral

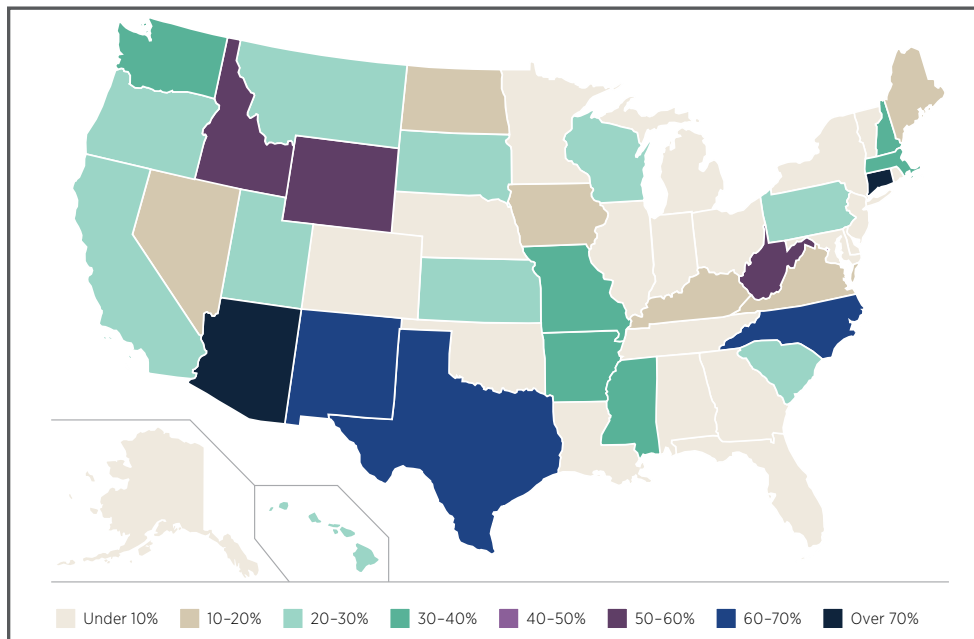
and empirical manner. By hosting the conference, CSBS and the Federal Reserve are able to foster new research and enhanced data collection on community banks. New avenues for research and analysis allow for more informed discussions that provide the basis for future public policy.

The 2015 conference, which was held September 30 through October 1 in St. Louis, brought together academics, community bankers, and federal and state policymakers from across the country to discuss the latest research and trends in community banking. The major themes of the 2015 conference included:

- Community banks pre-and post-crisis.
- Community bank performance; and
- Small business and farm lending;

In addition to bringing attention to new and compelling academic research, CSBS and the Federal Reserve released findings from a second annual national survey of nearly 1,000 banks with assets of less than \$10 billion across 39 states. The goal of the survey is to provide a comprehensive view of what bankers are thinking about key issues facing the industry and how they are responding to changes in their markets. The survey responses gave insight into the impact of expense associated with regulatory compliance, the narrowing breadth of mortgage lending activities in the face of new rules from the CFPB, and the implementation of mobile banking at community banks.

Survey Respondants as a percentage of Banks by State



“Among the things I learned from that experience is that, when it comes to bank regulation and supervision, one size does not fit all. To effectively promote safety and soundness and ensure consumer compliance without creating undue regulatory burden, rules and supervisory approaches should be tailored to different types of institutions.” – Federal Reserve Chair Janet Yellen, speaking at the CSBS-Federal Reserve Community Banking in the 21st Century Research and Policy Conference.

Supplementing the survey were the qualitative comments of bankers, obtained through town hall meetings or roundtable discussions held in 27 states. Some banker’s comments described market conditions that were unique to a particular state. Other comments highlighted economic or demographic characteristics shared by a group of states. For example, community bankers in oil producing states described their struggles with the impact of declining oil prices on the quality of their energy loan portfolios.

“When combined, the academic research, national survey, and town hall meetings paint a comprehensive picture of the economic environment as seen by community bankers.

IMPACT OF THE RESEARCH CONFERENCE

Since the inception of the conference, policymakers and the federal banking agencies have signaled an increased recognition of the need to reduce regulatory burden for community banks. In opening his first hearing of the year on community banking issues, Senate Banking Committee Chairman Richard Shelby (R-AL) cited the conference and CSBS as a source in pointing to new research on increased compliance cost. When talking about community banks, federal regulators have also been more explicit when discussing the need for right-sized regulations.

The annual conference has raised the stature of the debate on the opportunities and challenges facing community banks. In advocating for more right-sized financial regulation, Congress passed CSBS-supported proposals that:

- Provide a more flexible approach to the Consumer Financial Protection Bureau’s (CFPB) Ability-to-Repay rule for institutions holding mortgage loans in portfolio and for smaller institutions making balloon loans in rural areas;
- Allow regulators to give a larger number of community banks access to an 18-month exam cycle; and
- Provide banks some measure of relief from the Gramm-Leach-Bliley Act’s annual privacy notice requirement.

The research papers, town hall meeting summaries, and survey data can all be found at www.communitybanking.org.

COMMUNITY BANK CASE STUDY COMPETITION

As part of the Community Bank Research Conference, CSBS created and facilitated its inaugural Community Bank Case Study Competition in 2015. The competition pairs undergraduate student teams with local community banks to conduct original case studies evaluating the impact of community banks on the local economy. By focusing

on the local level, the competition emphasizes the individual and unique stories of community banks.



2015 Case Study Competition Winning Team, posing for a photo with Federal Reserve Chair Janet Yellen (front, center) and Federal Reserve Bank of St. Louis President and CEO James Bullard (front, left).

Participants of the 2015 competition included student teams from DePaul University, University of Arkansas, University of Missouri-Kansas City, and the winning team from the University of Utah. As the winning team, the students from University of Utah received a CSBS scholarship and an opportunity to present their case study during the 2015 CSBS-Federal Reserve Community Bank Research and Policy Conference.

Expanding on the 2015 competition, CSBS issued a call for participants in August 2015 for the 2016 Case Study Competition. The 2016 competition has garnered a high level of interest since registration opened; over 30 teams are expected to participate in the 2016 competition. The competition will run from September 2015 to May 2016.

The competition provides value to state regulators and the student participants alike. Participation in the competition provides students with an excellent opportunity to gain first-hand knowledge of the banking industry. Papers published by the students provide regulators with more insight on community banks operating in diverse local markets. And, in addition to bringing heightened awareness of the beneficial role a community bank plays in its local economy, community banks across the country are provided with another opportunity to engage their community and local student population.

LOOKING BACK AT THE QUICK THINKING THAT SAVED A SMALL BANK

The American Banker
July 2015
By Kristin Broughton

The following is an article written by the American Banker on the CSBS Community Bank Case Study Competition. This article is just one of many examples of how the Case Study Competition has raised awareness on how community banks operate to benefit their local economies and consumers.

The tale of Bank of American Fork's survival begins with an unexpected phone call.

When residents in the rural town of American Fork, Utah, started losing their homes to foreclosure during the financial downturn, bank executives prepared for a "deep dip," says Richard Beard, then and now chief executive at the \$1.1 billion-asset bank.

As the crisis intensified Beard received a call from his brother, a physician, who said he wanted to invest "a couple hundred grand" in real estate while prices were low. What happened next helped keep the bank profitable, and it is the subject of an academic paper that recently won a competition held by the Conference of State Bank Supervisors and will be presented at an industry meeting this fall.

The call gave Beard an idea about how to manage the bank through the mortgage bust. "What we've got here is a mismatch in capital," Beard said to himself.

With the support of regulators, Beard established a separate investment fund to buy foreclosed property from the bank. The fund, structured as a limited liability corporation, provided regional investors an opportunity to speculate on real estate. It also allowed the bank to quickly shed low-value assets.

That story is the focus of a case study by a group of University of Utah students that won the CSBS competition, which pitted research papers from college students across the country against each other.

It was part of a broader initiative by CSBS to promote academic research about, and job prospects in, the community banking sector.

“These banks are out there, doing unique things to provide access to financial services to customers,” said Mike Stevens, an executive vice president at CSBS. “We needed a mechanism to extract those stories. And who better to do that than all of these universities and business schools?”

The Utah students looked at strategies that the Bank of American Fork used to stay healthy and pay dividends during the crisis, when more than 20% of banks throughout the state disappeared. The students will present their study at a Federal Reserve/CSBS conference on community banking in September in St. Louis, where Fed Chair Janet Yellen is expected to give the keynote address.

Several other schools submitted papers, including the University of Arkansas, DePaul University and University of Missouri in Kansas City. A panel of academics, bankers and CSBS executives were involved in choosing the winner.

Each project matched up to five students with executives from a local community bank. The students produced a 25-page paper and 10-minute web video that analyzed a particular business strategy.

The University of Utah students also interviewed top executives from the Utah Department of Financial Institutions.

The competition gave the competitors a glimpse of what it means manage a business that has a community mission, said Jack Brittain, a professor at the University of Utah who advised the student project.

“To me that was inspiring, and I was surprised by that. Business schools tend to be so large and corporate in their orientation,” Brittain said.

American Fork, which is located just south of Salt Lake City, is “a dinky little town” — the kind of place where the downtown strip includes the city hall, gas station and local diner, Brittain said.

The bank has been part of the community for over a century. When the crisis hit, it responded quickly to both customer feedback and regulatory warnings.

In addition to launching the foreclosed property fund, bank executives met every other week to review loan files and discuss workout strategies. It also launched a series of new products that paid more for deposits and offered investors loans to buy foreclosed homes and renovate them, according to the University of Utah report.

“There were multiple small things — none of it was huge,” Brittain said.

One of the most gratifying parts of the competition for Beard was teaching students about business strategy at small banks.

“How do you deal with capital when prices have gone down more than 50%? How do you deal with somebody who last week you were good friends with, and this week you’re going to have to foreclose on them?” Beard said, discussing some of the questions he raised with the students.



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ADDING TOOLS TO THE TOOLBOX FOR ENHANCED MONITORING AND SUPERVISION

CSBS and state regulators work to develop robust data tools to enhance the ability of regulators to monitor and supervise their regulated entities. State regulators have developed outliers reports, reports to identify emerging areas of risk, analysis of competitive salaries for state regulators, and tools to track and monitor non-depository licensees.

Identifying Outliers in a Complex Financial System

States have varying degrees of capabilities and budgets for data analysis. Many states, unable to create their own in-house data analytics tools, pay companies for these services. In December 2014, several states were notified that a widely-used service, Bank Insight, was shutting down. The Bank Insight service provided bank and credit union financial data and a proprietary bank rating system that was used by multiple states and municipalities throughout the United States.

Recognizing the importance of data analytics services, CSBS hosted a call to explore transition options for states that were using Bank Insight. In addition, staff collected information from states on their processes for call report data analysis and visualization.

“To make the Outliers Report work for the states, the data used would need to be up-to-date, but also publicly accessible so as to not add any additional burden to banks that already have extensive reporting requirements.”

Among other projects, the Data Working Group is also developing a tool that will allow state supervisors to benchmark staffing needs and compare examiner resources across the state system.

Lastly, Data Working Group members have provided valuable support to the Federal Financial Institutions Examination Council (FFIEC) Task Force on Reports initiative to reduce community bank Call Report burden.

DATA WORKING GROUP

In December 2014, CSBS formed a small working group of state regulators known as the Data Working Group. The group works with CSBS staff to develop and enhance CSBS analytics and reporting capabilities, and to provide feedback on various efforts to assist the state banking departments with data analysis and visualization. The group currently has 13 members from nine states.

The most significant contribution to date from the Data Working Group has been the **Outliers Report**.

After gathering relevant data from the states, CSBS staff went to work developing the **Outliers Report**, a tool that could provide states with up-to-date and dynamic data on the state of their financial institutions. To make the Outliers Report work for the states, the data used would need to be up-to-date, but also publicly accessible so as to not add any additional burden to banks that already have extensive reporting requirements.

The Outliers Report strikes this delicate balance. The report lists all banks in a selected state and uses conditional formatting to identify outliers for each variable.

“The outliers report has already provided significant time and cost savings for several state banking departments. Several states have already indicated they plan to rely less on subscriptions to other data analytic services.”

The outliers report has already provided significant time and cost savings for several state banking departments. Several states have already indicated they plan to rely less on subscriptions to other data analytic services.

RISK IDENTIFICATION (RISK ID) TEAM QUARTERLY REPORTS

Equally as important as institution-level data on risk concentrations is understanding the larger trends of the market and identifying potential areas of risk. The Risk ID Team and Advisory Group (discussed in greater detail on Page 17) produce the **Risk ID Team Quarterly Activity Report** that summarizes the risk landscape as viewed by examiners nationwide.

This process links publically available data analyzed by CSBS with the qualitative evidence offered by members of the Risk ID Team. The resulting product provides regulators with a valuable reference tool to help them assess emerging issues in their own state.

“ Often, risks that emerge in one part of the country do not manifest themselves in other areas for some time. Sharing observed emerging risks with one another allows regulators to be better prepared to address these risks if they materialize.

The collaboration between the Risk ID Team and CSBS's data analytics function often combine in **Risk Advisory Bulletins**, a series of documents which alert state regulators to emerging issues of immediate importance. When an issue is raised at the Risk ID Team level, CSBS will use available data sources and the expertise of the state members to craft timely bulletins that ensure all state regulators are aware of risks identified in other areas of the country. Often, risks that emerge in one part of the country do not manifest themselves in other areas for some time. Sharing observed emerging risks with one another allows regulators to be better prepared to address these risks if they materialize.

ATTRACTING THE BEST TALENT: STATE REGULATOR SALARY ANALYSIS

In 2015, CSBS contracted with an independent third party firm to analyze the salary of state and federal financial regulators. The report is designed to provide states a meaningful comparison and assessment tool of their internal salary and compensation structures. The research and analytics allows a state to compare their salary and compensation structure to those of its neighbors and federal counterparts.

The salary analysis aids states in their efforts toward achieving lower turnover rate and high-caliber examination staff. This ensures states are equipped to provide the most efficient and effective level of supervisory oversight, increasing the benefit of state supervision for the industry and consumers alike.

In addition to the salary analysis, CSBS surveyed over 600 state examiners on which aspects of their job they found most appealing. Among other findings, the survey revealed that examiners ranked prospects of career advancement within the state much more important

than prospects of career advancement outside the state, and that the comparative benefits of urban or rural work settings had little importance when an examiner considered employment elsewhere.

