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Annual Report



**Conference of State
Bank Supervisors**

The Conference of State Bank Supervisors (CSBS) is the nationwide professional organization of financial regulators from all 50 states, the District of Columbia, and the territories. CSBS advocates for the dual-banking system and provides states with critical infrastructure for fostering innovative, responsive supervision. CSBS also empowers the state regulatory workforce through professional development and training and serves as a forum for states to address shared challenges and increase regulatory collaboration. On behalf of state regulators, CSBS owns and operates the Nationwide Multistate Licensing System & Registry (NMLS).

About the State System of Financial Regulation



79%

of all U.S. banks are chartered and supervised by state regulators, representing more than **3,600 banks** with aggregate assets over **\$8 trillion**.

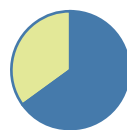
Institutions range from the smallest local banks to global financial institutions.

When looking at the U.S. banking industry as a whole, state-chartered banks represent approximately 34% of all assets yet provide:



55%

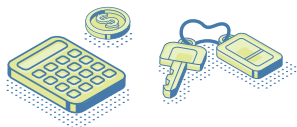
More than 1/2 of all small loans to businesses



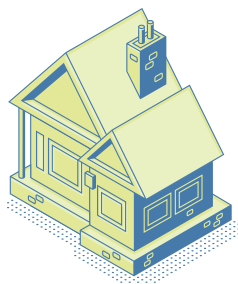
65%

Two-thirds of commercial bank agriculture lending

State regulators are the licensing authority for and primary regulator of nonbank financial services companies (notably, mortgage providers, money services businesses, consumer finance, and debt companies). In 2023:



NMLS maintained the licenses or registrations of the more than **556,000 mortgage loan originators** operating in the United States



State-licensed mortgage companies:

- Originated **\$925 billion** (65% of mortgage originations in United States) and
- Serviced **\$6.6 trillion** in loans (47% of mortgage servicing in the United States)



State-licensed money services businesses handled **\$5.5 trillion** in payments for U.S. consumers

LETTER FROM THE **PRESIDENT AND CEO**



A lot can happen in a year.

At the start of 2023, the CSBS staff moved into a beautiful new office on Franklin Square in Washington, D.C.

Throughout the year, CSBS supported the state system in numerous ways, advocating for the dual-banking system, advancing Networked Supervision, and providing education and training to the state system's workforce. Importantly, we supported our members during a dramatic period of stress for the banking system and the people of Hawaii as they worked to recover from devastating wildfires.

And, at the end of 2023, I was honored to join the CSBS team as their next president and CEO.

On behalf of our members and the CSBS staff, I want to thank Jim Cooper for his steadfast leadership, direction, and compassion after John Ryan's sudden death in May 2022. After a decade in leadership at CSBS, Jim agreed without hesitation to lead the organization after this tragedy. Jim's dedication and vision brought innovation to state supervision and CSBS's core mission, particularly advancing data and analytics efforts to support our members.

Prior to his service with CSBS, Jim had a distinguished 30-year career at the Indiana Department of Financial Institutions, where he oversaw the supervision and examination of all state-chartered depository institutions, including banks, credit unions, corporate fiduciaries, savings banks, and savings associations. Throughout his career, Jim worked diligently to ensure a safe and sound financial services environment.

I am so grateful for Jim's leadership at CSBS and the passion for the dual-banking system that he demonstrated throughout his career. The CSBS team shares his commitment to the state system and to the welfare of the consumers and businesses that rely every day on the United States financial system.

It is a privilege to be part of the CSBS family, and I am pleased to present the 2023 Annual Report.

A handwritten signature in blue ink, appearing to read 'B. Milhorn'. The signature is fluid and cursive.

Brandon Milhorn

NETWORKED SUPERVISION

One of the key strengths of the state system of financial regulation is that each state holds sovereign or self-governance authority. State regulators employ the concept of [Networked Supervision](#), empowering states to act as a “system” through common standards and practices supported by technology and a skilled state workforce. A state never gives up its authority, yet each state also functions as part of a whole through a more networked

supervisory system for stronger regulation and better risk detection and mitigation.

Through Networked Supervision, states are creating a system where information and expertise are shared across the states to help streamline and strengthen financial services regulation.

This effort is captured in the **CSBS 2023–2025 Strategic Plan:**

VISION

To be the recognized leader advancing the quality and effectiveness of regulation and supervision of state banking and financial services.

OBJECTIVE

CSBS is the platform for effective Networked Supervision through innovation, partnerships, and regulatory workforce development.

STRATEGIES

- Build a digital business technology platform.
- Achieve excellence through common standards and practices across the state system in laws, regulations, process, and resources.
- Design, develop, and deliver innovative learning solutions and capabilities that continue to advance a high performing, collaborative, and trusted state regulatory workforce.
- Promote state regulators and CSBS as consistent, valued, and credible members of a network of state and federal financial regulators through engagement and advocacy for the dual-banking system and state financial regulation.

NONBANK LICENSING AND EXAMINATION

CSBS, on behalf of state regulators, owns and operates the [Nationwide Multistate Licensing System & Registry \(NMLS\)](#), an online licensing, registration, and supervisory platform that brings regulatory efficiency and accountability to the mortgage industry and other nonbank financial services providers. Its supervisory component, the [State Examination System \(SES\)](#), harmonizes and automates processes, streamlining the exam process for financial institutions.

NMLS

State-licensed financial services companies and mortgage loan originators must maintain an active license through NMLS, while federally regulated depository institutions (banks and credit unions) and the mortgage loan originators they employ must maintain an active registration. Congress mandates that



▲ The NMLS Conference welcomed more than 600 attendees in Phoenix.



▲ SRR Board of Managers Chair Kevin B. Hagler opens the NMLS Conference

state licenses and federal registrations be obtained and maintained annually.

In 2023, more than 556,000 individuals were licensed or registered in NMLS, and more than 41,000 companies held a license or registration. Most of the licenses and registrations are from the mortgage industry, while the rest are from the money services, consumer finance, and debt industries.

