Run of Show
Taskforce Report Public Rollout
January 5, 2021 via WebEx
Washington, DC
Comprehensive Version

Tuesday, January 5, 2021

1pm–2:15pm	**Taskforce Report Public Rollout**

1:00pm – 1:13pm	**Welcome & Opening Remarks** • **Andrew Duke, Policy Associate Director** • **Kathy Kraninger, Director**

1:00pm–1:03pm	**Policy Associate Director, Andrew Duke Speaking**

- Good afternoon everyone. Thank you for joining today's release of the Bureau's Taskforce on Federal Consumer Financial Law report. My name is Andrew Duke and I serve as Associate Director for the Division of Consumer Education and External Affairs, here at the Bureau.

- I want to thank the members of the Taskforce for their work over the last year. They have expended considerable thought, time and energy toward the goal of improving and strengthening consumer financial laws and regulations. And I'm grateful for their willingness to serve on this Taskforce.

- I'd like to briefly share the agenda of today's event. First, we will hear from Director Kathy Kraninger, who will introduce the report to us – followed by Taskforce Chair, Todd Zywicki

who will provide additional remarks and insight about the report.

- We will then, spend a majority of our time hearing from the members of the Taskforce in a discussion moderated by the Consumer Advisory Board Chair, Eric Kaplan.

- With that, I am now pleased to introduce Director Kraninger.

- Since joining the Bureau in 2018, Director Kraninger has been committed to engaging with stakeholders, working in a transparent way to modernize our consumer financial laws. This Taskforce and its report is a reflection of that commitment. A year after its formation, I'm pleased that she can join us today to celebrate and highlight the work of this Taskforce as we now consider their recommendations.

- Director Kraninger, the floor is yours.

Commented [DA(1]: Have we used this before?

Commented [WN(2R1]: No, this was proposed new language.

1:03pm–1:13pm	Director Kraninger Speaking

Director's Remarks will be delivered separately.

1:13pm–1:20pm	**Taskforce Chair, Todd Zywicki Speaking**

Commented [WN(3]: Themes currently not included in Dir or Chair remarks. The 50-year cycles, why this effort continued through the pandemic, the intended use of the report, and the makeup of recommendations (audiences not entirely the Bureau, these are not Bureau positions, etc).

- Thank you so much for your kind words and support Director Kraninger. Good afternoon, everyone. Thank you for joining us as we discuss the Taskforce on Federal Consumer Financial Law's report and associated recommendations.

- My name is Todd Zywicki. 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 its start; explain why this effort to review and modernize the financial regulatory framework was timely; and then I will share some of the themes and takeaways from the report. Before that, I would like to offer a few thanks and introduce the members of the Taskforce.

- First and foremost, I want to thank our Bureau colleagues for working with us this year to help inform the report. I have been overwhelmed by the professionalism, passion, and expertise within the Bureau. Moreover, the accomplishments of the Bureau since its founding nearly 10-years ago is incredible. You have a lot to be proud of. I'd like to share a special thanks the Taskforce Support Team who worked tirelessly to help research, draft, and prepare the work we are about to discuss.

- I'd also like to thank everyone who helped inform our work from outside of the Bureau from the respondents to our Request for Information to the consumer and trade groups who met with us to the nearly 12 state and federal regulatory partners who also provided us tremendous insights throughout the year.

- Finally, I'd like to express my biggest gratitude to my fellow Taskforce Members. Working with and learning from you all this year has been a highlight of my career.

- For those who don't know, I am joined on the Taskforce by Jean Noonan, Bill MacLeod, Tom Durkin, and Howard Beales. We will hear from each of them shortly, but I'd like to note that 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 distinguished record of public service. It has been honor serving with you.

- When this Taskforce was chartered, it was tasked with examining 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, provide in-depth analysis of the five core principals of consumer financial protection, and assess emerging topics in the field as well as detail 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.

- As has been mentioned, the Taskforce is in part inspired by the National Commission on Consumer Finance (NCCF), which was created to conduct original research and provide Congress with recommendations relating to the regulation of consumer credit. Fifty years before the NCCF, we saw the introduction of modern consumer credit. Fifty years after the NCCF, this Taskforce has put together a report that seeks to modernize consumer financial law as we enter the "technology era"

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

- Beyond those themes—which I will elaborate on more in a moment—we hope you can leave today's discussion with a few key messages. The first being, that this product is not merely an intellectual endeavor, but it was created with real people in mind. It was created to help all consumers, but especially those who have felt like they have been marginalized or barred from the keys to prosperity this country should make available to all its citizens. It also seeks to establish guiding principles that should serve to establish a way of modifying our regulatory regime to meet the challenges and opportunities of the "technology era".