REPORTS AND DATA ANALYTICS FOR NON-DEPOSITORY FINANCIAL SERVICES

The State Regulatory Registry LLC (SRR), the subsidiary of CSBS that operates the Nationwide Multistate Licensing System (NMLS), also conducts research and analysis to better understand the state of non-depository financial services licensees.

NMLS Reports

SRR regularly publishes reports analyzing the entities and activity trends found in NMLS. The **NMLS Mortgage Industry Report**, published quarterly and annually, compiles NMLS data on all entities and individuals licensed or registered in NMLS to conduct mortgage activities. The report includes charts and graphs detailing information about the business activities of licensed companies, locations and numbers of licenses obtained, and a state-by-state breakdown of license and registration application activity, including the number of new license applications, approvals, denials, revocations, and suspensions. The report also details information collected from licensees in the Mortgage Call Report.

In addition to reports on the mortgage industry, SRR also publishes quarterly fact sheets on Money services businesses, payday lenders, and debt collectors licensed in NMLS. All reports and several additional data sets are available on the NMLS Resource Center Reports page.

NMLS Mortgage Call Report (MCR)

Non-depository mortgage providers licensed in NMLS are required to complete the NMLS Mortgage Call Report (MCR). The NMLS MCR is a quarterly report of loan activity and financial conditions of licensed entities in NMLS. The NMLS MCR allows state regulators to collect data on the safety and soundness and compliance of their licensed entities.

In the first quarter of 2015, all state-licensed mortgage entities began reporting information on nationwide servicing and on Qualified Mortgages in the NMLS Mortgage Call Report (MCR). Companies filing the expanded MCR (generally, those companies that are approved seller/servicers or issuers of FNMA, Freddie Mac or Ginnie Mae) licensees also began reporting more detailed state-specific servicing information. In addition,

industry licensees were able to voluntarily provide changes in the application amount before official adoption of this requirement in 2016.

Mortgage Call Report (MCR) Analytics were expanded in 2015 to include a standardized report for examiners to use as part of a mortgage exam. The report went into beta testing by several agencies in September 2015 and is set to be released in early 2016.

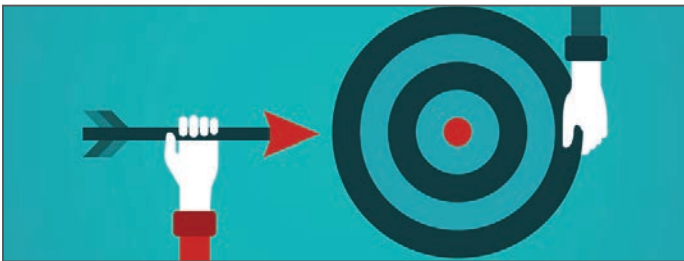
New features were added to Renewal Analytics to give regulators the ability to refine their view on the annual license renewal process.

OTHER DATA INITIATIVES

CSBS's data analytics efforts extend into many aspects of the daily work of state regulators. Beyond the Outliers Report, Risk ID Bulletin, State Salary Analysis, and non-depository analysis, CSBS also maps bank data. Examples include maps that show rural versus urban areas under the CFPB definition, loan growth maps, and maps showing the geocoded locations of bank headquarters and branches. This type of data is valuable to further understanding recent legislative and regulatory proposals, and provides CSBS members with valuable insight on the potential impact of financial policy.

➔ TAKING ACTION

CSBS FACILITATES INNOVATIVE SOLUTIONS IN AN ERA OF RAPID CHANGE



For state regulators, the entire purpose of coordinating through CSBS, establishing policy-setting committees, collaborating with federal regulators and Congress, and establishing a strong base of research and data is to improve the efficiency and effectiveness of the nation's financial system. Through these initiatives by state regulators, CSBS was able to affect several major improvements in 2015.

ENHANCING REPRESENTATION OF STATES IN FEDERAL FINANCIAL AGENCIES

SEATS AT THE TABLE

The U.S. financial regulatory structure did not come about by accident – its current state reflects an evolution and an iterative process that has repeatedly placed a value on multiple regulatory perspectives and sought to avoid a consolidation of regulatory power. State financial regulators interact with their federal regulatory counterparts on a regular basis and have shared regulatory

responsibilities across a wide range of financial services industries. This coordination is important and meaningful in achieving successful policies that consider diverse perspectives. As such, it remains a key priority for CSBS to ensure that the state regulatory perspective is integrated into existing and proposed regulatory structures and processes.

A key legislative priority for CSBS has been to ensure state supervisory representation at the highest levels in federal banking agencies. Because the Federal Deposit Insurance Corporation (FDIC) and the Board of Governors of the Federal Reserve System share supervisory responsibility for nearly 4,850 state-chartered banks with state financial regulators, it is critical these two federal regulatory agencies have leadership that understands the important role of state supervision and the vital role community banks play in local economic development. State regulators support legislation clarifying the language of the Federal Deposit Insurance (FDI) Act to ensure the FDIC Board of Directors include an individual who has state bank supervisory experience.

The Federal Reserve and the FDIC are responsible for carrying out federal mandates. This perspective differs materially from that of state financial regulators who, as the regulator and chartering authority for 77 percent of all banks in the U.S., have a local focus and bring a needed perspective on the condition of local credit markets and the role of banks in communities throughout the country.

STATE BANK REPRESENTATION ON THE FEDERAL RESERVE BOARD OF GOVERNORS

When the Federal Reserve System celebrated its 100th anniversary in 2013, the Obama Administration was faced with the task of filling several vacancies on the Board of Governors. Tasked with establishing financial policy for the Federal Reserve during a volatile economic period, these new appointees would shape financial policy at a crucial moment in history. It would be critical that the Federal Reserve has an understanding of community banks' relationship-lending business model.

At the urging of state regulators, CSBS conducted research on the composition of the Federal Reserve Board of Governors to better understand to what extent diverse perspectives were represented. In 2013, CSBS released "The Composition of the Federal Reserve Board of Governors," a white paper showing how Congress has continually sought to encourage diversity on the Federal Reserve Board. Accompanying the white paper, CSBS released an infographic showing that, despite Congressional intent, the Board of Governors has increasingly become less diverse, consisting mainly of academics and economists. Academic and economists are important perspectives to have on the Board of Governors. However, the composition of the Board fails to reflect a broad range of perspectives, particularly an understanding of state or community bank supervision.

To ensure the state perspective is included for all decisions made by the Federal Reserve, state regulators reached out to their representatives in Congress. At the 2014 Annual CSBS Fly-In, state regulators from across the country visited Capitol Hill and made the argument to their Congressional representatives that the community bank perspective is essential to the Board of Governor's decision-making processes.

FDIC BOARD OF DIRECTORS

The Federal Deposit Insurance Act (FDI Act) requires that one of the positions on the FDIC Board of Directors be held by someone with "state bank supervisory experience." As part of the FDI Act, Congressional intent was that this requirement could only be met by an individual who has worked in state government as a state bank regulator. However, the current make-up of the FDIC Board is not consistent with the letter of the law.

CSBS worked with members of Congress to introduce bi-partisan legislation clarifying existing law. The State Regulatory Representation Clarification Act, which clarifies existing law that requires the FDIC Board include an individual who has served as a state bank supervisor, was introduced on March 25, 2015, in the House of Representatives. CSBS and state regulators continue to urge Congress to re-affirm their intent that the FDIC Board of Directors has a member with "state bank supervisory experience."

“Chair Yellen expressed her support for community bank experience on the Federal Reserve Board, saying ‘I hope the administration would consider an appointment of someone with that kind of expertise, and I can certainly attest that it is very helpful to us in doing our work.’”

As in years past, Congress once again agreed that a diverse set of perspectives was necessary on the Federal Reserve Board of Governors. In April 2014, Senator David Vitter (LA) introduced the "Community Bank Preservation Act of 2014," requiring at least one Federal Reserve Governor have "demonstrated primary experience working in or supervising community banks." In January 2015, a provision containing the same language passed Congress and was signed into law.

“At the urging of CSBS, Congress approved a provision requiring at least one Federal Reserve Governor have "demonstrated primary experience working in or supervising community banks.”

This legislation is yet another contribution to a long body of evidence that the state perspective matters. The lack of diverse perspectives and backgrounds on the Federal Reserve Board, a relatively unnoticed phenomenon prior to the CSBS white paper, gained recognition in Congress thanks to the engagement and advocacy of state financial regulators.

ESTABLISHING RIGHT-SIZED APPROACHES TO BANK SUPERVISION

CSBS strongly believes in that community banks play a vital and necessary role in our diverse financial services ecosystem. To that end, CSBS has continued to stress with Congress that maintaining community banks as a vital provider of credit requires a tailored, flexible approach to bank regulation and supervision -- taking into account a bank's size, complexity, risk profile, and business model. CSBS calls this "regulatory right-sizing."

This was a key theme at the 2015 CSBS Washington Government Relations Fly-In and in individual Commissioners' engagement with Congress throughout the year. Furthermore, CSBS's role as a key source of information on community banking issues was affirmed through two Congressional appearances to testify on the state of community bank regulation.

In February 2015, Arkansas Commissioner Candace Franks appeared on a regulatory panel at the Senate Banking Committee's hearing on community banking. Commissioner Franks discussed various proposals to right-size community bank regulation, including those aimed at supporting community banks' ability to make and hold in portfolio mortgages.

Shortly after the Senate hearing, Texas Commissioner Charles Cooper testified alongside representatives of the federal banking agencies before a House Financial Services Subcommittee hearing on community bank regulation. Commissioner Cooper stressed the need for balanced and fair regulation and the challenge of regulating community-oriented institutions from afar.

WHAT DEFINES A COMMUNITY BANK?

Commissioners Franks and Cooper both discussed CSBS's work to develop a new way of defining community banks.

“ Using asset thresholds alone to differentiate between types of banks is not practical, and it fails to recognize the businesses practices or complexity of a given institution.

There is general recognition of the regulatory costs and obstacles facing community banks. However, determining the types of regulatory reform necessary for community banks is continually stalled by disagreement on which institutions should benefit from tailored regulation. Using asset thresholds alone to differentiate between types of banks is not practical, and it fails to recognize the businesses practices or complexity of a given institution. State regulators agree that defining community banks for the purpose of right-sized regulation requires a definition that more fully captures the community bank business model—a definition that examines an institution's business activities, funding model, and geographic footprint and that does not solely look to asset size. This approach moves away from relying solely on asset thresholds and incorporates other factors more closely tied to the community bank business model such as geographic footprint, lending activity, and locally-oriented management and governance.

“ State regulators agree that defining community banks for the purpose of right-sized regulation requires a definition that more fully captures the community bank business model—a definition that examines an institution's business activities, funding model, and geographic footprint and that does not solely look to asset size.

The FDIC laid out a research definition for "community bank" in a study released in 2012. While used by the FDIC only for research purposes, CSBS views the FDIC definition as a strong foundation for policymakers seeking to define community banks. For institutions that fall outside the quantitative parameters of the FDIC definition, but nevertheless seem to share qualitative attributes with banks meeting the definition, CSBS proposed a process for such institutions to apply to their chartering authority for designation as a community bank. This definition then serves as the basis for a range of legislative and regulatory efforts to right-size community bank supervision and regulation.

CSBS ADVOCACY FOR RIGHT-SIZED FINANCIAL REGULATION

In advocating for more right-sized financial regulation, CSBS supported Congressional proposals that would:

- Provide a more flexible approach to the Consumer Financial Protection Bureau’s (CFPB) Ability-to-Repay rule for institutions holding mortgage loans in portfolio and for smaller institutions making balloon loans in rural areas;
- Allow regulators to give a larger number of community banks access to an 18-month exam cycle; and
- Provide banks some measure of relief from the Gramm-Leach-Bliley Act’s annual privacy notice requirement.



The Many Asset Thresholds for Dodd-Frank Act Regulations and Exemptions

| ASSET THRESHOLD: | < \$500 Million | \$500M to \$1B | \$1B to \$2B | \$2B to \$10B | \$10B to \$15B | \$15B to \$50B | \$50B to \$250B | More than \$250B |
|--|----------------------|----------------|--------------|---------------|----------------|----------------|-----------------|------------------|
| REGULATION | APPLICABILITY | | | | | | | |
| Supplementary Leverage Ratio | | | | | | | | |
| Liquidity Coverage Ratio | | | | | | | | |
| Large Bank/SIFI Assessment | | | | | | | | |
| Comprehensive Capital Analysis & Review (CCAR) | | | | | | | | |
| Collins Amendment - TruPs | | | | | | | | |
| Dodd-Frank Act Stress Testing (DFAST) | | | | | | | | |
| Fed Dividend Reduction | | | | | | | | |
| CFPB Supervision | | | | | | | | |
| Durbin | | | | | | | | |
| Enhanced Prudential Standards for BHC's | | | | | | | | |
| CRA Reporting | | | | | | | | |
| Overdraft Reporting | | | | | | | | |
| Audit Requirement | | | | | | | | |
| HMDA Data Collection | | | | | | | | |
| Volcker Rule | | | | | | | | |
| EXEMPTION | ELIGIBILITY | | | | | | | |
| AOCI* Opt-out | | | | | | | | |
| Swap Clearing Exemption (CFTC) | | | | | | | | |
| Small Creditor - QM | | | | | | | | |
| Small Bank Holding Company | | | | | | | | |
| 18 Month Exam Cycle | | | | | | | | |

*Accumulated Other Comprehensive Income (AOCI)

LEGEND

| | | |
|-----------------|------------------------|------------------------|
| Covered by Rule | Eligible for Exemption | Streamlined Compliance |
|-----------------|------------------------|------------------------|

CSBS-SUPPORTED LEGISLATION ENACTED IN 2015

- Establishing a process for banks and other stakeholders to petition the CFPB to designate an area as “rural” or “underserved” for the purposes of the CFPB’s Ability-to-Repay rule;
- Expanding the CFPB’s ability to exempt creditors serving rural or underserved areas from escrow requirements;
- Providing the CFPB with greater flexibility to treat a balloon loan as a “qualified mortgage” if such a loan was extended by a community bank or creditor operating in rural or underserved areas;
- Granting relief from Gramm-Leach-Bliley privacy notice requirements; and
- Increasing from \$500 million to \$1 billion the threshold for well-capitalized banks eligible for an 18-month exam cycle.

