Run of Show
Preview of Taskforce Report with Federal Partners
January 4, 2021 via WebEx
Washington, DC
Comprehensive Version

Monday, January 4, 2021

4pm–5pm	**Preview of Taskforce Report with Federal Partners**

4:00pm – 4:12pm	**Welcome & Opening Remarks** • **Nat Weber, Staff Director** • **Todd Zywicki, Taskforce Chair**

4:00pm–4:02pm	**Taskforce Staff Director, Nat Weber Speaking**

Commented [WN(1]: Recommendations are not Bureau policy, the Director will determine which of these to act on.

- Good afternoon everyone. Thank you for joining today's preview of the CFPB Taskforce on Federal Consumer Financial Law report. My name is Nat Weber and I serve as Staff Director for the Taskforce, here at the Bureau.

- Before we get started, I want to remind all of you that this event is closed press, off the record, not for attribution in social media, and open to invitees only.

- I want to thank the members of the Taskforce for their work over the last year and to you, our federal partners as we worked to formulate this report. The listening sessions we held with you and other stakeholders were immensely helpful. The final report will be released to the public tomorrow afternoon in an event attended by Director Kraninger and moderated by Consumer Advisory Board

Chair Eric Kaplan. In advance of this public release, we wanted to preview the report with all of you.

- I'd like to briefly share the agenda of today's preview. First, we will hear from Taskforce Chair, Todd Zywicki, who will explain the format of the report and highlight its major themes and takeaways.

- Then the majority of our time will be spent hearing from the rest of the Taskforce in a discussion moderated by Todd. This discussion will look at the key recommendations featured in the report, particularly those involving the work done in your own agencies. We've broken the discussion out into three key themes, with about 15 minutes per theme.

- With that, I am now pleased to introduce Taskforce Chair Todd Zywicki.

- Todd, the floor is yours.

4:02pm–4:12pm	**Taskforce Chair, Todd Zywicki Speaking**

Commented [RA(2]: I and Ashlie believe this should be five minutes, more time for Q&A and time at end for questions from federal partners

- Thank you, Nat.

- Good afternoon, everyone. Thank you for joining this preview of the Taskforce on Federal Consumer Financial Law's report.

- My name is Todd Zywicki. As some of you may remember from our listening sessions, I serve as the Chair of this Taskforce.

- I am going to keep my comments brief but will provide a short background on what the Taskforce has accomplished in the year since it's start; as well as some of the themes and takeaways from the report we'll be covering today. Before that, I would like to introduce the members of the Taskforce.

- I am joined on the Taskforce by Jean Noonan, Bill MacLeod, Tom Durkin, and Howard Beales. Each member of the Taskforce has committed their career to improving the health of America's financial system and consumer protection, and each has a record of public service.

- Before I get into the report itself, I want to echo Nat's thanks to all of you for your partnership over the last year through our listening sessions and other solicitations for information. The insights you provided were an immense help to us as we crafted this report.

- Because of this partnership, we're sharing a preview our report before it's public release tomorrow afternoon. We hope to cover a wide array of our recommendations, particularly those related to your agencies as you move forward.

- As a refresher, the Taskforce examined the existing legal and regulatory environment facing consumers and financial services providers and is now publishing a two-volume report of our findings and recommendations.

- The first volume of the Taskforce's report includes thirteen chapters regarding financial products and services. These chapters explore the history of consumer financial law and assess the current consumer financial regulatory framework

- The Taskforce used the insights gained from the first volume to develop a second volume that includes a set of recommendations for the Bureau on ways to harmonize and modernize the application of financial laws and regulations.

- Overall, the report's major themes touch on protecting consumers, increasing competition, expanding access to credit, spurring innovation and ~~reducing friction in financial markets~~modernizing the regulatory framework. By focusing on these core themes, we believe the Bureau can well positioned as it enters the "technology era"

Commented [WN(3]: Prior to this, let's talk about the 50 year cycles (modern consumer credit, NCCF, now us)

[PAGE * MERGEFORMAT]

- Beyond those themes, we hope you can leave this preview with the following takeaways about what the report asserts

- Consumer protection enhances the financial marketplace by establishing trust by fighting against fraud and deception

- Information and education are necessary for consumers to understand, trust, and navigate the financial marketplace

- Competition and innovation are critical to financial consumer protection and access to affordable credit and lead to the evolution and creation of products and services that meet the needs of consumers given they are cheaper and/or more convenient.

- Regulatory modernization and flexibility are required to ensure that the law and the regulatory agencies and judicial system that enforce them continually evolve to reflect the everchanging consumer financial services landscape and the needs of consumers.

- With that in mind, I'd like to hear from the rest of the Taskforce about the key recommendations we'd like to highlight for you and why we've crafted them. Hopefully, they'll be relevant and helpful to you as we move forward with our public release tomorrow.

4:12pm – 4:57pm	**Q&A with Taskforce,** • **Todd Zywicki (Moderator)** • **Jean Noonan** • **Bill MacLeod** • **Tom Durkin** • **Howard Beales**

4:12 pm–4:27pm	**What excites you most….**

- We've chosen to break up our discussion up into three segments that focus on varying themes from the report. But before getting into that, I'd first like to hear from our members about what they're most excited about in the report? Let's first hear from Jean.