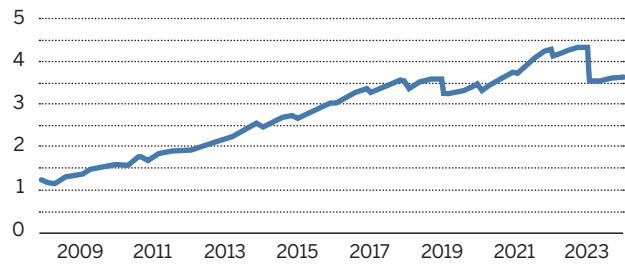
[NMLS Consumer Access](#) allows the public to view regulatory actions taken against licensed companies and individuals by state regulators and the Consumer Financial Protection Bureau (CFPB). Last year, more than 7.4 million people visited the site.

CSBS provides extensive support for the companies, individuals, and regulators that use the system. We do this through training, a knowledge base, and a user-support call center. CSBS convenes the NMLS user community annually, hosting more than 600 regulator and industry attendees for the 2023 NMLS Annual Conference & Training.

NMLS: Number of state-licensed companies and individuals

Licensee Type	Unique entities	Licenses
	280,379	976,238
Company	33,845	104,103
Branch	37,713	111,609
Individual	208,821	760,526

Licenses per MLO in NMLS by Year

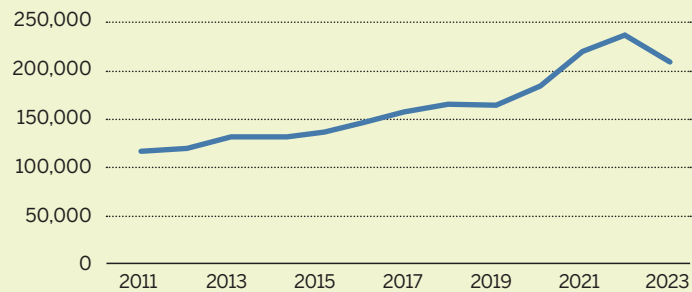


NMLS: Number of federally registered companies and individuals

Registrant Type	Entities
	377,096
Company	7,933
Individual	369,163

Note: Some companies and individuals hold both an approved state license and an active federal registration.

Individuals Licensed in NMLS by Year



NMLS AT 15 YEARS: HOW TECHNOLOGY TRANSFORMED A MARKET

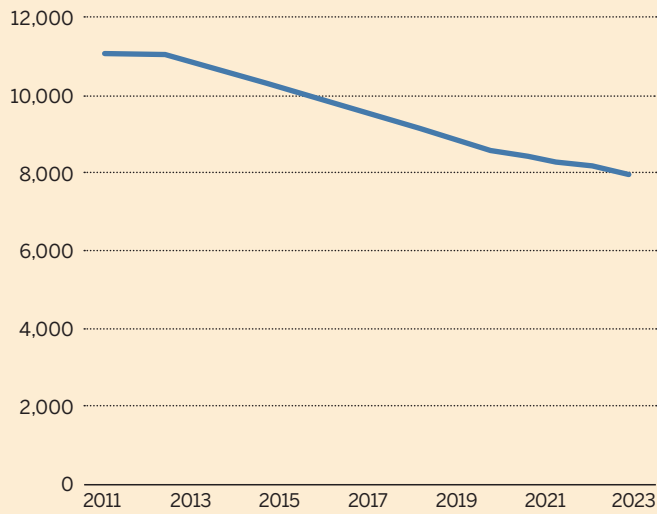
NMLS launched 15 years ago to meet a market need and has transformed into a critical technology platform for financial regulation.

In 2003, state financial regulators recognized a concerning pattern of fraud and abuse. At the time, many states regulated mortgage loan originators. While many mortgage loan originators were honest and trustworthy, some were taking advantage of a lack of consistent oversight and standards. Because there was no easy way to track and oversee these bad actors on a nationwide basis, they could easily

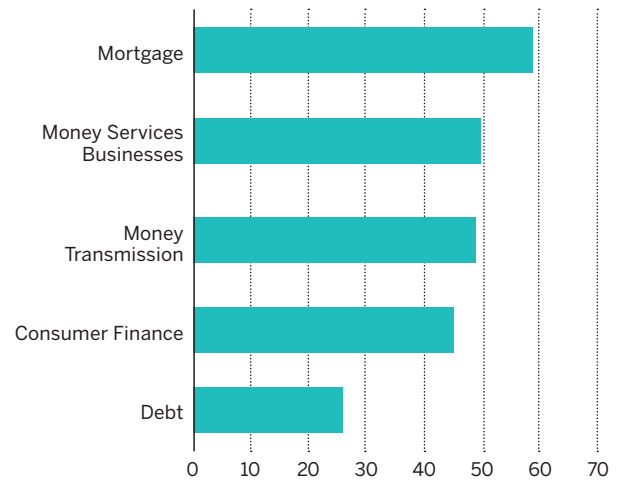
cross the border to another state to continue making fraudulent loans and go unnoticed.

To rectify this gap, state financial regulators conceived a multi-state licensing system. States worked together from 2003 to 2006 to create uniform mortgage license application forms and began building a common licensing platform for states to better manage and monitor licensed mortgage lenders, mortgage brokers, and individual mortgage loan originators doing business in one or multiple states. That became the

Federal Institutions Registered in NMLS by Year



Number of Agencies that Regulate Each Business Activity through NMLS



Nationwide Mortgage Licensing System, or [NMLS](#), which launched in January 2008.

Meanwhile, Congress enacted the Secure and Fair Enforcement for Mortgage Licensing Act, or SAFE Act, on July 30, 2008. The [SAFE Act](#) gave all states two years to pass legislation setting minimum professional standards that required residential mortgage loan originators to be licensed or registered through NMLS and for state agencies to participate in and share licensing information through NMLS. It also required mortgage loan

originators to complete a minimum of 20 hours of pre-licensure education, eight hours of annual continuing education, pass a licensing test, and demonstrate character and financial fitness, through a credit report and FBI criminal background check — all managed and tracked through NMLS. The states met the implementation deadline with time to spare.