These measures clearly demonstrate that state regulators are having a positive impact on financial legislation in Congress. These efforts are necessary to enable banks and financial services providers of all sizes to contribute to job creation and economic development in the communities they serve, and CSBS is committed to ensuring a right-sized regulatory framework that encourages a diverse, successful consumer credit ecosystem.

PROVIDING FINANCIAL SERVICES FOR RURAL AND UNDERSERVED COMMUNITIES



*John Ducrest, Louisiana
Commissioner of Financial
Institutions*

“One-size regulation does not fit all.”

A major provision of the Dodd-Frank Act designed to limit certain financial products in urban areas was having unintended and far-reaching consequences across the nation on rural and underserved communities, and Louisiana Commissioner of Financial Institutions John Ducrest had witnessed the consequences firsthand.

“Grant Parish, Louisiana is rural by all senses of the word,” wrote Ducrest in an April 2013 op-ed for the *American Banker*. “The largest town in Grant is the parish seat, Colfax, with a population of 1,558 as of the 2010 census...

Stop signs are enough, even when the annual Louisiana Pecan Festival comes to Colfax every November.”

Despite this, the CFPB had designated Grant Parish as “non-rural,” and, as such, banks issuing loans in the area could not offer their customers balloon loans and expect safe harbor legal protection, even if the bank assumed the full risk of the loan by holding it in portfolio. Balloon loans had provided mortgage credit for decades in rural communities where it would have been otherwise difficult to obtain.



*Charles Vice,
Commissioner of the
Kentucky Department of
Financial Institutions*

Ducrest wasn’t alone in his assessment. Charles Vice, Commissioner of the Kentucky Department of Financial Institutions, testified in June 2013 before a House of Representatives subcommittee that, in Kentucky, 12 counties had been designated as non-rural that had fewer than 57 people per square mile.

This error did not lie with the CFPB. They were, as Vice and Ducrest had noted, given an impossible task. How could a single federal agency accurately identify every rural community in a country of nearly 4 million square miles and more than 300 million people?

State regulators, understanding the complex diversity of their local communities, realized that local communities and stakeholders needed a mechanism to challenge their non-rural designation. So, at the behest of state regulators, CSBS advocated for a process by which interested parties could petition the CFPB for rural designation.

“ State regulators, understanding the complex diversity of their local communities, realized that local communities would need a mechanism to challenge their non-rural designation.

Senator Mitch McConnell (R-KY) and Congressman Andy Barr (R-KY) took notice of CSBS’s efforts and Vice’s testimony. In their respective chambers of Congress, both introduced the “HELP Rural Communities Act of 2015,” a bill that would allow interested parties to apply for an area to be designated as rural.

Congress, recognizing the value of providing diverse financial products to rural and underserved communities, passed a provision containing language from the HELP Rural Communities Act into law in December 2015.

Once again, Congress' recognition of state regulators' observations show not only that the insight of state regulators matter, but that state regulators are also uniquely positioned to understand their local communities in a way that is difficult for federal regulatory agencies.

REDUCING CALL REPORT BURDEN

Few initiatives underscore the importance of state input and influence more than the Federal Financial Institutions Examination Council's (FFIEC) ongoing work to reduce regulatory burden for community banks resulting from the Call Report. With primary supervisory responsibility for 78.5 percent of institutions that are considered "community banks", state regulators are keenly aware and uniquely equipped to right-size the regulatory reporting environment for these institutions.

CSBS Data Working Group members are participating on an FFIEC working group to review every line item of the Call Report to determine their value and applicability to community banks. At the end of the process, the working group will present a set of recommendations to the FFIEC Task Force on Reports that explains how items were ranked and which items could be removed because they are of low importance. The participation of state banking department staff has ensured that the states have a voice in the process.

As this work continues throughout 2016, the engagement of the states and corresponding support of CSBS will remain integral to achieving the objectives of a more streamlined and less burdensome Call Report.

SHARED SERVICES FOR SMALL BANKS

In October, the CSBS **State Supervisory Processes Committee** (SSPC) approved the establishment of a temporary working group of state regulators to draft guidance on the topic of shared services within the banking industry. A shared service refers to the sharing of certain personnel or other resources across financial institutions. Many small banks have voiced a need for clearer guidance on the regulatory expectations of such arrangements. In early 2015, the Office of the Comptroller of the Currency (OCC) released a publication summarizing the risks and opportunities of such arrangements. The Federal Reserve and FDIC have indicated their willingness to participate

in discussions on shared services, and may consider an interagency issuance.

INCREASING EFFICIENCY FOR EXAMINERS – THE EXAMINATION TOOLS SUITE (ETS)

The practice of bank supervision is increasingly dependent on technology. In 2008, the FDIC, Federal Reserve, and state banking departments embarked on a major technology modernization initiative known as the **Examination Tools Suite** (ETS) that entered its final phase in 2015. The ETS replaces four examination-related software applications with one program, streamlining supervision and enhancing the examination process.

“Given the closely coordinated supervisory activities of these three regulator groups, the role of state representation in the technology modernization process is critical to ensuring technology supports the unique characteristics of state supervision.” – Judi Stork, Commissioner of the Kansas Office of the State Bank Commissioner and Chairman of the CSBS State Supervisory Processes Committee (SSPC)

CSBS facilitates this representation through a group of dedicated state examiner stakeholders and the work group known as the **State Examiner Review Team** (SERT). SERT members oversee the examination tool development process from a user-level perspective.

The importance of SERT's role in interagency exam tool development was heightened in 2015 as ETS moved into its final testing and pilot phases. SERT, working under the direction of the **CSBS State Supervisory Processes Committee** (SSPC), has been instrumental in developing a training and deployment plan for ETS in 2015 and 2016. A group like SERT provides CSBS with the necessary direction from state regulators for an undertaking as large as a nationwide software deployment.

ETS will be deployed across the nation throughout 2016. Under SERT's guidance, the rollout will be coordinated with the FDIC and Federal Reserve so that a single application can be used by all participants on an exam. SERT also works to identify best practices and more efficient ways to use these new applications that continually improve the supervisory process.

“Between training, testing, or delivering feedback, the SERT team and many other groups supported by CSBS work together to ensure that the future tools used by all examination staff are flexible, efficient, and fully supportive of the requirements of each state.” Doug Hoselton, Chair of SERT

ENHANCING OVERSIGHT OF LICENSED NON-DEPOSITORY FINANCIAL SERVICES PROVIDERS

NON-DEPOSITORY REGULATION

For the past three years, CSBS has sought legislation enhancing the operability of the Nationwide Multistate Licensing System (NMLS or the System). Building on the success of NMLS as the licensing system for the mortgage industry, NMLS has become a common platform for states to use in licensing other regulated non-depository financial services providers, such as check cashers, debt collectors, money transmitters, consumer creditors, and pawnbrokers. As states expand their use of NMLS, CSBS has sought legislation to enhance the System’s protections for privileged or confidential information and to solidify the states’ authority to process criminal background checks through NMLS.

“In 2015, CSBS secured the passage of bills into law that enhanced NMLS’s protection of confidential information and solidified state authority to process criminal background checks through NMLS. These provisions will greatly reduce time and cost burden associated with criminal background checks, freeing up financial services providers to focus on serving their communities.

CSBS secured introduction of bills on each of these measures during 2015. Through the committed efforts and creativity of the many individual Commissioners and CSBS legislative staff, both bills were passed by Congress and signed in to law at the end of 2015.

These provisions passed by Congress will reduce the number of criminal background checks sent to the FBI for non-depository licensees to less than one fifth of the current levels and save the industry over \$1 million each year. These provisions will greatly reduce time and

cost burden associated with criminal background checks, freeing up financial services providers to focus on serving their communities. These provisions will also allow state regulators to better share information with one another on a range of non-depository financial services providers, enhancing the supervisory benefits of NMLS. CSBS commends Congress for recognizing the value of NMLS and supporting state regulators’ use of the System.

Registration of other Non-Depository Industries

State agencies regulate a wide range of financial services and this diversity is reflected in NMLS. As of year-end 2015, 23 state agencies were managing one or more license authorities that could be generally categorized under “consumer finance” or others that regulate some aspect of consumer debt, such as debt collection, debt management, and counselling. This additional license management led to an increase in the number of companies participating in NMLS conducting a variety of financial services activities.

Thirty-three states also use NMLS to license Money Services Businesses (MSBs).

Financial services categorized as MSB activities in NMLS include:

- Money transmission
- Check cashing,
- Issuing or selling travelers checks,
- Issuing or selling drafts,
- Foreign currency dealing and exchange,
- Issuing or selling money orders,
- Bill paying,
- Transporting currency, and
- Issuing or selling prepaid access/stored value products.

As more state agencies opt to manage license authorities on NMLS, SRR expects to be able to provide robust industry specific information on these industries as it is currently able to do for the mortgage industry and the MSB industry.

SUPERVISING EMERGING PAYMENTS TECHNOLOGY – MODEL FRAMEWORK FOR REGULATING VIRTUAL CURRENCY

For the past few years, state financial regulators have spent more and more time on emerging payments issues and the growing problem of cybersecurity. This has been

driven by the accelerated pace of technological innovation in the financial services industry.

One area of particular interest for state regulators has been virtual currency. In 2015, state regulators on the **CSBS Emerging Payments Task Force** developed a **Model Regulatory Framework for State Regulation of Certain Virtual Currency Activities** (Model Framework).

CSBS issued the Model Framework to assist states in licensing and supervising virtual currency activities. The Framework includes components that state regulators identified as key to a virtual currency regulatory regime that protects consumers and the larger marketplace, all while supporting responsible innovation.

The Model Framework was developed with input from industry stakeholders. The Task Force initially issued a proposed Framework with an open comment period, and incorporated the feedback of commenters into the development of the Model Framework.

The Model Regulatory Framework for State Regulation of Certain Virtual Currency Activities is available on the CSBS website.

PROPOSED REGULATORY PRUDENTIAL STANDARDS FOR NON-BANK MORTGAGE SERVICERS

Given their credentialing and licensing authority over non-bank mortgage servicers, state regulators play a central role and have a responsibility to ensure these entities conduct servicing operations in a safe and sound manner and have strong consumer protections in place.

As such, state regulators, through CSBS and the American Association of Residential Mortgage Regulators (AARMR), proposed in 2015 establishing a set of prudential regulatory standards that would apply to non-bank mortgage servicing companies.

Companies that specialize in servicing mortgage loans, particularly troubled loans, provide an important service to the mortgage finance system. However, the recent and pronounced growth of non-bank mortgage servicing companies and their servicing portfolios have challenged the state system to ensure the regulatory framework keeps pace. A strong non-bank mortgage servicing sector will serve as a solid foundation as policymakers contemplate mortgage finance reform.

State regulators are well positioned, as the regulatory authorities of these institutions and as regulators with experience and responsibility for a diverse range of depository and non-depository financial services providers, to design and implement a comprehensive prudential regulatory framework for nonbank mortgage servicers. Prudential regulatory standards for non-bank mortgage servicing companies would help achieve the following goals:

- Provide better protection for borrowers, investors, and other stakeholders in the occurrence of a stress event;
- Enhance effective regulatory oversight and market discipline over these entities; and
- Improve transparency, accountability, risk management, and corporate governance standards.

Therefore, state regulators proposed and sought public comment on a baseline set of prudential standards to be applied to all non-bank mortgage servicers licensed by and operating in the states. The baseline prudential standards would cover eight areas, including capital, liquidity, risk management, data standards, data protection (including cyber risk), corporate governance, servicing transfer requirements, and change of control requirements (hereinafter, “Baseline Standards”). To the extent possible, the Baseline Standards will leverage off of existing standards or generally accepted business practices. Once adopted by state regulators, these standards will represent regulatory requirements for state-licensed non-bank mortgage servicing firms.

The Public comment period closed in June 2015, and the new CSBS Non-Depository Supervisory Committee plans address key policy questions necessary to finalize these standards.

ON THE ISSUES: CSBS COMMENT LETTERS AND ENGAGEMENT WITH POLICY STAKEHOLDERS

Throughout 2015, CSBS, on behalf of state regulators, identified, analyzed, and commented on a number of federal regulatory proposals. This was done through regular and on-going meetings with federal regulatory agencies, submission of formal written comments, and dialogue at various forums, conferences, and other events. CSBS also actively engaged with staff from the Federal Banking Agencies on important policy areas for state financial regulators.

In each of these occasions, state regulators wished to express their policy positions on timely issues affecting the financial services industry. These positions were created by state regulators working through CSBS policy-setting committees.

HOME MORTGAGE DISCLOSURE ACT (HMDA) EXPANSION

The Issue: In October 2015, the Bureau finalized proposed amendments to Regulation C that will significantly expand the volume of data that covered financial institutions will be required to collect, and report under the Home Mortgage Disclosure Act. The CFPB's recently-finalized changes to HMDA have created concerns as to how the rules will apply to small financial institutions, especially in regards to how federal agencies will identify compliance violations.

Action Taken: In 2014, CSBS sent a letter to the CFPB encouraging the Bureau to implement a tiered reporting mechanism for HMDA. To provide relief to the smallest HMDA reporters, the letter asked the Bureau to consider a minimum reporting threshold of at least 100 covered loans for depository and non-depository institutions. In response to the Bureau's request for comment on changes that should be made to HMDA resubmission guidelines, CSBS sent a separate letter to the Bureau that highlighted inconsistencies in the approaches taken by federal regulators when analyzing and validating HMDA data. The letter asked Bureau to update the HMDA resubmission guidelines to reflect the expanded reporting requirements, and work through the FFIEC to achieve a consistent supervisory approach for HMDA compliance supervision.

Looking Forward: In 2016, CSBS will continue dialogue with the Bureau on HMDA, focusing specifically on changes the Bureau should make to their HMDA data resubmission guidelines, as well as the need for consistency in the way HMDA data is used by the federal banking agencies to identify compliance violations.

CURRENT EXPECTED CREDIT LOSSES MODEL (CECL)

The Issue: The Financial Accounting Standards Board (FASB) proposed an update in 2013 to how financial institutions recognized expected credit losses, known as the current expected credit losses (CECL) model.

CSBS Position: State regulators recognize that the current incurred loss impairment model has its shortcomings. Under the existing framework, credit losses must be

probable or incurred before they are recognized. The consolidation of the multiple impairment models that currently exist for debt instruments and the incorporation of more forward-looking information into impairment accounting are both positives. However, CECL is a very significant change, especially for smaller institutions, and it will impose significant transitional costs on depository institutions.

