



Enabling State Coordination

May 01

To advance Networked Supervision, state financial regulators and CSBS have focused on implementing common standards and practices across the state system to streamline regulation of nonbank financial companies operating in multiple states.

Recent initiatives that help increase uniformity and set the right conditions for the state system to continue leveraging the benefits of technology include:

One Company, One Exam

The [One Company, One Exam](#) program facilitates multiple states collaboratively examining companies that operate in 40 or more states. This replaces the traditional siloed approach of multiple states each individually examining licensed companies. State financial supervisors can either participate in, leverage, or accept the results of a company's multistate exam. This year, 58 money services businesses exams were either completed or scheduled through the One Company, One Exam program.

States first focused their efforts on the money services businesses market, and a One Company, One Exam program has begun for supervision of the largest U.S. mortgages firms.

Implementing common standards

Working through CSBS, states have approved three model laws for nationwide adoption to increase uniformity across the state system.

Money Transmission Modernization Act

The [Money Transmission Modernization Act \(MTMA\)](#) is a single set of standards and requirements created jointly by state regulators and industry experts. The MTMA's goal is a uniform network of payments regulation to advance regulatory harmonization and strengthen consumer protection. The CSBS Board of Directors approved the model law for

nationwide implementation in August 2021.

By the end of 2023, fourteen states enacted the entire MTMA, and five additional states enacted key provisions of the law. CSBS provides an ongoing forum for states to discuss adoption and implementation progress, and we continue to work with industry and our members to drive more adoption.

Prudential Standards for Nonbank Mortgage Servicers

As nonbank mortgage servicers became responsible for a larger share of consumer mortgages after the financial crisis, state regulators grew concerned about the absence of a uniform set of state standards addressing servicers' capital and liquidity levels. In addition, state examinations of nonbank servicers identified inadequate corporate governance and board oversight. These concerns led state regulators to create [new prudential standards](#) in 2021 to ensure that nonbank mortgage servicers maintain the financial capacity, governance, and risk management practices to adequately serve consumers and investors and simultaneously enhance market stability.

State agencies may use the standards to formulate law, rule, guidance, or procedure under their individual jurisdictional authority or legislative process. By the end of 2023, six states had fully adopted the prudential standards, and two had adopted the financial condition requirements of the prudential standards. Given the multistate operations of most nonbank mortgage firms, the states that have adopted the prudential standards effectively cover 98% of the nonbank mortgage market by loan count including, but not limited to, the 50 largest nonbank mortgage servicers.

Nonbank Model Data Security Law

The CSBS [Nonbank Model Data Security Law](#) establishes a robust framework to ensure that nonbanks have the necessary measures in place to mitigate cyber threats, prevent data breaches, and uphold the integrity of the financial system; the law is aligned with the [FTC Safeguards Rule](#) to make implementation easier for financial institutions. Although the CSBS Nonbank Model Data Security Law is in its early stages, five states adopted the law or similar language during 2023.

Multistate MSB Licensing Agreement

States also are adopting a standardized licensing process for new companies through the [Multistate MSB Licensing Agreement](#). Thirty-three states participated in the

agreement in 2023, reducing licensing time for new companies by 9%. States currently are moving toward universal adoption.

Top Category

[Opinions & Insights](#)

202.296.2840

newsroom@csbs.org

1129 20th Street, N.W., 9th Floor, Washington, DC 20036