The SAFE Act and the state laws implementing it are powerful tools used by regulators to improve consumer protection and maintain the professionalism of state-regulated financial

services industries. Licensees are regularly examined for compliance. Since the launch of NMLS, the states have taken numerous enforcement actions against companies and individuals trying to evade state licensing requirements.

While NMLS started as a means of improving mortgage regulation, it has become a broader platform for improved regulation and consumer protection across a range of financial services. In 2012, we changed the “M” from “Mortgage” to “Multistate” to reflect its expanded scope of serving as the

state licensing platform for debt, consumer finance collection, money services businesses, and multiple other financial services industries.

Technology has moved at a fast clip over the past 15 years. Because of the states’ decision to build and launch NMLS and Congress’s decision to enact the SAFE Act, financial regulation has become more efficient and effective. The result is that Americans can have greater trust and certainty in the financial services providers that they rely upon to help them achieve their financial goals.

State Examination System

CSBS added a supervisory component — known as the [State Examination System \(SES\)](#) — to NMLS in 2020. SES enables multiple states to conduct a single, comprehensive exam of a licensed company. Institutions work with one point of contact and experience fewer exams. In turn, state regulators can deploy supervisory resources more efficiently, access institution-level data from the system, review exams from other state regulators, and, ultimately, ensure institutions are meeting supervisory expectations across multiple states. With more than 50 state agencies using the system, supervisory exams using SES are expected to continue to increase.

In its first three years, state agencies have engaged in more than 6,700 exams through SES. In 2023 alone, state agencies initiated 2,750 examinations through SES.

An SES consumer complaint feature allows states to capture and document the complaint process. In 2023, states processed 1,815 consumer complaints through the system.

Although SES is relatively new, CSBS continues to find ways to improve the platform. This includes deep-dive visits with state regulatory agencies to identify challenges and best practices. SES is a key platform for supporting the states’ goal of greater exam coordination and consistency, including forthcoming mortgage examination standards.

SES Exams Started by Year

Year	Mortgage	Money Services Businesses	Debt	Consumer Finance
2020	202	13	7	39
2021	926	59	90	147
2022	1481	100	133	178
2023	2085	169	182	270

SES Consumer Complaint Monetary Relief Returned Over the Years

*(System Launched in September 2020)**

Years	Monetary Relief Returned to Consumers (updated 1/24)
2020	\$23,772
2021	\$425,446
2022	\$947,846
2023	\$294,849

*18 agencies are using SES to process complaints received by consumers.

ENABLING STATE COORDINATION

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.

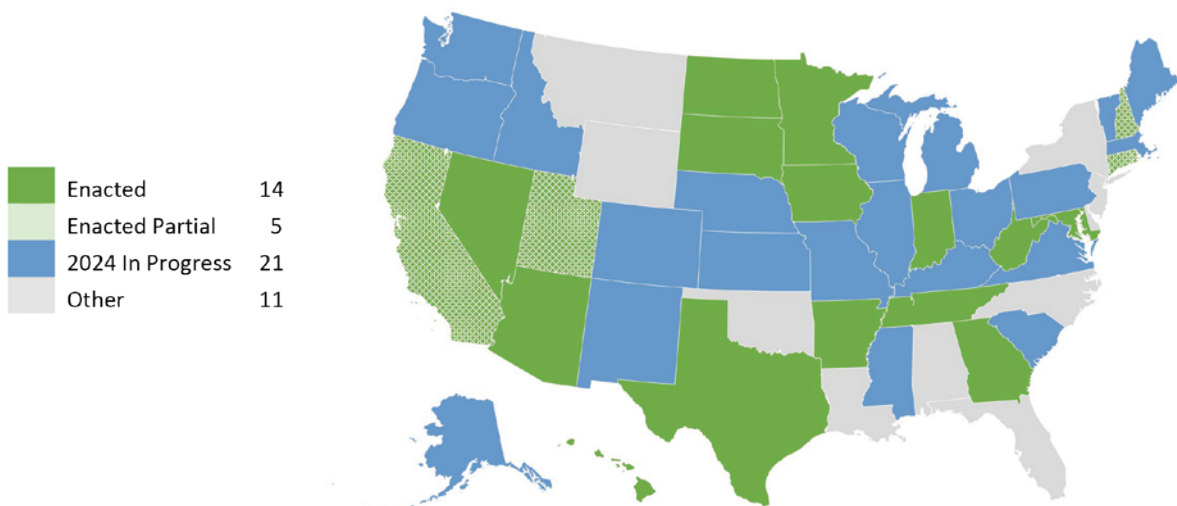
Implementing common standards

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

Money Transmission Modernization Act Adoption*



*As of Feb. 29, 2024

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.

PROMOTING THE VALUE OF COMMUNITY BANKS

State supervisors charter and oversee 79% of the nation's banks and have a uniquely local perspective, understanding the financial needs of the families and businesses that make up their communities. They are focused on consumer protection and safety and soundness, but they also work with their institutions to encourage prudent economic growth and to mature the compliance framework for innovative financial products.

CSBS promotes the value of state-chartered banks through a number of initiatives:

Community Banking Research Conference

We held the eleventh annual [Community Banking Research Conference \(CBRC\)](#), an important partnership with the Federal Reserve System and FDIC, at the St. Louis Federal Reserve Bank in October. Academics, community bankers, and federal and state regulators convened, sharing ideas and research. The impact of the conference has grown over the past decade, as lawmakers and federal policymakers increasingly cite the research it generates.

A paper on regulatory risk perception earned the John W. Ryan Award for Most Significant Contribution to Community Banking Research at the 2023 conference. The paper, authored by Siddharth Vij with the University of Georgia-Terry College of Business and Joseph Kalmenovitz with the University of Rochester-Simon Business School, showed how the misperception of risk affects the ability of small businesses to obtain access to credit.



▲ President and CEO Jim Cooper presents the John W. Ryan award at the Community Banking Research Conference.

The award is named after former CSBS President and CEO John Ryan, a champion of the dual-banking system and one of the founders of the conference.