Action Taken: Throughout 2015, CSBS engaged with staff from the FASB to discuss the current status of the project, expectations for finalization, and planned outreach and guidance to assist with implementation. In early 2016, CSBS staff will attend a stakeholder meeting at FASB headquarters to discuss CECL's application to small banks. Staff will continue to engage with FASB in the lead up to the implementation of CECL in 2019.



ON THE ISSUES: SUPERVISORY CONCERNS WITH SHORT TERM INVESTMENT FUNDS (STIFs)

STIFs are a subset of collective investment funds that are similar to money market mutual funds (MMMFs). Unlike MMMF's, a bank has a fiduciary relationship with a STIF investor, and investment eligibility requirements are strict.

The Issue: A 2012 Office of the Comptroller of the Currency (OCC) brief estimated that short term investment funds (STIFs) managed by state and national banks or trust companies administer approximately \$300 billion in total assets. STIFs administered by national banks must comply with the OCC rules which detail valuation, record keeping, and reporting requirements. Since OCC rules do not directly apply to state-chartered institutions, there is a reporting inconsistency between state and federal STIFs.

Action Taken: In November, CSBS surveyed the states to better understand the state laws that govern short-term investment funds and the number of state banks and trust companies that administer STIFs. Of the 34 states that responded to the survey, 10 indicated that they supervised state-chartered banks or trust companies that administer STIFs.

ON THE ISSUES: MORTGAGE SERVICING

The Issue: The CFPB issued for public comment proposed Amendments to several mortgage rules. For example, the CFPB proposed changing the definition of what constitutes a small mortgage servicer – a designation that provides the servicer with special exemptions – by excluding some seller-financed transactions from being counted toward the 5,000 loan limit for small services. The CFPB also proposed a rule clarifying what makes a borrower delinquent, providing clarity on delinquency for servicers.

Action Taken: State financial regulators commented on the proposed amendments to the CFPB’s mortgage servicing rules. State regulators expressed support for the proposed changes to the small servicer definition while also encouraging the CFPB to enhance its proposed definition of delinquency and to provide additional guidance for alternative servicing practices. CSBS supported amending the small servicer definition because it would allow community banks to service seller-financed real estate on behalf of their depository customers without risk of losing their small servicer exemption.

ON THE ISSUES: QUALIFIED MORTGAGES

The Issue: The CFPB proposed new rules early in 2015 that would expand the definition of a “small creditor” and a “rural or underserved area” for the purposes of the qualified mortgage (QM) safe harbor protections.

Action Taken: CSBS produced a comment letter in support of the expanded definitions. CSBS’s support for the proposal was motivated by its recognition of the distinction between the portfolio-lending business model

of community banks and the originate-to-distribute model of larger banks. The comment letter expressed the belief of CSBS and state regulators that the changes would encourage more banks to engage in portfolio lending and better serve rural/underserved markets.

ON THE ISSUES: MARKETPLACE LENDING

The Issue: In response to the emergence and growth of marketplace lending (MPL), the Treasury Department issued a Request for Information (RFI) in the fall of 2015 which sought public comment on the business models of and products offered by MPLs, the prospects of MPL expanding credit access for historically underserved market segments, and the proper regulatory response to the emergence and growth of MPL.

Action Taken: State regulators -- through CSBS and NACCA -- submitted a response to the RFI. The response expressed support for the use of technology to improve credit availability, outlined the various business models of MPLs and their interaction with several state laws including licensing and credentialing requirements. Lastly, the response discussed the supervisory role of state regulators and how such supervision could mitigate the safety and soundness concerns prompted by MPLs.

ON THE ISSUES: RESILIENCY & RESOLVABILITY

The Issue: In November 2015, the Federal Reserve Board issued a proposed rule which would require U.S. and foreign global systemically important banks (G-SIBs) to maintain minimum amounts of total loss absorbing capacity (TLAC) in order to bolster the resilience and resolvability of these institutions.

Action Taken: CSBS submitted a comment letter supportive of the goals of the proposal, in terms of preserving financial stability and mitigating systemic risk, while raising several concerns prompted by the measures proposed to accomplish these goals.

In particular, the comment letter discussed our concern that a relatively large proportion of the TLAC requirement would be satisfied through the issuance of long-term unsecured debt which would convert to equity during a resolution. The letter also discussed issues with the regulatory capital deduction treatment for cross-holdings of G-SIB debt, the facilitation of current resolution strategies, and the need for robust state-federal coordination in the implementation of the proposed rule.

➤ EDUCATION AND TRAINING

CSBS PROVIDES RESOURCES AND TOOLS FOR EFFECTIVE SUPERVISION

CSBS is dedicated to enhancing the professional excellence of state financial supervision. It is a strategic objective of CSBS to ensure state financial regulators are highly trained, well-educated, and held accountable to widely agreed-upon standards of performance.

To instill confidence among stakeholders and the public in the state system of financial regulation, CSBS ensures quality state supervision through training, certification, and accreditation. In 2015, CSBS placed a special emphasis on training regulators and bankers in cybersecurity preparedness.

THE CSBS EDUCATION FOUNDATION

The **CSBS Education Foundation**, first established in 1984, directly funds and develops educational programs for state examiners and staff.



Melanie Hall, Commissioner of the Montana Division of Banking and Financial Institutions and Chairman of the CSBS Education Foundation.

The membership of the CSBS Education Foundation is comprised solely of state bank regulators and interacts extensively with the CSBS Board of Directors. The CSBS Education Foundation Board of Trustees is chaired by Melanie Hall, Commissioner of the Montana Division of Banking and Financial Institutions. As Chairman of the CSBS Education Foundation Board of Trustees, Commissioner Hall is also a voting member of

the CSBS Board of Directors. Other officers of the CSBS Education Foundation Board of Trustees are the vice chairman, treasurer, and immediate past chairman. There are a total of 15 voting members of the CSBS Education Foundation Board of Trustees as of December 31, 2015.

In January 2015, the Education Foundation received the final report issued by Deloitte Consulting following an engagement to conduct a comprehensive and independent review of the Foundation's programs and processes.

Staff analyzed the report's findings, organized its recommendations, and outlined a plan of action that centered around:

- Articulating the Foundation's vision and mission to provide clear direction and purpose to influence how the Foundation delivers value to its members
- Documenting, streamlining, and standardizing processes for training needs assessment, content design and development, communication, and evaluation of the effectiveness of our programs to enhance learner experience and make better use of the Foundation's resources
- Transitioning to a new Learning Management System to better track user activity, content, and training records
- Developing and aligning role- and experience-based competency framework and learning pathways to bridge examiner skill gaps and engage learners in continuous learning.

ACCREDITATION: RECOGNIZING HIGH SUPERVISORY STANDARDS OF STATE AGENCIES

Since 1984, state regulators have used the CSBS Accreditation Program as a tool to strengthen their state regulatory departments by raising the bar on professional excellence in state regulation. In recent years, CSBS has partnered with the American Association of Residential Mortgage Regulators (AARMR) and the National Association of State Credit Union Supervisors (NASCUS) to offer joint and concurrent accreditation programs. Together, these accreditation programs serve as a standard-setting program for state financial institutions that supervise banks, mortgage companies, and credit unions.

CSBS BANK ACCREDITATION PROGRAM

The CSBS Bank Accreditation Program is often credited as the most effective tool for advancing state financial regulation. In the 30-year history of the CSBS Bank Accreditation Program, a total of 47 state banking departments have achieved and maintained the rigorous standards set forth by the program.

In 2015, nine state agencies were re-accredited through the CSBS Bank Accreditation Program. These agencies were the Indiana Department of Financial Institutions; the D.C. Department of Insurance, Securities, and Banking; the New Jersey Department of Banking; the Puerto Rico Office of the Commissioner of Financial Institutions; the Ohio Division of Financial Institutions; the Kansas Office of the State Bank Commissioner; the New York Department of Financial Services; the Louisiana Office of Financial Institutions; and the Vermont Department of Financial Regulation.

CSBS-AARMR MORTGAGE ACCREDITATION PROGRAM

CSBS and AARMR established the Mortgage Accreditation Program in 2009 to jointly accredit state mortgage regulators. The development of the CSBS-AARMR Mortgage Accreditation Program was indicative of state regulators' ongoing commitment to enhancing supervision of all financial services industries.

In 2015, seven state agencies received certificates of accreditation, confirming the agencies maintain the highest standards and practices in state mortgage supervision as set forth by the Mortgage Accreditation Program. These agencies were the Hawaii Division of Financial Institutions; New Mexico Financial Institutions Division; the Texas Office of the Consumer Credit Commissioner; the Connecticut Department of Banking; the North Dakota Department of Financial Institutions; the Vermont Department of Financial Regulation; and the Louisiana Office of Financial Institutions. As of year-end 2015, 21 state mortgage regulatory agencies had achieved and maintained the requirements of the CSBS/AARMR Mortgage Accreditation Program.

PARTNERING WITH THE NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS (NASCUS) TO REDUCE ACCREDITATION BURDEN

In 2014, the **CSBS Performance Standards Committee**, a committee within the Education Foundation, performed for the first time a joint bank, credit union, and mortgage review as part of the CSBS accreditation review process. CSBS partnered with AARMR and NASCUS, which accredits credit unions, to coordinate the joint accreditation review of the Massachusetts Division of Banks.

“ These joint examinations reduce burden on states that wish to maintain accreditation in several supervisory areas, allowing for better use of the agencies' time and resources toward the supervision of their regulated entities.

Since then, CSBS, AARMR, and NASCUS have conducted three additional joint exams. These joint examinations reduce burden on states that wish to maintain accreditation in several supervisory areas, allowing for better use of the agencies' time and resources toward the supervision of their regulated entities.

MODERNIZING THE CSBS ACCREDITATION PROGRAM

It is becoming increasingly clear that the current CSBS Accreditation Program has the potential to provide even more benefit to state supervisory agencies in a more efficient, effective program.



W. Kurt Purdom, Director, Bank & Trust Supervision, Texas Department of Banking, and Chairman of the CSBS Performance Standards Committee.

With this in mind, CSBS will begin in 2016 a three-year project for modernizing the CSBS Accreditation Program. In its first year, a comprehensive review of the accreditation standards, best practices, and scoring criteria will be undertaken. Additionally, in 2016, CSBS will launch the first phase of a technology platform that will significantly reduce the burden of providing information to the review team.

The Accreditation Modernization has several goals, including creating a culture that continually drives improvement; increasing the effectiveness, efficiency, and flexibility of the Accreditation Program, and assisting the states and CSBS in better achieving their goals. Ultimately, the Accreditation Modernization is meant to create better, more efficient supervision while reducing the burden on regulators wishing to receive accreditation.

CERTIFICATION: PREPARING EXAMINERS TO SUPERVISE A RAPIDLY CHANGING INDUSTRY

CSBS also achieves its goal of enhancing the professional excellence of state regulatory departments and their personnel through the Examiner Certification Program. By year-end 2015, more than 1,000 examiners from 43 agencies representing 41 states had been certified through the CSBS Certification Program.

“1,004 examiners from 43 agencies representing 41 states are certified through the CSBS Certification Program. 95 examiners hold multiple certifications.”

The Examiner Certification Program has become the sought-after program states use to document and recognize the professionalism of their staff with their legislatures and other state and federal regulators. In many cases, states have also secured salary increases and bonuses to staff who maintain their certified status with continuing education and job performance.

An audit of the CSBS Education Foundation's Examiner Certification Program was conducted in February and March 2016. Assessment, Education, and Research Experts (AERE), based in Gaithersburg, Maryland, performed the audit, the scope of which encompasses a comparison of the program against ISO 17024 standards for credentialing entities, and a comparison to similar certification programs. The process will conclude in early

April 2016 with a detailed report and recommendations for improvement.

Certifications Offered

CSBS offers 20 examiner certifications, including safety and soundness, mortgage, and specialty certifications to recognize examiners who have attained expertise in specific areas of supervision.

The certifications include:

- Certified Operations Examiner (COE);
- Certified Credit Examiner (CCE);
- Certified Examiner-In-Charge (CEIC);
- Certified Examinations Manager (CEM);
- Certified Information Systems Examiner (CISE);
- Associate Certified Information Systems Examiner (ACISE);
- Certified Trust Examiner (CTE);
- Certified Consumer Compliance Specialist (CCCS);
- Certified Anti-Money Laundering Specialist (CAML);
- Certified Mortgage Examiner (CME);
- Certified Senior Mortgage Examiner (CSME);
- Certified Mortgage Examinations Manager (CMEM);
- Certified Mortgage Investigator (CMI);
- Certified Multi-State Mortgage Examiner-In-Charge (CMME);
- Certified Money Services Business Examiner (CMBE); and
- Certified Senior Money Services Business Examiner (CSMBE).

NEW CERTIFICATIONS IN 2015

In 2015, CSBS began offering 4 additional certifications, including:

- Certified Senior Bank Examiner (CSBE);
- Certified Senior Trust Examiner (CSTE);
- Certified Large Institution Examiner (CLIE); and
- Certified Application Specialist (Levels I, II, and III) (CAS-I, CAS-II, CAS-III).

UPGRADES TO THE CERTIFICATION PROCESS

The application, renewal, upgrade, and maintenance process moved to an online platform in 2015, including submission of required documents and multi-level approval workflow.

Launched in October, the new **Training Records Management (TRM)** module allows state agencies to manage training records for all employees. For those state employees that are certified, TRM is integrated with the application module and allows them to update continuing education hours in order to remain in good standing and prepare for recertification. TRM is flexible, with individual agencies determining the level of access for staff at all levels. Training directors can also use TRM for scheduling and budgeting in order to meet training goals.

TRM provides training directors with a more efficient, more effective platform for managing their agencies' certification and training programs, ultimately saving time and money for state agencies as they train their examiners. TRM provides significant time and cost savings for state banking departments, allowing them to better organize and access training records in a timely fashion.

TRAINING AND PROFESSIONAL DEVELOPMENT OPPORTUNITIES FOR REGULATORS

CSBS continues to offer cutting-edge training and professional development opportunities for state financial agencies that meet the evolving needs of staff at all levels of experience and expertise, ranging from new examiners to commissioners. These include technical bank and non-bank examination schools, continuing education programs for senior examiners and executive seminars for department leaders.

