

State Regulators Begin to Address Coronavirus Licensing Implications for the Financial Services Industry

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The ongoing global spread of coronavirus disease 2019 (COVID-19) has created unique regulatory considerations for the financial services industry. One example of these considerations is the tension between the legal requirements that financial services companies conduct regulated activity only from certain licensed or authorized locations and the standard COVID-19 recommendation of having employees work from home to limit the spread of the coronavirus.

State regulatory agencies have begun to disseminate guidance granting relief from these restrictions so that financial services industry personnel may work from home when necessary due to COVID-19 without violating these requirements. The Washington Division of Financial Institutions was the first, issuing interim regulatory guidance on March 5, 2020 specific to licensed mortgage loan originators and the companies that sponsor them. The Connecticut Department of Banking followed suit on March 10, confirming a no action position regarding the obligations of certain licensed financial institutions to have regulated activities take place from licensed locations.

Financial services companies should be mindful of the fact that this guidance is limited to the states that have issued such guidance and is not a panacea for regulatory limitations imposed under other state laws. However, we believe other states will soon follow suit if COVID-19 continues to spread across the United States. Both regulatory agencies also highlighted that this guidance does not relieve companies from their broader supervisory expectations, with Washington emphasizing adherence to their data security regulations in particular when employees are working from home.

Please reach out to the author for additional information regarding the evolving multi-state regulatory agency response to coronavirus and legal restrictions that may impact the implementation of your company's business continuity plan.

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