	Jean speaks about what he's excited about

- Insert Jean talking point

- Insert recommendations that can be referenced

  [Todd transitions to Bill]

	Bill speaks about what he's excited about

- Insert Bill talking point

- Insert recommendations that can be referenced

  [Todd transitions to Tom]

	Tom speaks about what he's excited about

- Insert Tom talking point

- Insert recommendations that can be referenced

  [Todd transitions to Howard]

	Howard speaks about what he's excited about

- Insert Howard talking point

- Insert recommendations that can be referenced

  [Todd transitions to saying what he's excited about]

	Todd speaks about what he's excited about

- Insert Todd talking point

- Insert recommendations that can be referenced

4:27 pm–4:37pm	Theme #1: Consumer Harm

- And now that we've heard from our Taskforce about what they're most passionate about in this report, let's dig deeper. The first theme of the report we'd like to focus on is our belief that consumer protection should focus on the prevention of consumer harm. The report notes that the current consumer protection regime may be overly focused on disclosing risks to consumers but not necessarily the prevention of consumer harm. The report offers several examples of how the Bureau and other stakeholders can refocus their efforts on preventing consumer harm.

  [Todd opens theme up to discussion]

Commented [RA(4]: Considering the discussion over what consumer harm means, this should be reviewed

Theme Talking Points

- Overviews of concepts in Chapters 6 & 11 (Howard)
  - Privacy and disclosure recommendations seek to put the onus on companies to determine what leads to consumer harm and provide useful information on which consumers can act
    - Why this is ineffective
    - Recommendations to refocus on defining and mitigating consumer harm
      - Study ways to make disclosures more effective (e.g. perils of information overload)

        - Examine opportunities to use information to improve consumer protections (e.g. data triangulation)
- *Transition to Supervision and Enforcement Recommendations* (Todd)
    - e.g. "TF recommendations also discuss opportunities for regulators to use their supervisory authority to address consumer harms. Jean what are some ways regulators can refocus to rooting out consumer harms in an exam setting?"
- Supervision and Enforcement Recommendations (Jean)
    - Exams should focus on what institutions do not how they do it
        - Example: using CMS as primary examination method akin to grading a student based on how s/he studies vs. performs on an exam
        - TF suggests limiting the use of compliance monitoring exams to encourage the Bureau to focus on exam structures that review actual practices of regulated entities
        - Recommendations on limiting compliance management systems should lead to more exams that focus on what institutions do, and not how they do it, which will provide more well-rounded exams
- *Transition to CBA Discussion* (~~Todd~~Tom?)
    - (e.g. "Cost-benefit analysis can assist regulators with prioritizing and streamlining efforts to prevent consumer harm")
    - Role of CBA analysis

- Regulatory effectiveness means allocating limited resources to the areas that will best protect consumers.
- Cost-Benefit Analysis is the best way to ensure the biggest consumer harms are the top priorities of the Bureau
- Recommendation to create Office of Strategy and Policy at the Bureau to improve CBA considerations and ensure Bureau actions are not anti-competitive

4:37pm – 4:47pm	Theme #2: Financial Inclusion

- Thank you [Taskforce member]. ~~Moving onto our second theme~~Another topic we discussed at length amongst was financial inclusion. ~~, we want to turn the discussion to promoting financial inclusion.~~ Financial inclusion covers an array of topics from advocating competition to fighting discrimination to providing consumers with financial education. We believe all of these efforts are central to ensuring everyone is included in the financial marketplace.

Theme Talking Points

- Role of competition (Bill)
    - Competition advocacy should be a central focus of the Bureau as competition helps ensure consumer protection while enhancing consumer welfare.
        - Competition and innovation leads to greater consumer choice, increased financial inclusions, and lower prices.

- Competition has historically protected against the devastating impacts of discrimination.

  - Fighting discrimination should lead to increased financial inclusion
    - Should address laws that unnecessarily hinder inclusion in a way that balances need for consumer protection
    - Example: perils of CARD Act and Durban Amendment
    - Role of ECOA and Recommendation for expansion of the law
- Providing consumers with information and financial education is essential to improving competition (~~Todd~~Howard)

4:47pm – 4:57pm	Theme #3: Innovation

- Thank you [Taskforce member]. Now onto our final theme which covers innovation, something that we believe goes hand-in-hand with financial inclusion. In general, the report advocates modernizing regulations and flexibilities that will promote innovation.

Theme Talking Points

- Report advocates for regulatory modernization and flexibilities that will promote innovation (~~Todd~~Jean)

  - Principle-based rules will allow the Bureau to accommodate fintech while preserving consumer protections
    - Example – Treatment of pre-paid cards as debit or credit products reflects inflexible

regulatory regime that imposes requirements not rooted in preventing consumer harm.
    - Principle-based rules could enable a regime to make signing disclosures faster, more convenient, and assist with responding to emergencies

- Fintech's role in increasing inclusion (Todd)
    - FinTech making credit available to consumers who currently do not have access to financial products/services
    - FinTechs offer products/services at cheaper cost to consumers who are not served by traditional providers

- Fintech chartering (~~Todd~~Bill)
    - Why is fintech chartering a benefit to consumers?
        - Chartering would increase competition, eliminate redundancies of 50-state regulation, and increase uniformity in consumer protection standards (balancing need to protect against unfair, abusive, discriminatory practices with the need to maintain opportunities to access products/services fintechs provide)
    - Options for chartering
        - Dual chartering
        - Bureau to issue charters
        - OCC charters

Todd: If you have time, open the floor for questions from federal partners. If not, wrap up.

- Thank you XXX. I regret that we are running out of time. Before we wrap up, I'd like to open the floor for any questions from our federal partners. Hopefully, we've covered a diverse set of recommendations today.

- Once again, I'd to thank all of you for your partnership and support over the last year and for your attendance today. Please be on the lookout for the release of our report, tomorrow at 1pm Eastern.

- This concludes today's preview event

END EVENT, 5pm, January 4, 2021