ONLINE AND ON-SITE LEARNING AND PROFESSIONAL DEVELOPMENT COURSES

CSBS offers a wide range of online and on-site learning and professional development programs to meet the needs of state financial agencies. These include online modules and courses, technical schools, continuing education programs, and executive seminars.

These programs are designed to be timely and relevant while incorporating the most recent best-practices as learned by state and federal regulators nationwide. The training provides an opportunity for state examiners

to gain new skills, increase their effectiveness during examinations, and improve the quality of the examination process for supervised institutions.

“ CSBS offers a wide range of online and on-site learning and professional development programs to meet the needs of state financial agencies.

CSBS's online training programs include:

- Day One: Bank Safety & Soundness Examiner Training;
- Day One: Mortgage Examiner Training;
- Day One: MSB Examiner Training;
- Fraud Identification Training; and
- Real Estate Appraisal Review.

CSBS's on-site learning and professional development programs include:

- Bank Financial Analysis/Asset Liability Management School
- Credit Evaluation School;
- Examiner-in-Charge School;
- Problem Bank School;
- Effective Meetings with Management School;
- Bank Secrecy Act/Anti-Money Laundering Examiner School;
- Trust Examiner School;
- I.T. Examiner School
- Advanced Commercial Credit Analysis;
- Examiners Forum;
- Real Estate Appraisal Review School;
- Senior School;
- Technology Seminar;
- Trust Forum;
- Examiner Education Forum;
- Deputy Seminar;
- Legal Seminar;
- Supervisors Symposium;
- State-Federal Supervisory Forum; and
- Bank Directors Seminar.



TRAINING AND TOOLS TO PROMOTE CYBERSECURITY PREPAREDNESS

Cybersecurity is a major issue facing the financial services industry.

The frequency and sophistication of cyber-attacks directed at financial institutions are growing. Criminals are increasingly targeting the banking industry. As cyber threats grow, state regulators are working to stay abreast of best practices and provide guidance on addressing threats with the industry.

In 2015, CSBS worked with state and federal regulators to facilitate dialogue between regulators and bankers, coordinate efforts between state and federal regulators, and provide bank executives with tools to prepare for cyber-attacks on their institutions.

FFIEC CYBERSECURITY INITIATIVES

Since 2014, state and federal regulators, through the Federal Financial Institutions Examination Council's (FFIEC) Cybersecurity and Critical Infrastructure Working Group (CCIWG), have been closely collaborating on cybersecurity preparedness for financial institutions.

In 2014, state and federal regulators conducted a pilot Cybersecurity Assessment at more than 500 financial institutions. The assessment was designed to determine the vulnerability of banks, credit unions, technology service providers, and other service companies to cyber-threats and their preparedness to mitigate cyber-risks, and to identify gaps in regulatory guidance.

In 2015, the FFIEC focused efforts on:

- Developing a Cybersecurity Assessment Tool;
- Incident analysis;
- Crisis management;
- Training;
- Policy development ;
- Technology service provider strategy; and
- Collaboration with law enforcement and intelligence agencies.

Throughout the year, the FFIEC released several press releases drawing attention to different types of cyber-threats, including cyber-attacks involving extortion, compromised credentials, and destructive malware.

In June 2015, the FFIEC Released the Cybersecurity Assessment Tool. The tool is designed to help institutions identify their risks and assess their cybersecurity preparedness. The Assessment Tool was developed to provide banks of all sizes a voluntary, repeatable, and measurable process for assessing their cybersecurity preparedness.

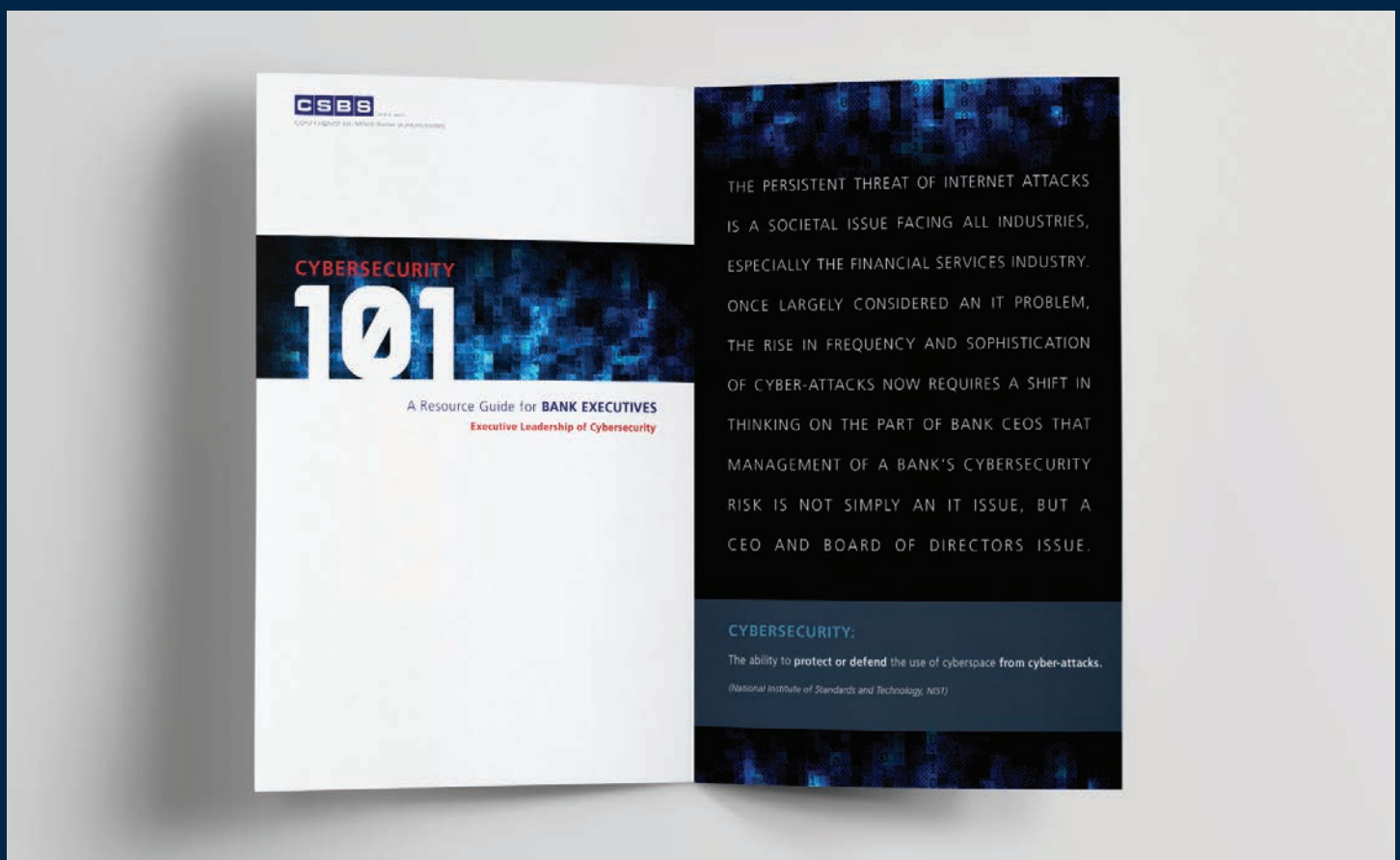
“[The Assessment Tool] is intended to allow any community bank CEO or board of directors to better understand and manage their cyber risks. Our objective is to give bank CEOs and directors the tools to work directly with their senior management and IT staff to conduct this self-assessment without the need or added cost of consultants.” ~ CSBS President and CEO John W. Ryan.

EXECUTIVE LEADERSHIP OF CYBERSECURITY

In 2014, state regulators contemplated the most effective contributions they could make with regards to cybersecurity. State regulators decided to focus on raising awareness and encouraging leadership from bank executives. Executive leadership is critical to ensure sufficient resources and attention are paid to this emerging threat.

As a result, CSBS launched the Executive Leadership of Cybersecurity (ELOC) initiative aimed at raising awareness among community bank executives that cybersecurity is more than a “back office” issue, but an executive issue that requires CEO and Board level attention. As part of this initiative, CSBS created an ELOC website and launched a 9 –week online awareness campaign that shared best practices and provided cybersecurity resources targeted toward community banks.

The initiative includes a Cybersecurity 101 Resource Guide for bank executives that serves as a tool to help bankers understand how to mitigate cybersecurity threats at their banks. This guide has been requested by bankers, bankers associations and state and federal regulators by the thousands, both in digital and in print form. CSBS and state regulators provide this guide at no cost.



In addition to the resource guide, state regulators and CSBS are also hosting ELOC events with bankers around the country to continue the dialogue about the cyber landscape and how to address cyber issues. To date, state regulators have held 15 ELOC events with nearly 1,700 bank executives from 18 states in attendance. In 2016, CSBS plans to conduct an additional eight ELOC events.

➔ APPENDIX A:

ANALYSIS – STATE OF THE STATE BANKING INDUSTRY

Despite continued industry consolidation in recent years, the United States' banking system remains one of the most diverse banking systems in the world. This is due largely to the U.S.'s unique dual-banking system, which provides financial institutions the choice of being chartered at the state level or by the federal government. A by-product of the dual-banking system is diversity among banking organizations. This diversity ranges from small community banks to large financial conglomerates and it has become a vital part of the success of the U.S. banking system. So it is of great concern for state bank regulators to see the alarming number of banks that have exited the banking system over the years and a lack of new market entrants.

Since 1985 the number of banks in the U.S. has dropped from more than 18,000 to approximately 6,300 in 2015.⁷ While these banks vary in terms of size and business model, 92 percent (5,812) are considered to be community banks, which are primarily regulated by state bank regulators.⁸ In fact, state bank regulators charter and supervise 77 percent of the nation's roughly 6,300 insured depository institutions.⁹ The Office of the Comptroller of the Currency charters and supervises 23 percent of insured depository institutions.¹⁰

FIGURE 1: NUMBERS OF INSURED DEPOSITORY INSTITUTIONS BY AUTHORITY

| | STATE | % | OCC | % | OCC/OTS | % | TOTALS | CHANGE |
|-------------------|-----------------------------|-----|-------|-----|---------|-----|---------------|--------|
| 09/30/2015 | 4,845 | 77% | 1,018 | 16% | 416 | 7% | 6,279 | -239 |
| 12/31/2014 | 5,002 | 77% | 1,068 | 16% | 448 | 7% | 6,518 | -303 |
| 12/31/2013 | 5,168 | 75% | 1,156 | 17% | 497 | 8% | 6,821 | -271 |
| 12/31/2012 | 5,309 | 75% | 1,236 | 17% | 547 | 8% | 7,092 | -274 |
| 12/31/2011 | 5,432 | 74% | 1,315 | 18% | 619 | 8% | 7,366 | -300 |
| 12/31/2010 | 5,611 | 73% | 1,386 | 18% | 669 | 9% | 7,666 | -355 |
| 12/31/2009 | 5,855 | 73% | 1,465 | 18% | 701 | 9% | 8,021 | -293 |
| 12/31/2008 | 6,034 | 73% | 1,540 | 19% | 740 | 9% | 8,314 | -393 |
| 12/31/2006 | 6,216 | 71% | 1,723 | 20% | 768 | 9% | 8,707 | -1,046 |
| 12/31/2000 | 6,607 | 68% | 2,231 | 23% | 915 | 9% | 9,753 | -1,952 |
| 12/31/1995 | 7,676 | 66% | 2,858 | 24% | 1,171 | 10% | 11,705 | -1,662 |
| 12/31/1992 | 8,388 | 63% | 3,593 | 27% | 1,386 | 10% | 13,367 | |
| 12/31/1985 | High Point | | | | | | 18,043 | |
| | Change from 1985 to Q3 2015 | | | | | | -11,764 | |
| | Percentage | | | | | | -65% | |
| | Percentage per annum | | | | | | -2% | |

Source: FDIC Statistics on Depository Institutions

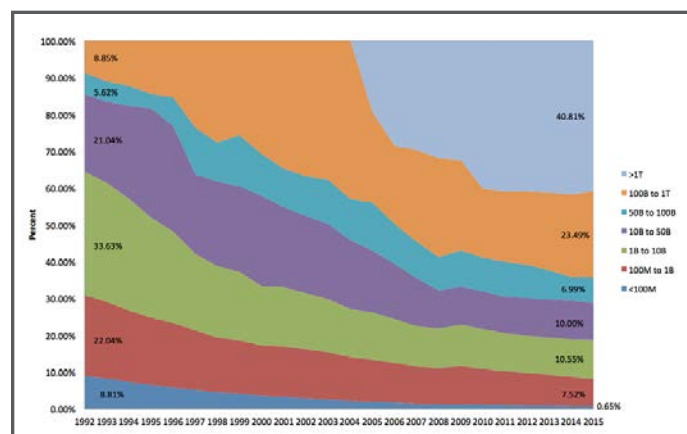
TRENDS IN ASSET-SIZE AND DEPOSITS

While 92 percent of U.S. banks are community banks, they hold only 13.2 percent of the banking industry's assets. A handful of the largest banks continue to dominate the industry, with four institutions each exceeding more than \$1 trillion in assets.

In 1992 banks with \$1 to \$10 billion in assets held the largest percentage of total banking industry assets with approximately 34 percent. No banking organization held more than \$1 trillion in assets. Today, however, there has been a shift, and the four largest banks hold approximately 40.8 percent of the banking industry's total assets.

Figure 2 shows how industry assets have increasingly become consolidated in the largest banking institutions over the past 30 years. From 1992 to 2012, each banking asset-size group saw a decrease in total share of industry assets except banks with \$50 billion or more in assets.

FIGURE 2: PERCENTAGE OF TOTAL INDUSTRY ASSETS BY ASSET-SIZE



Source: FDIC Statistics on Depository Institutions

Total deposits in the banking system have increased from \$8.4 trillion in 2007 to more than \$12 trillion in 2015. Total deposits at smaller institutions, however, have largely remained the same while total bank deposits at the country's largest four banks have steadily increased over the years. As of Q3 2015, banks that satisfy the FDIC's definition of "community bank" hold 14.2 percent of total deposits in the industry.