- I will turn over the reins of the meeting to Eric Kaplan in just a minute to moderate the rest of our discussion, but I want to emphasize that summarizing a nearly 1,000-page government document can never be done in an hour. We will continually highlight how the four themes mentioned above are woven through the work, but I earnestly encourage all those who are setting policy, regulations, and laws to read the report in its entirety. As a reminder, the four themes are:

- First, consumer protection enhances the financial marketplace by establishing trust by fighting against fraud and deception, and that consumer protection works best when it seeks to prevent harm while not impeding emerging opportunities that enhance consumer welfare.

- Second, maximizing financial inclusion and reducing consumer harm should be the foundation of the Bureau's work. The report provides a roadmap for helping accomplish these goals.

- Third, competition and innovation are critical to financial consumer protection. They help create new choices for consumers currently left out of the marketplace, and they helps create better products and services to meet modern demands.

- Finally, 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 said, I'd like to hand this discussion off to our moderator, Eric Kaplan, Chair of the Consumer Advisory Board. Eric, the floor is yours.

1:20pm – 2:17pm	**Q&A with Taskforce,** • **Eric Kaplan (Moderator)** • **Todd Zywicki** • **Jean Noonan** • **Bill MacLeod** • **Tom Durkin** • **Howard Beales**

- Good afternoon everyone, my name is Eric Kaplan. I serve as the Chair of the Bureau's Consumer Advisory Board. Let me just say that I'm very excited for this discussion.

Commented [WN(4]: Defer to Eric on how he'd like to set the table for the Q&A, but will ask during call on Monday, 1/4.

1:17 pm–1:37pm	**General report highlights.**

- Before we dive into specific aspects of the report, I wanted to ask a brief general question to open things up. You all obviously put a great deal of work into this report. However, if you had to highlight only one thing, what would it be? Let's first hear from Jean.

- *Order to follow Jean is Bill, Tom, Howard, Todd.*

1:37 pm–2:13pm	**Eric will extemporaneously lead the discussion from here**

Topical References	INCLUSION & ACCESS

- Promoting inclusion and access by eliminating barriers to the marketplace, either intentionally or unintentionally.

- There are things the government does that can exclude people, such the CARD ACT & Durbin Amendment.

- Inclusion is promoted by innovation and regulations have the capacity to improve or harm inclusion (Tool focus: rulemaking)

Topical References	CONSUMER HARM

- Frame issue of what the team means by focusing on consumer harm with a specific focus on
  - Develop new standards for information and disclosure requirements to "focus on minimizing consumer harm"
  - Information is important in financial markets. Incomplete information will never be resolved.
  - Goal of disclosure is to make shopping easier.
  - Reform of information and disclosures can be more protective of consumers.

- 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)
  - (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

Topical References	COMPETITION

- The proposals to allow innovation and the chartering of new institutions all present threats to the incumbents and status quo. However, if we thwart innovation it will exclude consumers from the prosperity available via financial products and services. (Highlight excluded communities and how fintech can bring banking to consumers who have never had it.) IF YOU HAVE NO STORE THERE IS NOTHING TO PROTECT.

- We need a muscular CFPB to fight for consumers, and that fight includes a fight to promote competition. Competition is a means to an end of consumer welfare. Keeping the status quo is a protection to the established players.

- Thank you [Taskforce member]. Moving onto our second topic, we want to turn the discussion to promoting financial inclusion. Financial inclusion covers an array of areas from advocating competition to fighting discrimination to providing consumers with financial education. The report asserts all of these efforts are central to ensuring everyone is included in the financial marketplace.

  [Eric opens topic up to discussion]

Topic 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)

Topical References	MODERNIZATION & RESEARCH

- Modernization
    - General: rules-based regulations, coordination on CMS & UDAP, Esign v. wet signatures
    - Emergency powers for times of crises

- Greater use of information and knowledge should be used to improve government's role in protecting consumers. (Tool: Research)
- The Bureau needs to be the advocate for consumers, even amongst the other regulators. The CFPB should be that friend and advocate.

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

  [Eric opens topic up to discussion]

Topic Talking Points

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

- Thank you [Taskforce member]. I regret that we are running out of time. Hopefully, we've covered a diverse set of topics today. Thank you to the Taskforce for the privilege of moderating today's discussion. Your commitment to this work and to public service is admirable.

2:13pm – 2:15pm	Event Conclusion: Andrew Duke speaking

- I think I can speak for many on this call in thanking the Taskforce members and staff for their work over the last year. Thank you also to Director Kraninger for her support of this Taskforce and Eric Kaplan for moderating today's event.

- I hope the topics and recommendations covered today were insightful to those joining us today, and this is surely just the one step on a path toward improving and modernizing Federal consumer financial law and its regulatory system.

- This To read the full report, make sure to visit consumerfinance.gov.

- This concludes today's event

END EVENT, 2:15pm, January 5, 2021