CSBS Annual Survey of Community Banks

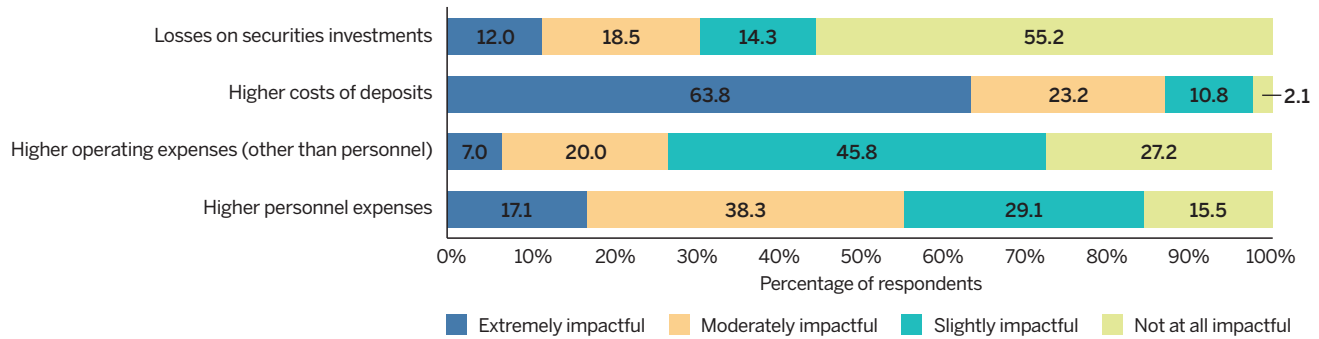
Respondents to the tenth annual [CSBS Annual Survey of Community Banks](#) showed concerns about the impact of high interest rates and the threat of cyber-attacks.

CSBS canvassed more than 460 community banks with less than \$10 billion in total assets for the survey findings, released at the Community Banking Research Conference. The survey captures community bankers' views on key risks, compliance costs, technology, competition, and liquidity and funding, among other areas.

In 2023, net interest margins, cost of funds, and core deposits rated as the highest external concerns for community bankers. More than 86%

2023 Annual Survey of Community Banks

How would you rank the following effects of inflation on your bank in terms of level of impact?



of respondents named cost of funds as either extremely or very important, up from the 48% who said so last year. Core deposits were not far behind, with 83% of respondents naming core deposit growth extremely or very important, up from 38% a year ago. However, while the majority of respondents viewed the challenges created by inflation as likely to persist, three-quarters viewed these challenges as manageable.

Meanwhile, community bankers ranked cybersecurity threats as their top internal concern once again. And 83% of respondents cited

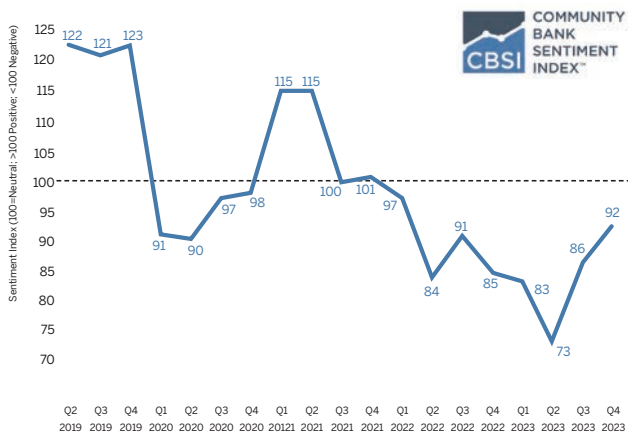
liquidity concerns as extremely or very important compared to 35% a year ago. Nearly all banks surveyed identified adopting new or emerging technologies as important but cited costs and implementation as the largest impediments, followed by core service provider limitations.

Community Bank Sentiment Index

CSBS polls community bank leaders across the nation every quarter to share their thoughts on future economic conditions in seven areas for the [Community Bank Sentiment Index \(CBSI\)](#). Their answers are analyzed and compiled into a single number, with 100 being neutral. Quarterly results are included in the [Federal Reserve Economic Data](#), the online database maintained by the Federal Reserve Bank of St. Louis known informally as the FRED and widely used by economists, policymakers, researchers, and other public stakeholders.

Community bankers expressed a pessimistic outlook in 2023 but showed a slight uptick for the last two quarters, closing out at 92 points. Monetary policy had the greatest quarterly improvement. They revealed particular concerns in four components: regulatory burden, monetary policy, future business conditions, and future profitability.

CSBS Community Bank Sentiment Index



CSBS Student Competitions

Investing in the workforce of the future is fundamental to state regulation. To support this, CSBS sponsors two student competitions that encourage university students to engage in community banking. For the [2023 CSBS Community Bank Case Study Competition](#), student teams examined how local community banks are recruiting and retaining talent, approaching succession planning, and using technology to advance operations. The winning case study was presented at the Community Banking Research Conference and published

in the [CSBS Journal of Community Bank Case Studies](#). Thirty-two student teams representing 28 colleges and universities competed in the competition, which has been held since 2013.

The [CSBS Data Analytics Competition](#) creates another avenue for students to learn about community banking. The 2023 competition challenged students to develop a data analytics model that examines the potential impact of the recent rapidly rising interest rate environment on banks and to provide insights on how they should prepare. The top four teams received monetary awards.



▲ CSBS 2024 Case Study Winners Presented at Community Banking Research Conference: (l-r) Kansas City Fed President and CEO Jeffrey Schmid; CSBS Executive Vice President of Policy and Supervision Karen Lawson; St. Louis Fed Senior Vice President Carl White; Federal Reserve Board Governor Michelle Bowman; Dr. Mark Farley, UT-Martin advisor; Dr. Lajuan Davis, UT-Martin advisor; CSBS Chair Lise Kruse; Ben Arnold; Commercial Bank & Trust President and COO Clint Davis, Cole Hollis, Dan Hoffman, Traci Crawford, U-T Martin program specialist, John Clark, UT-Martin advisor.