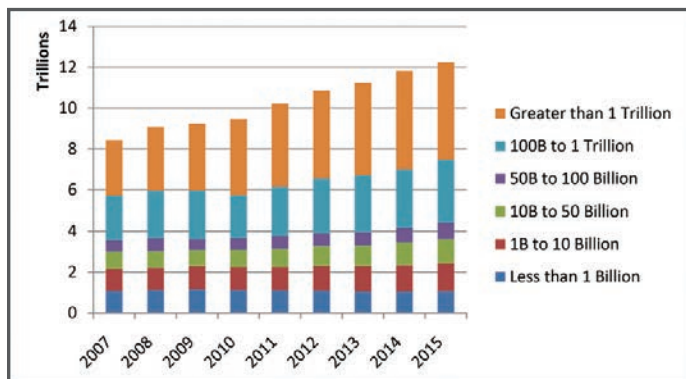
⁷FDIC Statistics on Depository Institutions, at <https://www2.fdic.gov/sdi/>.

⁸Ibid.

⁹Ibid.

¹⁰Ibid.

FIGURE 3: TOTAL DEPOSITS BY ASSET GROUP



Source: FDIC Statistics on Depository Institutions

INDUSTRY CHARTER FORMATION

One of the markers of a vibrant banking industry is the presence of new market entrants. Since the industry's high point in 1985, the number of banks making up the financial system has dropped by 11,764, or 65 percent,¹¹ due in part to merger and acquisition activity.

The number of new market entrants has not kept pace with this industry consolidation, especially since the financial crisis. Since 2010, only two new bank charters have entered the industry. These two start-up banks represent the only new charters to have emerged in the post-crisis banking industry. At the CSBS-Federal Reserve Community Banking in the 21st Century Research Conference, research attributed much of the lack of new bank chartering activity to a weak economy and monetary policy, but acknowledged regulatory pressures may have contributed to a lack of activity.¹² Despite the financial crisis, the exit rate – the percentage of active banks that disappeared due to failure or merger – over the period 2008-2013 is not that different from 2002-2007. Instead, nearly two-thirds of the recent decline is due to the collapse of entry into commercial banking.¹³

The ability to charter a bank to meet local needs is a fundamental strength of the banking system and key to our economic success.

The ongoing low interest rate environment and weak economic activity have been the main obstacles to new bank formation. As the economy continues to strengthen and interest rates begin to normalize, policymakers should ensure that policies and procedures encourage and foster new bank chartering activity, not discourage it.

If left unchecked, industry consolidation will present challenges to many communities, especially in the interior of the United States. The FDIC's 2012 Community Bank Study found that community banks hold the majority of banking deposits in U.S. rural and micropolitan counties. There are more than 600 counties—one out of every five U.S. counties—that would not have a physical banking location if not for the operations of community banks.

ECONOMIC VALUE OF COMMUNITY BANKS

Community banks are vital to local economies due to their local presence and focus. Community banks play a critical role in providing credit and banking services to all corners of the U.S., especially small towns and rural areas where community banks are likely to be the only banking options. In fact, community banks enhance the chances for survival of start-up companies, and by extension, the higher rates of employment growth and job creation that are indicative of newer firms.¹⁴

One key characteristic of community banks that make them so valuable to local communities, and so different from larger banks, is the community bank relationship-business model. Community banks serve local economies by tailoring their loans and financial services around the customers within their geographically limited markets. Conversely, the largest banks leverage economies of scale and the law of numbers in order to offer standardized mortgage and consumer products across a diversity of U.S. and global markets.

Small Business Lending

Despite continued industry consolidation and increased competition, community banks continue to play an especially large role in providing credit to small businesses and farms, holding 44.4 percent of the banking industry's small loans to farms and businesses.¹⁵ Figure 5 shows that community banks with less than \$1 billion in assets make 26 percent of their total loans to small businesses. Figure 5 also shows that the largest banks with more than \$1 trillion in assets only make 3 percent of their loans to small businesses.

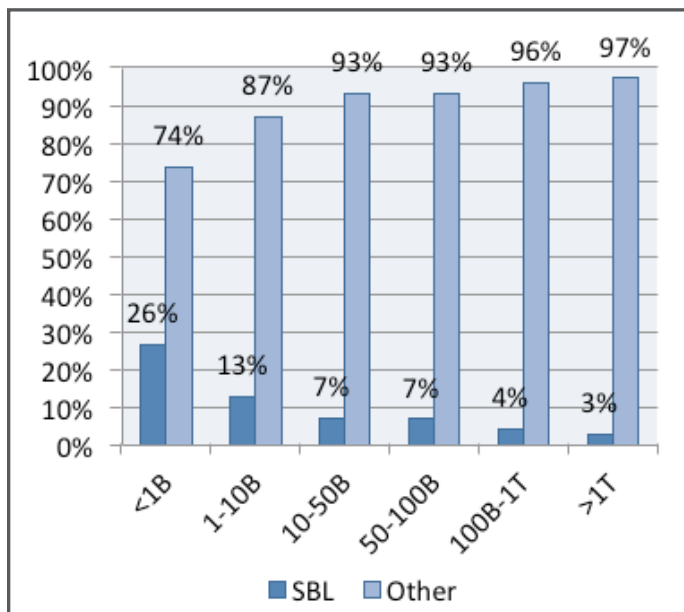
¹¹FDIC Statistics on Depository Institutions, at <https://www2.fdic.gov/sdi/>.

¹²Robert M. Adams and Jacob Gramlich (2014). *Where Are All the New Banks? The Role of Regulatory Burden in New Charter Creation*.

¹³Roisin McCord and Edward Simpson Prescott (2015). *Accounting for the Decline in the Number of Community Banks since the Great Recession*.

¹⁴Smith Williams and Yan Y. Lee (2013). *Do Community Banks Play a Role in New Firm Survival?*

FIGURE 4: SHARE OF SMALL BUSINESS LOANS TO ALL OTHER LOANS AS OF Q4 2014



Source: FDIC Statistics on Depository Institutions

Small banks provide a critical stopgap for small business lending throughout the credit cycle. While larger banks are likely to pull out of the market in certain regions during economic slow-downs, small banks remain to provide critical access to credit within their communities. Even when large banks enter a new market, smaller banks are still able to find competitive advantages in providing mid-size loans to small businesses that seek more tailored products. Small businesses can have uneven cash flows, irregular revenue, and a need for small loans. Community banks excel at creating loans for small businesses that require a more tailored approach, making them valuable partners for small businesses with a particular set of needs from their lender. Research shows that the closer in proximity a start-up business is to a community bank the more likely it is to receive a personal loan to use for business purposes.¹⁵ Conversely, the further away a start-up firm is from a local community bank, the more likely it will be to use more expensive business and personal credit cards. In other words, access to formal bank credit has been shown to enhance start-up companies' chances of survival, and community banks lending in local markets are key drivers of business and job creation.

In the coming years, community banks will seek out new opportunities within the market for small business lending. There are emerging examples of banks partnering with

alternative lenders to purchase qualifying loans originated by online platforms.

Mortgage Lending

Community banks also offer tailored mortgages to homebuyers in local communities throughout the country that are held in portfolio for the life of the loan. When a bank holds a mortgage loan in its portfolio, it retains the full risk of default. Thus, community banks engaged in portfolio lending are fully motivated to make sure the borrower is able to repay the loan. Additionally, if a homeowner defaults, community bank portfolio lenders are compelled to work with the borrower to fix the problem. Consequently, the interests of borrowers and community bank portfolio lenders are inherently aligned.

Just like small business loans, community banks leverage local and personal expertise when making home loans. They can tailor a loan to a borrower's particular circumstances, knowing the homebuyer, the property, and the real estate market in question. But more and more, community bankers are finding it increasingly challenging to operate according to their traditional relationship-lending business model.

The mortgage lending market for community banks has been pressured due to regulatory changes and increased competitive pressures over the past two years. There have been positive changes to QM rules, but many banks have reduced their mortgage lending. Community banks typically seek to continue to provide mortgage loans as a service to their customers, even if mortgage operations are not profitable enough to be a main source of net income. Over the past two years, the proportion of mortgage loans held in portfolio by community banks has increased. Large banks, on the other hand, decreased the amount of mortgage loans held in portfolio. Through the Community Bank Research Conference national survey and other means, CSBS is able to gauge the impact of regulations and other factors on mortgage lending at community banks. Despite a de-emphasis on mortgage lending as a primary business line, the majority of community banks will continue to operate in the mortgage space. According to the national survey for the 2015 research conference, 48 percent of community banks plan to maintain the level of their mortgage operations in 2015, while only 17 percent plan to decrease their mortgage lending volume.

¹⁵FDIC 2012 Community Bank Study. <https://www.fdic.gov/regulations/resources/cbi/study.html>

¹⁶Smith Williams and Yan Y. Lee, "Do Community Banks Play a Role in New Firm Survival?," 2013.

➔ APPENDIX B:

ANALYSIS – STATE OF THE NON-DEPOSITORY INDUSTRY

In addition to being the chartering authority for the vast majority of the nation's 6,300 banks, state regulators license and supervise a wide variety of non-depository financial service providers.

As such, state regulators are at the forefront of a non-depository industry that is in a state of transition. For two decades, non-depository business models have become increasingly integral to the financial services industry. Non-bank financial service providers, such as mortgage lenders, payday lenders, and money services businesses, are a crucial resource for credit availability and basic financial services. Further, advances in technology have spurred the manner in which lending decisions are made and how value is transferred. State regulators, through CSBS, work across this dynamic non-depository financial services industry to ensure consumers are protected in an environment that is conducive to financial and technological innovation.

Dynamic industries require responsive regulation, both to protect the public and to increase regulatory efficiency for responsible institutions. Accordingly, state regulators developed the Nationwide Multistate Licensing System (NMLS, or the System), a vital tool for the regulation of non-depository financial services providers. NMLS serves as a one-stop-shop for non-depository licensing. Currently, a non-depository mortgage loan originator can manage all of his or her licenses on NMLS, replacing a 50-state paper-based system. This efficiency is expanding to other non-depository industries, including money services businesses, debt collection, and consumer credit industries. At the end of 2015, NMLS was the system of record for 61 state agencies, managing a total of 585 different license authorities covering a broad range of non-depository financial services.

STATE MORTGAGE LICENSING

In 2015, all states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands participated in NMLS to license mortgage companies, branches, and MLOs. This full representation of the state-regulated mortgage industry in a single system makes it possible for state regulators and industry to have the information needed

to identify business and licensing activities and trends. As noted in the NMLS Resources section, SRR publishes quarterly reports that compile data on state-licensed companies, branches, and MLOs.

Figure 1 compares the growth in entities to the number of licenses issued throughout the year. While the total number of companies with mortgage licenses decreased by 0.1 percent during 2015, the number of state mortgage licenses held by all companies went up four percent. With regard to MLOs in the System, the number of individuals was relatively unchanged (2.5 percent increase), while the number of licenses held by MLOs grew 13.5 percent. The average number of licenses held per MLO is now 3.02, compared to 2.73 percent at the end of 2014 (Figure 2).

FIGURE 1. ANNUAL GROWTH – COMPANIES VS. LICENSES

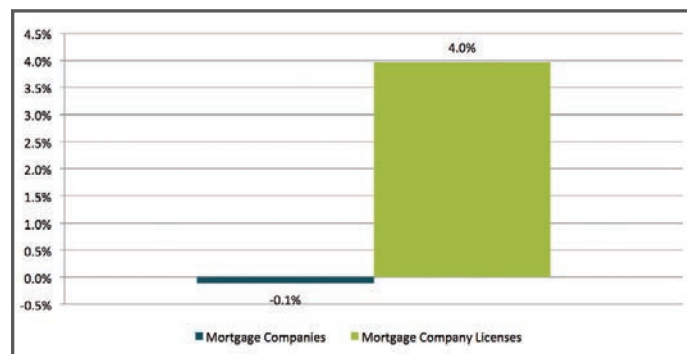
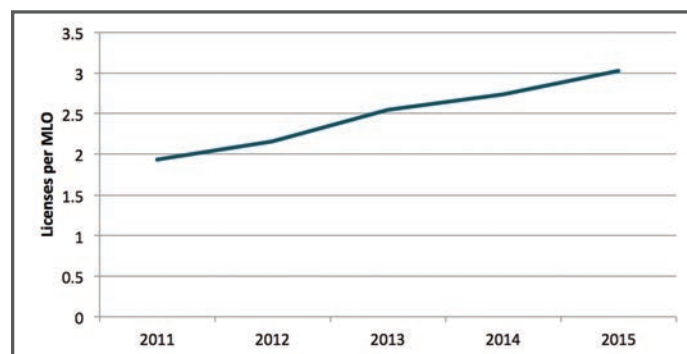


FIGURE 2. ANNUAL GROWTH – AVERAGE NUMBER OF LICENSES PER MLO



The fastest growing segment in NMLS is the population of companies and individuals licensed in over 20 states (Figures 3 and 4). In 2015, the number of companies operating in more than 20 states grew 7.4 percent, and MLOs licensed in more than 20 states grew 26.8 percent. MLOs holding only one state license declined 0.7 percent. The number of MLO licenses increased in every state except Massachusetts, which saw a decrease of 0.5 percent. Figure 8 depicts the percentage of net growth in MLO licenses around the country. Maine, Oklahoma, and Oregon each saw MLO licenses increase by more than 30 percent.

FIGURE 3. ANNUAL GROWTH – COMPANIES BY LICENSES HELD

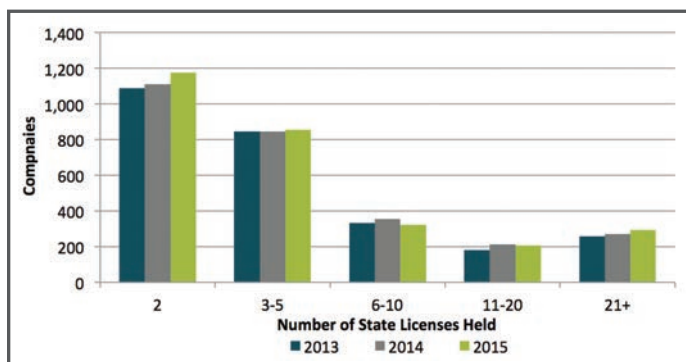
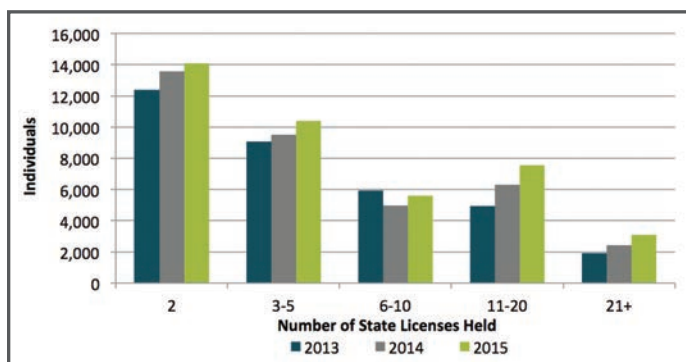


FIGURE 4. ANNUAL GROWTH – INDIVIDUALS BY LICENSES HELD



FEDERAL MORTGAGE REGISTRATION

Over the course of 2015, the number of actively registered MLOs increased 2.3 percent to 407,529 individuals employed by 10,220 institutions. Although the number of actively registered MLOs slightly increased, Figures 5 and 6 illustrate that the number of registered MLOs and institutions remains relatively constant. NMLS also publishes quarterly reports that detail the number of federal registrants, MLO locations, and a breakdown of NMLS-registered institutions by specific federal regulator (see NMLS Resources section).

