

CFPB Issues Long-Awaited Rule

October 22, 2024

This morning, the Consumer Financial Protection Bureau (CFPB) issued the long-awaited final rule implementing Section 1033 of the Dodd-Frank Act.

While Section 1033 is a brief section of the law, containing just 337 words, its ramifications for the banking industry are significant. In short, Section 1033 seeks to create a European-style open banking future in which banking data is more portable and more commoditized. It does so by creating a regulatory and operational framework whereby consumers can request that their data be transferred from your bank to any other bank or fintech company at no cost to the consumer or the receiving party.

Following more than a year of advocacy, in which we have argued alongside our friends at the Independent Bankers Association of Texas (IBAT) and ICBA for an exemption for the smallest financial institutions, **we are pleased to report that the final rule exempts depository institutions of less than \$850MM in assets.** This exemption covers approximately 94% of CBA Kansas members, based on the latest quarterly asset totals. This rule further increases data security standards for fintech companies and other non-depositories, which may receive consumer data, in a win for consumers.

The final rule also provides banks with more time to comply with the rule, addressing the operational concerns that we have raised with the CFPB. The new compliance dates are:

- **April 1, 2030**, for banks with assets between \$850 mm and \$1.5 billion.
- **April 1, 2029**, for banks with assets between \$1.5 billion and \$3 billion in assets.
- **April 1, 2028**, for banks with assets between \$3 billion and \$10 billion in assets.
- **April 1, 2027**, for banks with \$10 billion to \$250 billion in assets.

Since the proposed rule was issued by the Bureau in October of 2023, we have been actively working with IBAT and ICBA to prepare for this day. We have done so by:

- Engaging with the CFPB in meetings to describe the operational challenges that the rule presents to community banks.
- Participating in education sessions with Congressional staffers to assist them in understanding the ramifications of Section 1033.

- Joining FDX and serving on the organization's "small data provider council." FDX is the leading "standard setting organization," which will determine the format in which data will be sent from one data provider to another.
- Raising awareness with elected officials as to our concerns about the impact of this rule.

As the 594-page rule was just released today, it will take time to determine the full extent of its impact on affected institutions.

Link to rule: <https://www.consumerfinance.gov/rules-policy/final-rules/required-rulemaking-on-personal-financial-data-rights/>

Thank you, as always, for your support of the Community Bankers Association of Kansas.

Sincerely,

Shawn

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