2023 CSBS Community Bank Case Study Competition Winning Teams

First: University of Tennessee-Martin with Commercial Bank & Trust Company (Paris, Tenn.)

Second: Iowa State University with Peoples Savings Bank (Indianola, Iowa)

Third: Messiah University with LinkBank (Camp Hill, Penn.)

2023 CSBS Data Analytics Competition Winning Teams

First: William & Mary

Second: Kennesaw State University

Third: Carnegie Mellon University

ADVOCATING FOR THE STATE REGULATORY SYSTEM

CSBS continues to advocate for state authority as policymakers discuss and debate the role of regulation in a rapidly evolving financial services sector.

The House Financial Services Committee passed the [Bank Service Company Examination Coordination Act](#) in February 2023, priming the bill for full passage during

CANTERO v. BANK OF AMERICA

In December, CSBS and the American Association of Residential Mortgage Regulators jointly filed an [amicus brief](#) in support of the petitioners to the U.S. Supreme Court in the case of *Cantero v. Bank of America*. The implications of *Cantero* extend well beyond state laws requiring interest payments on certain escrow accounts, raising fundamental questions about the ability of the federal government to preempt state consumer protection laws — indiscriminately and without justification.

the current Congress. Along with a coalition of partners, CSBS also helped advance the Senate Banking Committee's first passage of [cannabis banking](#) safe harbor legislation.

CSBS continues to closely monitor federal policy proposals and advocate against those that undermine state authority and the dual banking system. In particular, we have sought to serve as a check on the CFPB's expansive regulatory ambitions. We opposed the CFPB's [proposed registry](#) for nonbanks, arguing it would be largely duplicative of NMLS, provide little benefit to consumers, and increase regulatory complexity, confusion, and cost for the industry. Our advocacy has spurred an ongoing dialogue with the agency about the registry's role and interconnections with state regulators.

State regulators took issue with the CFPB's proposal to implement [Sec. 1071](#) of the Dodd-Frank Act, which requires covered financial institutions to collect and report data on applications for credit for small businesses. The final rule adopted several CSBS recommendations: increasing the minimum threshold of originations for a financial institution to be subject to the data reporting requirements, reducing duplicative reporting requirements, and lengthening the implementation timeframe to reduce burden on smaller institutions.

When the Federal Reserve System recently began publishing a database of financial institutions with access to Federal Reserve Bank master accounts and services, it notably adopted and implemented our request to publish a financial institution's "tier" designation as part of that public master account database, bringing needed transparency to a traditionally opaque process.

CSBS AND CONGRESS

CSBS serves as a conduit through which states can connect with their federal policymaking counterparts — both at federal agencies and in Congress. The Government Relations Fly-In welcomes state regulators from across the country for two days of meetings and engagements with federal

agency leaders and D.C. advocacy experts.

The CSBS Day on the Hill featured speakers from both the House Financial Services Committee: Ranking Member Maxine Waters (D-CA), Rep. Ritchie Torres (D-NY), and Rep. French Hill (R-AR), and the Senate Banking Committee: Sen.



▲ House Financial Services Committee Chair Maxine Waters (D-CA) addresses state regulators at the CSBS Governmental Fly-In.



▲ Arkansas Bank Commissioner Susannah Marshall welcomes Rep. French Hill on Hill Day.

Katie Britt (R-AL), Sen. Jon Tester (D-MT), and Sen. Thom Tillis (R-NC).

Our congressional speakers addressed the hot issues of the day, including the response to state bank closures, cryptocurrency and stablecoins, cannabis banking, and international issues.

Our members also met with their home state congressional delegations, discussing the importance of state and federal coordination on issues like the [Bank Service Company Examination Coordination Act](#) (S.1501/H.R.1109) and emerging technologies like stablecoins.

SUPPORTING PARTNERSHIPS IN SUPERVISION

Effective financial regulation requires strong relationships among states and between state and federal regulators. These relationships form the basis for coordination and collaboration across a range of supervisory tools and processes.

In October 2023, CSBS announced that 44 state financial agencies had reached [settlements with](#)

[ACI Payments, Inc.](#), for erroneously initiating electronic transactions totaling \$2.3 billion from the accounts of 480,000 mortgage-holders serviced by Mr. Cooper (formerly known as Nationstar Mortgage, LLC). State regulators levied \$10 million in fines through a multistate enforcement action led by regulators from Arkansas, Connecticut, Maryland, and Texas, with support from CSBS.

CSBS continues to pursue collaborative partnerships with federal agencies where there is shared jurisdiction. Whether the focus is on mortgage supervision and coordination with CFPB and the Federal Housing Finance Agency, or Bank Secrecy Act/Anti-Money Laundering supervision and coordination



▲ First Hawaiian Bank after the Maui fires.

MAUI FIRES

On Aug. 8, 2023, wildfires broke out across the Hawaiian island of Maui, causing widespread damage particularly in the town of Lahaina on Maui's northwest coast. Scores of people died, and the town of Lahaina was devastated. Burning at approximately 2,000 degrees Fahrenheit, the fires obliterated all infrastructure, destroyed the local banks and schools, and burned thousands of homes and

with FinCEN, establishing strong working relationships is a priority for CSBS. In 2023, we advanced conversations with federal agencies by highlighting state authorities and driving awareness of the disruptions to regulators and industry when there is a lack of coordination among supervisors.

CSBS shares data from our [Annual Survey of Community Banks](#) with the FDIC, which applies it to the FDIC Community Bank Study, a widely used and relied-upon resource in the banking community. Specifically, the data CSBS provides is central to the FDIC's exploration of how community banks use technology.

Industry engagement has been and continues to be a priority of state regulators to maintain

strong relationships and gather feedback on important issues. The CSBS Bankers Advisory Board, comprised of community bank CEOs, advises the CSBS Board of Directors in pursuit of the organization's goals and to provide industry input on current issues.

*“State regulators have a clear mission to protect consumers and support a safe and efficient financial services market... we will not tolerate any actions or practices that jeopardize consumers’ safety or prosperity,” said **CSBS Chair Lise Kruse regarding the ACI Payments, Inc. settlement.***

businesses. The resulting stress to the island's financial system included the loss of jobs, records, and means for residents to pay loans, including mortgage loans.