FIGURE 5. ACTIVELY REGISTERED FEDERAL MLOS BY YEAR

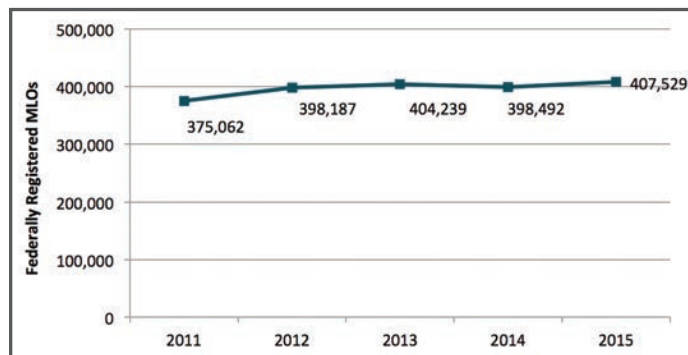
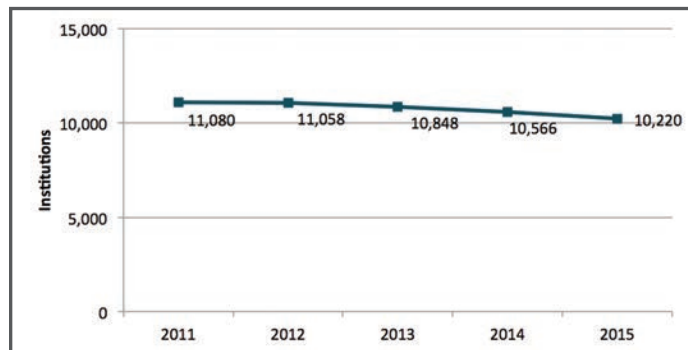


FIGURE 6. ACTIVELY REGISTERED INSTITUTIONS BY YEAR



NMLS also publishes quarterly reports that detail the number of federal registrants, MLO locations, and a breakdown of NMLS-registered institutions by specific federal regulator (see NMLS Resources section).

MONEY SERVICES BUSINESSES (MSBS)

Financial services categorized as MSB activities in NMLS include: money transmission, check cashing, issuing or selling travelers checks, issuing or selling drafts, foreign currency dealing and exchange, issuing or selling money orders, bill paying, transporting currency, and issuing or selling prepaid access/stored value products. As of year-end 2015, 33 state agencies were managing MSB licenses in NMLS (Figure 7). In NMLS, approximately 1,900 companies hold more than 4,000 approved MSB licenses. Figure 8 provides a detailed breakdown of money transmitters in NMLS and their agents reported through the NMLS Uniform Authorized Agent Reporting (UAAR) functionality. During the year, the NMLS UAAR was further adopted by six state agencies to permit money transmitter MSBs to complete authorized agent reporting directly in the System.

FIGURE 7. STATES MANAGING MSB LICENSE TYPES IN NMLS

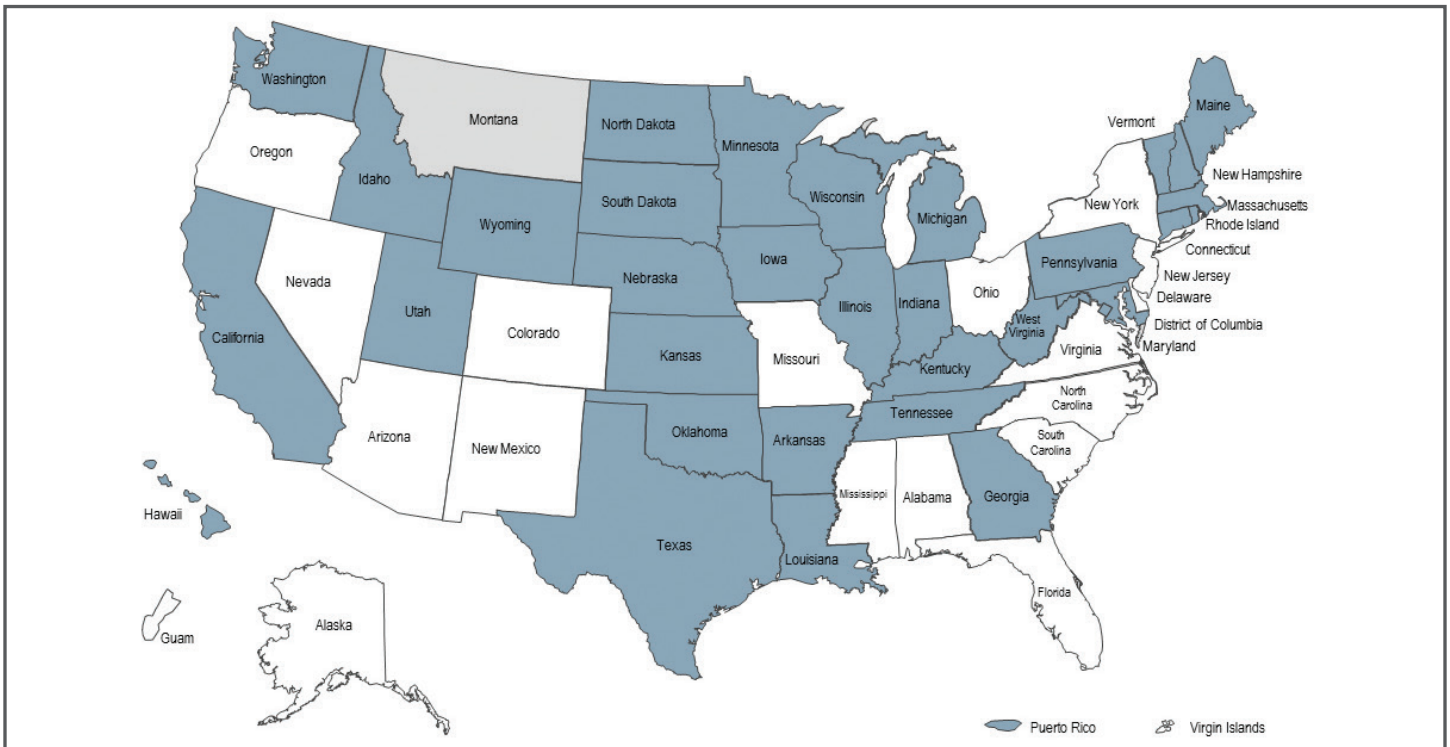


FIGURE 8. LIST OF MSB LICENSE NUMBERS AND TYPES BY STATE

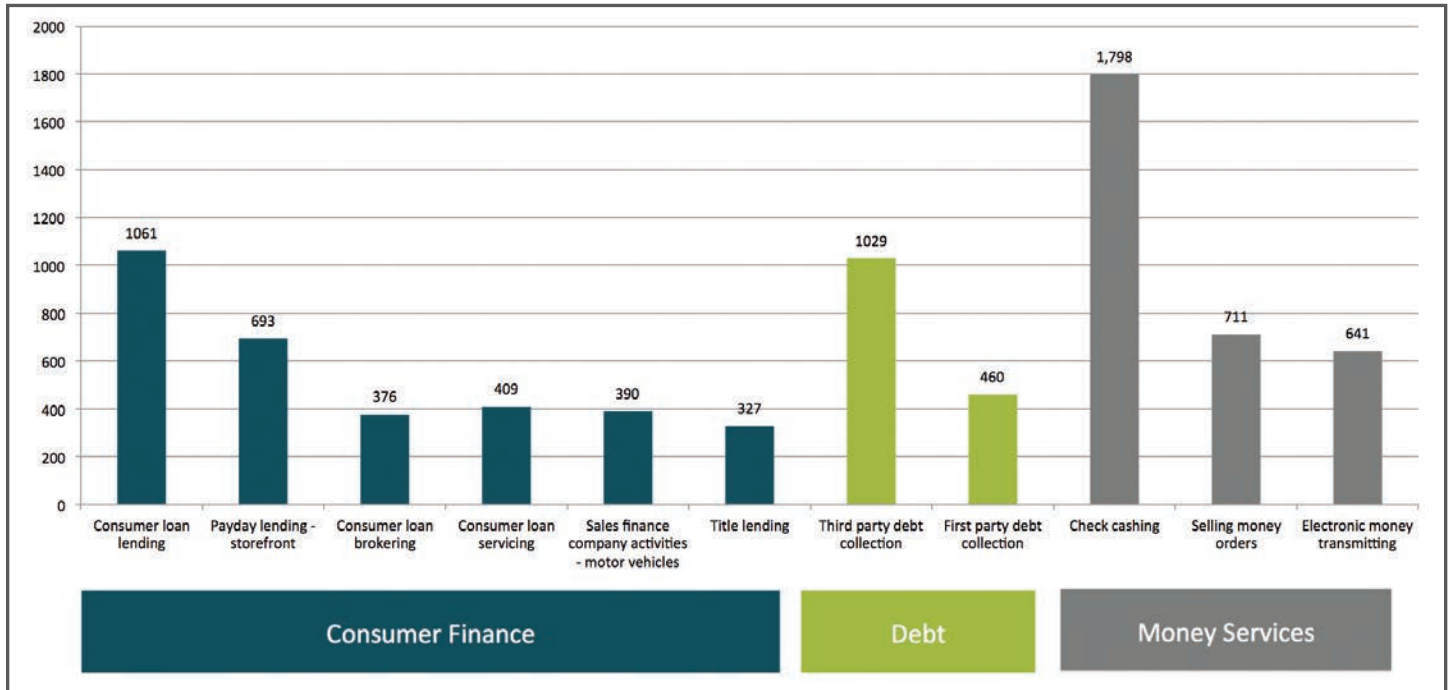
| State Agency | License Description | Approved Licenses |
|--------------|---------------------------------------|-------------------|
| AR | Money Transmitter License | 54 |
| CT | Check Cashing License | 61 |
| CT | Money Transmission License | 94 |
| DC | Check Cashier License | 62 |
| DC | Money Transmitter License | 82 |
| GA | Seller of Payment Instruments License | 44 |
| GA | Money Transmitter License | 98 |
| GA | Check Cashier License | 966 |
| HI | Money Transmitter License | 55 |
| IA | Money Services License | 75 |
| ID | Money Transmitters | 86 |
| IN-DFI | Money Transmitter License | 56 |
| KS | Money Transmitter License | 80 |
| KY | Money Transmitter License | 83 |
| LA | Sale of Checks and Money Transmitters | 81 |
| MA | Check Seller | 17 |
| MA | Check Cashier | 61 |
| MA | Foreign Transmittal Agency | 61 |
| MD | Money Transmitter License | 107 |
| ME | Money Transmitter License | 45 |
| MI | Money Transmitter License | 88 |
| MN | Money Transmitter License | 98 |
| ND | Money Transmitter License | 80 |
| NE | Money Transmitter License | 76 |

| State Agency | License Description | Approved Licenses |
|--------------|--|-------------------|
| NH | Money Transmitter License | 61 |
| OK-DOB | Money Transmission License | 70 |
| PA | Money Transmitter | 87 |
| PA | Retail Grocery Store Check Cashier License | 123 |
| PA | Check Cashier License | 275 |
| PR | Money Transmitter License | 33 |
| RI | Sales of Checks | 22 |
| RI | Check Cashier License | 23 |
| RI | Electronic Money Transfers | 67 |
| SD | Money Transmitter License | 44 |
| SD | Money Lender License | 47 |
| TN | Money Transmitter License | 97 |
| TX-DOB | Money Transmitter License | 49 |
| UT-DFI | Money Transmitter License | 73 |
| VT | Check Cashing and Currency Exchange | 4 |
| VT | Money Transmitter | 62 |
| WA | Currency Exchange (only) | 9 |
| WA | Check Cashier with Small Loan Endorsement | 18 |
| WA | Check Cashier | 71 |
| WA | Money Transmitter (includes Currency Exchange) | 142 |
| WI | Seller of Checks | 39 |
| WV | Money Transmitter License | 74 |
| WY | Money Transmitter License | 58 |

OTHER INDUSTRIES IN NMLS

State agencies regulate a wide range of financial services and this diversity is reflected in NMLS. As of year-end 2015, 23 state agencies were managing one or more license authorities that could be generally categorized under “consumer finance” or others that regulate some aspect of consumer debt, such as debt collection, debt management, and counselling. This additional license management led to an increase in the number of companies participating in NMLS conducting a variety of financial services activities (Figure 9). As more state agencies opt to manage license authorities on NMLS, SRR expects to be able to provide robust industry specific information on these industries as it is currently able to do for the mortgage industry and the MSB industry.

FIGURE 9. EXPANSION INDUSTRIES IN NMLS



➔ APPENDIX C: CSBS AND AFFILIATES FINANCIAL PERSPECTIVE

OVERVIEW

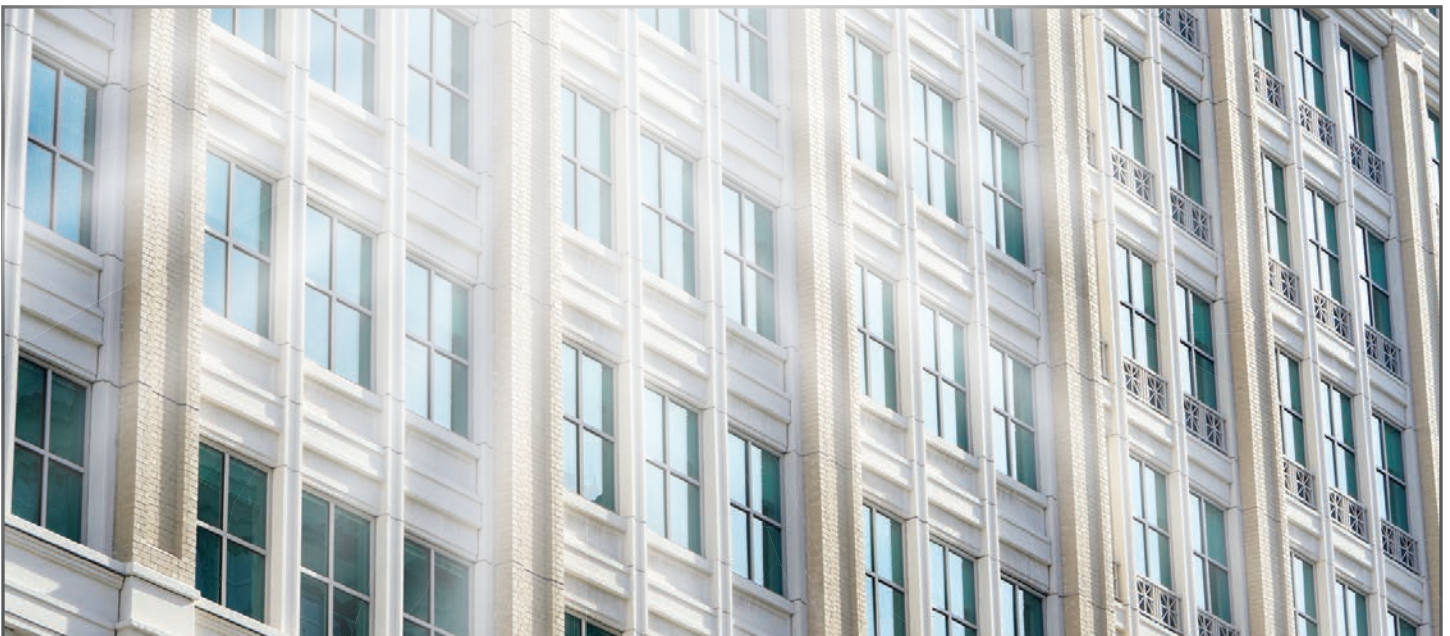
This Annual Report presents the activities of three separate legal entities: the Conference of State Bank Supervisors (CSBS), the State Regulatory Registry LLC (SRR), and the CSBS Education Foundation. CSBS is a non-profit, membership organization exempt from federal income tax under section 501(c)(3) of the internal revenue code. SRR is a subsidiary of CSBS and for tax reporting purposes is consolidated with CSBS. The CSBS Education Foundation is also a non-profit organization, also exempt from federal income tax under 501(c)(3) of the internal revenue code.

Annually, an audit of the combined organization is performed by the independent accounting firm of Tate & Tryon, a D.C.-based firm specializing in non-profit organizations. At the time of this printing, the annual audit for the year ended Dec. 31, 2015 was underway, but the final report had not been presented. When available, a copy of the final 2015 audit report will be posted on the CSBS website.

MOST RECENT AUDITED RESULTS

The information below is summarized from the Dec. 31, 2014 audited financial statements.

The financial results for 2014 include \$14.90 million in net income, with \$12.8 million in designated for reserves. Contributions to reserves have continued to strengthen CSBS's financial position, which is extremely important given the role of CSBS in both depository and non-depository regulation. To date, CSBS has invested over \$45 million in developing the Nationwide Multistate Licensing System and Registry and related professional standards systems. In a short period of time, NMLS has become a cornerstone of mortgage regulation for our members and the industry as a whole. The CSBS Board of Directors has determined that prudent oversight of the System requires a reserve balance sufficient to ensure the System is not adversely affected by cyclical changes in the industry. It is imperative that the high cost of maintenance, enhancements, and ongoing system security are not subject to potential revenue swings based on changes in the non-depository industry. Therefore, CSBS has continued to designate a large portion of annual net revenue for development reserves.



➔ APPENDIX D: BOARDS AND STAFF MEMBERS

SRR BOARD OF MANAGERS

(as of April 1, 2016)

State Regulatory Registry LLC (SRR) is a non-profit entity and a wholly owned subsidiary of the Conference of State Bank Supervisors (CSBS). SRR operates the Nationwide Multistate Licensing System (NMLS, or the System) on behalf of state financial regulators. SRR is governed by an eight regulatory-member Board of Managers comprised of state banking and financial regulators and a representative of the American Association of Residential Mortgage Regulators (AARMR). The SRR Board of Managers is responsible for all development, operations, and policy matters concerning NMLS.

The SRR Board of Managers directs staff and works to develop, enhance, and operate NMLS, oversee compliance with the Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act, administer testing and education programs, and facilitate working groups of state and federal regulators and industry related to state licensing, federal registration, supervision, and NMLS policy.



SRR BOARD OF MANAGERS

Chairman

Robert J. Entringer, CEM
Commissioner, North Dakota Department of Financial Institutions

Vice Chairman

Gordon M. Cooley
Commissioner, Maryland Office of Financial Regulation

Treasurer

Albert L. Forkner
Commissioner, Wyoming Division of Banking

Board Member & AARMR Representative

Rod Carnes
Deputy Commissioner for Non-Depository Financial Institutions, GA Department of Banking and Finance (AARMR Representative)

Board Member

John P. Ducrest
Commissioner of Financial Institutions, Louisiana Office of Financial Institutions

Board Member

David C. Tatman
Chief of Enforcement, Oregon Division of Financial Regulation

Board Member

Bryan Schneider
Secretary, Illinois Department of Financial & Professional Regulation

Ex Officio Board Member

David Cotney*
Commissioner of Banks, Massachusetts Division of Banks Chairman, Conference of State Bank Supervisors

Secretary

John W. Ryan *
President & CEO, Conference of State Bank Supervisors

Ex Officio Board Member

William (Bill) Matthews *
President & CEO, State Regulatory Registry LLC

* = Non-Voting Members of the SRR Board

CSBS EDUCATION FOUNDATION – BOARD OF TRUSTEES

The CSBS Education Foundation funds and directs CSBS’s education and training efforts. The Education Foundation sponsors professional training programs specifically designed by and for state banking department examiners and senior staff. The membership of the CSBS Education Foundation is comprised solely of state bank regulators and interacts extensively with the CSBS Board of Directors.

Chairman

Melanie G. Hall

Commissioner, Montana Division of Banking and Financial Institutions

Treasurer

Albert L. Forkner

Bank Commissioner, Wyoming Division of Banking

Immediate Past Chairman

Victoria A. Reider

Executive Deputy Secretary, Pennsylvania Department of Banking & Securities

Ex Officio Board Member

David Cotney*

Commissioner of Banks, Massachusetts Division of Banks Chairman, Conference of State Bank Supervisors

Member

Scott D. Clarke

Assistant Director, Illinois Department of Financial & Professional Regulation

Member

Charlotte N. Corley

Commissioner, Mississippi Department of Banking & Consumer Finance

Member

Robert Donovan

Deputy Superintendent of Banks, New York State Department of Financial Services

Member

Thomas C. Fite

Director, Indiana Department of Financial Institutions

Member

Luther Guinn

Deputy Bank Commissioner, Arkansas State Bank Department

Member

Patrick Mullen

Director of Banking, New Jersey Department of Banking & Insurance

Member

Judi M. Stork

Deputy Bank Commissioner, Kansas Office of the State Bank Commissioner

Member

Jeffrey C. Vogel

Director, Wyoming Department of Audit

Member

Ingrid White

Deputy Commissioner, New Hampshire State Banking Department

Chairman, Performance Standards Committee

W. Kurt Purdom

Director, Bank & Trust Supervision, Texas Department of Banking

Chairman, Content Development & Oversight Committee

Tracy Bergmann

Regional Manager, Iowa Division of Banking

Chairman, Certification Committee

Melanie Y. Ford

Director, Regulatory Training, North Carolina Office of Commissioner of Banks

Executive Secretary

John W. Ryan *

President & CEO, Conference of State Bank Supervisors

CSBS Staff Director

Sebastien Monnet *

Vice President, Learning & Development

* = Non-Voting Members of the CSBSEF Board

BANKERS ADVISORY BOARD

CSBS has a long-standing Bankers Advisory Board (BAB) to benefit from the perspective and experience of state-chartered banking institutions. The duties of the BAB are to advise and assist the CSBS Board of Directors in pursuit of the organization's goals and to provide industry input on appropriate areas of CSBS activities. This is an advisory role, and BAB members do not participate in CSBS policy making committees, deliberations, or decisions.

The bankers who serve on the BAB bring their views of and concerns about current issues to the policymaking Board of Directors, giving the commissioners their sense of priorities from the banker's view.

Regulator Co-Chairman

M. Shane Deal

Deputy Commissioner, Minnesota Department of Commerce

Banker Co-Chairman

K. Brent Vidrine

Bank of Sunset & Trust Company, Sunset, Louisiana

Immediate Past Chairman

Michael Poland

President, Farmers State Bank, Cameron, Missouri

Chairman Emeritus

Donald A. Pape

Chairman, Republic Bank & Trust, Norman, Oklahoma

Chairman Emeritus

Joseph G. Pierce

President & CEO, Farmers State Bank, LaGrange, Indiana

Member-at-Large

Steven K. Buster

President & CEO, Pacific Mercantile Bank, Costa Mesa, California

Member-at-Large

Fernando A. Capablanca

Director, Ocean Bank, Miami, Florida

Member-at-Large

Kim DeVore

Senior Vice President & CFO, Jonah Bank of Wyoming, Casper, Wyoming

Member-at-Large

Patrick Glotzbach

President & CEO, New Washington State Bank, New Washington, Indiana

Member-at-Large

Bradley W. Krieger

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Member-at-Large

Henry A. (Bubba) Logue

President & COO, Merchants & Planters Bank, Raymond, Mississippi

Member-at-Large

Trey Maust

Co-President & CEO, Lewis & Clark Bank, Oregon City, Oregon

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President & CEO, Farmington Bank, Farmington, Connecticut

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Rogers Pope, Jr.

Vice Chairman & CEO, Texas Bank & Trust Company, Longview, Texas

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President & CEO, Bank of Commerce, Idaho Falls, Idaho

Member-at-Large

Stephen Sherlock

President, Colorado East Bank & Trust, Lamar, Colorado

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Member-at-Large

David H. Weaver

Executive Vice President, BB&T, Winston-Salem, North Carolina

Member-at-Large

Benedict (Bick) Weissenrieder

Chairman & CEO, The Hocking Valley Bank, Athens, Ohio

Chairman Emeritus

Donald A. Pape

Chairman, Republic Bank & Trust, Norman, Oklahoma

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Serigne Dieng

Senior Accounting Analyst

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O'Della Harris

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Erica Caron

Office Assistant

Fatimah McKnight

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Senior Director, Systems Analysis

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Rebecca Chen

Technical Project Manager

Venkata Paritala

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Pavel Orlovski

Software Engineer

Edward Stachyra

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Executive Assistant

Tiyenne Greene

Regulatory Policy Section

Senior Vice President, Policy

Jim Cooper

Manager, Policy Development

Daniel Schwartz

Policy & Supervision Analyst

Ernie Jolly

Policy & Supervision Analyst

Michael Townsley

Bank Supervision Section

Senior Vice President, Bank Supervision

Mary Beth Quist

Senior Director, Bank Supervisory Processes

Kyle J. Thomas, CEIC

Director, Supervisory Processes

Jessica Townsend

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Serban Tanasa

Data Analyst, Analytics & Research

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Senior Vice President, Consumer Protection & Non-Depository Supervision
Chuck Cross

Vice President, Supervision
John M. Prendergast

Senior Director & Non-Depository Counsel
Matt Lambert

Director, Non-Depository Supervisory Processes
Tony Vasile

Senior Manager, Non-Depository Supervision
Mary Miano

Analyst, Non-Depository Supervision
Amanda Holcombe

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Natalie McGarry

Director, Legislative Policy
Nathan Ross

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Vice President, Communications
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Senior Manager, Communications
Rockhelle A. Johnson

Manager, Communications
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Vice President of Learning & Development
Sebastien Monnet

Senior Advisor, Accreditation & Supervisory Processes
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Director of Learning Services
C. Thomas McVey, CEM, CAMLS

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Matt Comber

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Senior Director, Business Analysis
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Senior Director, Policy
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Senior Director, Policy
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Margo Frampton

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Director, Business Analysis
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Senior Quality Assurance Engineer
Dayasagar Lakka

Data Analytics Product Director
Paul Ferree

Manager, Data Analysis
Jingying Zhang

Manager, NMLS Communications
Melissa Washington

Quality Assurance Engineer
Mahlet Gitim

Senior Administrative Assistant
Shannon Lucernoni

SRR Operations

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Vickie Slater

Vice President, Operations & Vendor Management

Dave Dwyer

Senior Director, State Regulations

Sharon Hughes

Director, Operations

Kathy Hunter

Director, Training

Tim Vanderwerp

Senior Manager, eLearning and Technical Writing

Reece Chekan

Senior Operations and Financial Analyst

Mindy Chang

Manager, Training

Paola Alvarado

Operations Analyst

Stephanie Buonomo

Operations Analyst

Michael Casagrande

Operations Analyst

Stephen Lantzas

Operations Analyst

Philip Whims

Manager, eLearning

Erik Korner-White

Manager, Technical Writing

Galen Midford

Manager, Training

Amber Ramirez

Manager, Training

Lindsay Schmidt

Administrative Assistant

Kellie Donnelly

SRR Testing & Education Programs

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Pete Marks

Senior Director, Mortgage Education Programs

Rich Madison

Senior Manager, Mortgage Education Operations

Jessica Ayton

Senior Manager, Test Development & Maintenance

Benjamin Hunter

Senior Manager, Education Compliance

Michelle Vandernaalt

Manager, Test Administration Operations

Alana Chamoun

Support Analyst

Gabriela Turner

Administrative Assistant

Elizabeth Engel



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CONFERENCE OF STATE BANK SUPERVISORS

1129 20th Street, N.W. 9th Floor

Washington, D.C. 20036

202.296.2840

www.csbs.org