Over the weekend following the fires, CSBS staff formed a state-federal work group known as the Maui Wildfire Mortgage Response Team. Leadership from over 30 federal regulators and from five federal housing agencies convened with the Hawaii Department of Financial Institutions within days of the disaster and continued to meet weekly through November.

Hawaii Commissioner of Financial Institutions Iris Ikeda facilitated two “boots on the ground” events where representatives of state and federal agencies and mortgage servicers met directly with victims to hear their stories and to provide relief in the form of mortgage forbearance. While the response was immediate, exhibiting the best of coordination between state and federal agencies, the recovery from the devastation is expected to take years.

STATE REGULATION AND INTERAGENCY ENGAGEMENT

CSBS supports state-federal coordination across a range of supervisory and regulatory structures and work streams. Decades of engagement with the federal banking agencies informed CSBS's efforts to ensure that the law creating the CFPB codified coordination with state regulators. For more than a decade, the states have been leaning into that partnership through supervisory efforts, information sharing, and enforcement through a coordinated supervision framework and information sharing agreements.

State financial regulators and the state regulatory perspective also are integrated into regulatory councils and committees. The key interagency bodies and state regulatory participants are:

Financial Stability Oversight Council: a body chaired by the U.S. Treasury Secretary to monitor for risks to the financial system's stability.

- New York State Department of Financial Services Superintendent **Adrienne Harris**

Federal Financial Institutions Examination Council: a body of federal and state financial regulators charged with setting examination standards. State Liaison Committee representatives are:

- Texas Department of Banking Commissioner **Charles G. Cooper**, Chair

- Ohio Division of Financial Institutions Superintendent **Kevin Allard**
- Deputy Superintendent of the New York Department of Financial Services **Yolanda Ford**
- Montana Division of Banking and Financial Institutions Commissioner **Melanie Hall**
- Arkansas State Bank Department Bank Commissioner **Susannah Marshall**

Financial and Banking Information

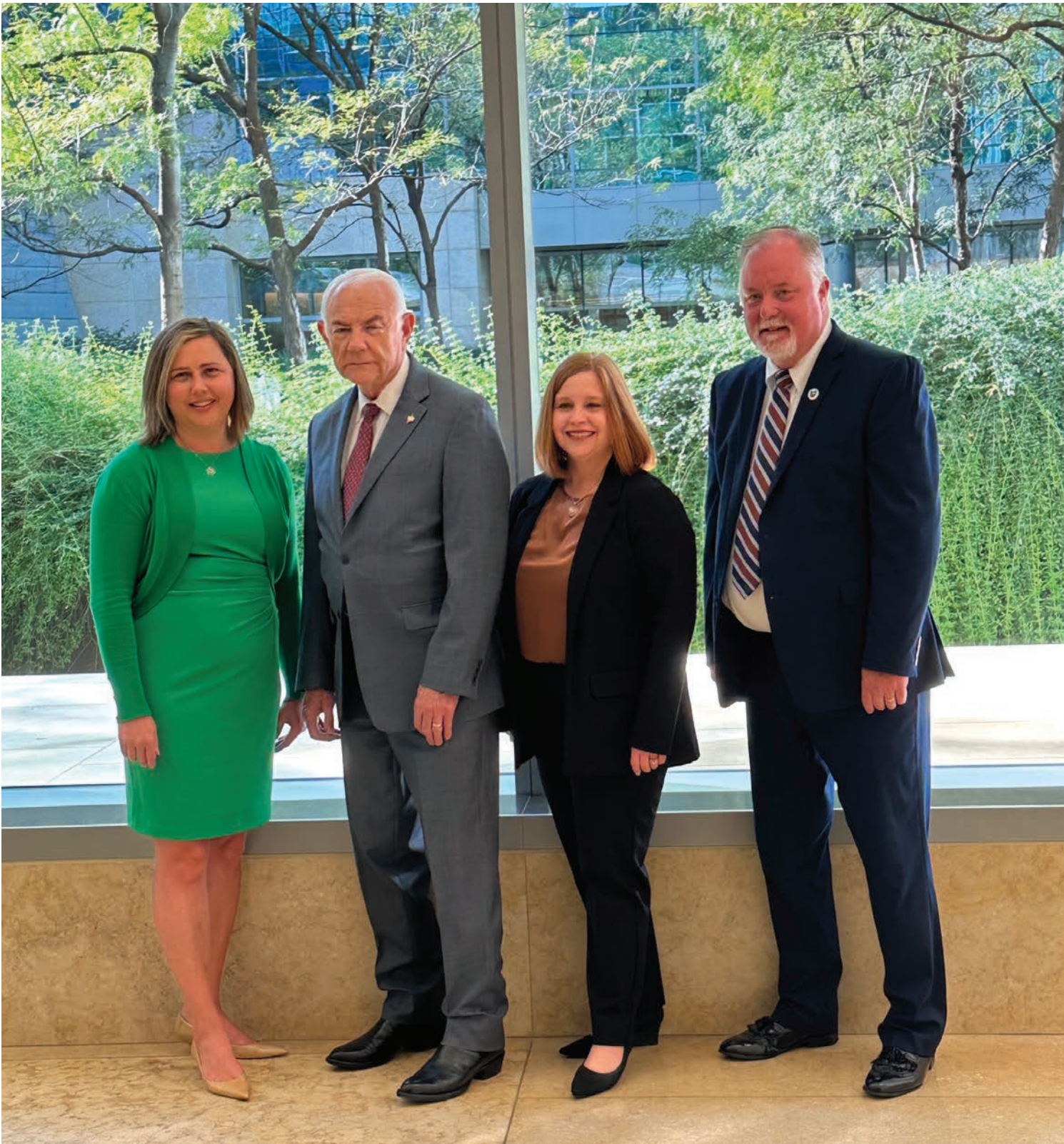
Infrastructure Committee: a group of federal and state regulators charged with improving coordination and communication among financial regulators, promoting public-private partnerships within the financial sector, and enhancing the resiliency of the financial sector.

- Texas Department of Banking Commissioner **Charles G. Cooper** (CSBS Principal)
- Ohio Division of Financial Institutions Superintendent **Kevin Allard** (American Council of State Savings Supervisors Principal)

Interagency Supervisory Processes

Committee: a committee of senior state, Federal Reserve, and FDIC bank regulators who meet quarterly to discuss coordination and collaboration on supervisory matters and examination tools.

- Indiana Department of Financial Institutions Deputy Director **Christopher Dietz**
- Georgia Department of Banking and Finance Deputy Commissioner for Supervision **Melissa Sneed**
- Iowa Division of Banking Bank Bureau Chief **Shauna Shields**
- West Virginia Division of Financial Institutions Commissioner **Dawn Holstein**



▲ FFIEC SLC Members Melanie Hall (MT), Charles Cooper, Chair (TX), Susannah Marshall (AR), and Kevin Allard (OH). Not pictured: Yolanda Ford (NY)

EMPOWERING INNOVATION

As the financial services industry rapidly evolves in volume and complexity, CSBS is creating data, technology, and analytical products to help state regulators anticipate and mitigate risk within the financial system.

Harnessing the Power of Data

CSBS's research and analytics services and products act as a force multiplier, giving states the information they need to accomplish more despite time and resource constraints. Whether it is helping states create risk-prioritized exam schedules, consolidating key metrics in an easy-to-read and navigate dashboard, or delving into the inner workings of the NMLS

data structures, we are empowering states to create a modern and data-driven state system.

We provide training, learning resources, and individualized support to help state regulators interpret data provided by the entities they regulate. We also provide data insights through blogs, academic papers, podcasts, and presentations at partner-led events, such as the American Association of Residential Mortgage Regulators Annual Conference.

Training, certification, and accreditation

CSBS supports the professional excellence of state financial supervision through training, professional development, certification, and accreditation.

Training

CSBS offers state examiners cutting-edge training for today's fast-paced financial

CSBS DATA AND ANALYTICS AT- A-GLANCE

In 2023, more than 1,000 state regulators accessed CSBS research and analytics products in over 17,000 separate sessions across 49 states (64 state agencies for non-depository analytics). The services range from providing ad hoc data support

to the development of comprehensive surveillance dashboards through the facilitation of system working groups, committees, and task forces. To maximize the value of its offerings — CSBS categorizes this work into several core functional categories:



industry. Our in-person and online programs range from basic examiner training and continuing education to executive programs for senior department personnel. We also collaborate directly with state banking departments to develop, deliver, and manage all aspects of professional development and training programs that can be customized, held in-state or regionally, and competitively priced to keep training costs as affordable as possible.

In 2023, CSBS completed nearly 50 training and professional development programs for more than 1,500 examiners, including mortgage examiner training programs for origination and servicing examinations and for examiners-in-charge of multi-state mortgage examinations. We partnered with third parties to deliver high quality training on cryptocurrency. In addition to in-person examiner schools, we offer many courses in a live virtual format to minimize financial

and geographic barriers and to provide alternatives to traditional content delivery.

Examiner Certification Program

The [CSBS Examiner Certification Program](#) is a voluntary program designed to recognize and promote the professionalism and highly specialized skillsets of state financial regulatory agency personnel. Established more than 30 years ago and overseen by the CSBS Education Foundation's Certification Committee, the program offers 31 different credentialing opportunities to our state regulatory members, covering bank safety and soundness, mortgage, money services businesses, trust, IT/cyber, and other specialty areas. In 2023, more than 1,150 state regulators from 47 agencies in 42 states actively participated in the program.

- Financial analysis tools** allow in-depth analysis of individual institutions (e.g., Depository Deep Dive) and industry or segment analytics (Call Report analysis, SES exam analytics)
- Continuous monitoring tools** like RISCI and mortgage dashboards allow regulators to monitor entire portfolio performance on an ongoing basis and between exam cycles (Risk Identification
- Training and education efforts** (Virtual Day One Analytics Training, In-Person Report Design and Creation) help regulators improve skills and knowledge, supporting a data-driven approach to supervision
- Targeted local economic reporting** helps regulators become experts in the markets in which their institutions operate
- Industry overviews** like State At-a-Glance and the Industry Composition report help regulators understand larger trends driving performance of their individual institutions and calibrate their performance to industry benchmarks
- Research** explores and evaluates data, analytical methodologies, technologies, and economic/social dynamics that might affect supervised institutions and their regulators
- Member data tools** help states manage their respective agencies and provide support with important initiatives such as resource planning

Accreditation

CSBS provides three accreditation programs that evaluate a state agency's ability to meet its obligations as a bank, mortgage, and/or MSB regulator. States undergo a process of self-assessment and a review by former peer regulators to earn the accreditation every five years. The accreditation program promotes a common framework for state supervision, process standardization, and best practices.

As of Dec. 31, 2023



45
state
agencies
hold bank
accreditation



31
state
agencies
hold
mortgage
accreditation



10
state
agencies
hold MSB
accreditation

STRENGTHENING CYBERSECURITY

Working with the Bankers Electronic Crimes Task Force and the United States Secret Service, state supervisors released [Ransomware Self-Assessment Tools \(R-SAT\)](#) for both banks and nonbanks in 2020. R-SAT helps financial institutions assess how they can mitigate ransomware risks and identify other cybersecurity gaps.

In October 2023, we released a new,

updated R-SAT for banks to address new risks associated with ransomware attacks and identify security gaps. The updated R-SAT incorporates insights from cybersecurity experts, feedback from financial institutions, and lessons learned from analyzing real-life ransomware attacks.

While financial institutions may have good cybersecurity practices in place,

rapid advancements in ransomware techniques and the potentially devastating consequences of a successful attack require every financial institution to review and update their ransomware-specific controls. The updated R-SAT places an increased emphasis on topics such as multi-factor authentication, employee awareness and security training, cloud-based systems or activities, and the identification of control risks that have not been mitigated to an acceptable risk level.

An industry-wide [webinar](#) hosted by CSBS briefed bankers on the

updated tool, covering the specific changes to the R-SAT, research, and insights from the industry that led to these changes, and how banks can most effectively leverage the tool to protect their institutions and customers.

State regulators continue to be proactive and adaptive to the needs of the diverse banking system. Updates to the R-SAT are yet another example of state regulators empowering their institutions with tools to protect our financial system and the customers it serves.

ENGAGING WITH MEMBERS

During 2023, our member events saw the most in-person attendance since the pandemic. The State Federal Supervisory Forum in Philadelphia marked the first time many of the federal financial regulators had convened in person since the pandemic. Our Government Relations Fly-In had record attendance, and we convened 53 state regulators for a thoughtful strategic planning retreat in Medora, N.D., that encouraged attendees to consider how they can contribute to Networked Supervision. Our Fall Regulatory Summit brought together more than 100 regulators from across the country. We held a successful Community Banking Research Conference in partnership with the Federal Reserve System and FDIC. And we ended the year with our Supervisors Symposium, which convened our members for sessions covering several timely topics including current banking industry conditions, banking as a service, and anti-money laundering.

CSBS staff responded quickly and thoroughly to support state regulators when the banking sector faced turmoil in March 2023. CSBS provided our members with critical data on the industry and the banks they supervise, communications support, and frequent updates and convenings to stay informed. We continue to monitor and respond to a range of policy and supervisory responses to the closures.



▲ CSBS Chair Lise Kruse welcomes Federal Reserve Bank of Philadelphia President Patrick Harker at the State Federal Supervisory Forum

CSBS CHIEF ECONOMIST

The CSBS chief economist regularly shares economic research and analytical updates with members at District meetings, examiner trainings, and regulatory conferences. These presentations, along with [frequent blogs](#) and [podcasts](#), highlight

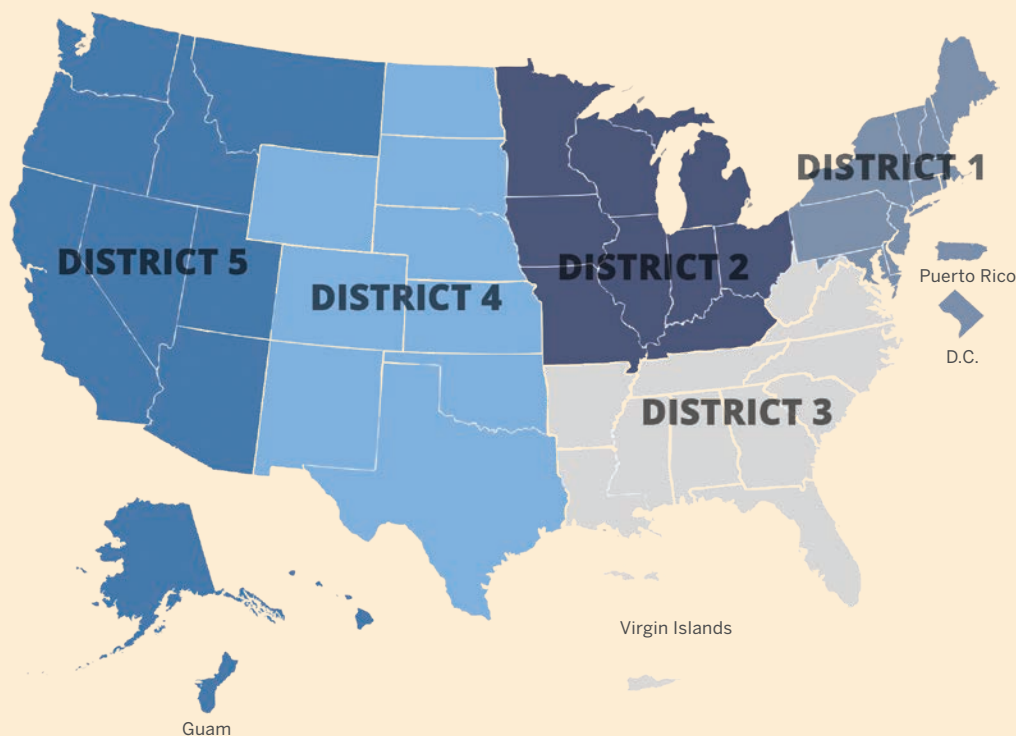
relevant economic data and trends, with the focus in 2023 mainly on recession probabilities, the Fed's pursuit of a "soft landing," regional bank liquidity concerns, commercial real estate risks, and community banker sentiment.



▲ CSBS Economist Tom Siems addresses examiners in Connecticut

CSBS DISTRICT MAP

The Board of Directors organizes its membership into geographical regions, known as CSBS Districts. The Districts meet biannually to report and discuss regional issues with peers and federal counterparts.



SUPPORTING OUR PEOPLE

CSBS was certified as a [Great Place to Work®](#) in 2023 for the fifth year in a row. Each year we find new ways to improve opportunities and culture for staff.

Our Diversity Council is comprised of employee resource groups that enhance CSBS culture by encouraging a supportive workplace for all employees and members of specific demographics. The groups are open to all staff members and include:

- CSBS Diversity Network Employee Resource Group
- Black Employee Resource Group
- Asian American Pacific Islander Employee Resource Group
- Pride – LGBTQIA+ Resource Group
- Womxn Interactive Network

In 2023, CSBS employee resource groups held culturally aware events celebrating the Cherry Blossom Festival, Pride Month, and Diwali. They also created a Juneteenth cookbook and held a cycle fundraising challenge for the Children’s Cancer Fund.



▲ (Top) CSBS staff celebrated the Cherry Blossom Festival in February.

(Bottom) In November, CSBS staff shared the tradition of Diwali, the Hindu celebration of lights.

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The State Regulatory Registry Board of Managers oversees the development and operation of NMLS.



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The CSBS Education Foundation funds and directs education and training efforts. The Education Foundation sponsors professional training programs specifically designed by and for state banking department examiners and senior staff.



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