

The Washington State Department of Financial Institutions

SUMMER 2024 NEWSLETTER



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***"Leading the way in consumer protection and
financial services regulation."***

Message from Director Clark

Working together for a better Washington

One of the things I'm most proud of at Washington DFI is the way we work with our licensees. While strong regulatory oversight is a core function of what we do, it's not everything we do. We value the consistent engagement with industry in ways that highlight the great work everyone does. We are lucky to enjoy robust partnerships within industry and strong engagement with those we regulate.

A great example of this recently is the Next Generation Financial Leaders workshop we conducted in collaboration with the Washington Bankers Association, Community Bankers of Washington, and GoWest Credit Union Association. This four-day workshop brought together industry leaders, DFI staff and 13 attendees who were interested in learning more about working in the financial services industry.



Attendees learned there's more to the financial services industry than being a teller or a CEO – they heard about communications and marketing, a day in the life of an examiner, what's new in FinTech, the latest in cybersecurity, how people got their start in the industry and how they ended up where they are today. Each attendee was partnered with a mentor for the four days – and encouraged to stay in touch with them moving forward if they desired. The attendees also spent a day in a credit union or a community bank, and really enjoyed meeting with industry executives. We hope to see many of these attendees applying for positions within our organizations in the near future!

As the recently appointed CSBS Board Chair, I'm honored to bring the concerns and successes of Washington State to the forefront. I had the opportunity to discuss consumer protection priorities with the Consumer Financial Protection Bureau Director Rohit Chopra at the State-Federal Supervisory Forum earlier this year. As you'll see in this issue, Washington DFI is taking consumer protection seriously. Our Securities Division regularly issues consumer alerts about pig butchering scams, and we have launched a statewide ad campaign in an effort to help everyone in Washington learn more about how to identify, prevent and report financial fraud at www.dfi.wa.gov/10B.

Whether we are working to support the efforts of organizations like the Washington Bankers Association at their annual convention with a regulatory update panel, attending important gatherings like the 56th Annual Northwest State-Federal-Provincial Securities Conference, or hosting the National Association of State Credit Union Supervisors (NASCUS) Washington Examiner School at DFI headquarters — we recognize and value the power of partnership and engagement. We hope you do, too!

Charlie Clark Appointed Chair of the Conference of State Banks Supervisors (CSBS) Board of Directors



DFI's Director Charlie Clark was announced as the Chair of CSBS Board of Directors in May.

"I'm honored to take on this leadership role with CSBS," Clark said. "My serving in this position provides a great opportunity for the State of Washington — it gives us a voice and a platform on a national level, both in the issues CSBS addresses and with stakeholders. CSBS has a proven track record of supporting strong supervision of state banks and other licensed financial service providers and supporting state efforts to protect consumers."

This aligns with DFI's vision, "leading the way in consumer protection and financial services regulation."

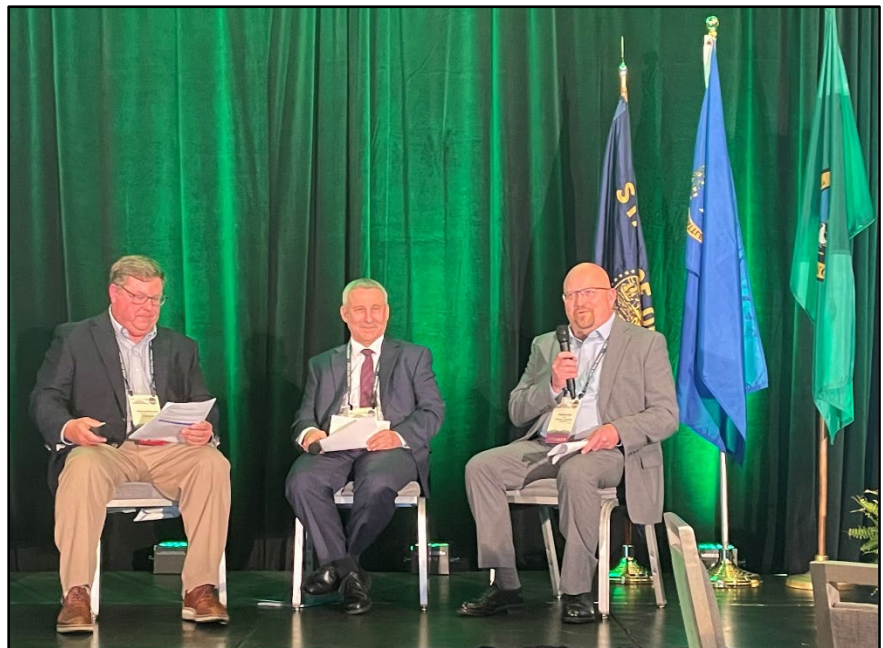
CSBS is the nationwide organization of state banking and financial regulators from all 50 states, the District of Columbia, and the U.S. territories.

Washington Banker's Association Annual Convention

DFI has long enjoyed a positive working relationship with our licensees – including those who are members of the Washington Banker's Association (WBA).

DFI Director Clark joined representatives from Washington, Oregon, Idaho, and Nevada at the four-state annual convention in Stevenson, WA June 26-28.

Director Clark provided a state regulatory update as part of a panel on the second day of the convention.



DFI Director Clark (right) joined FDIC Regional Director Paul Worthing (center) and Heritage Bank President & Chief Operating Officer Bryan MacDonald (left) for a regulatory update from both the state system and the FDIC.

Division of Banks



Most of the Division of Banks team

Focus on FinTech and Banking-As-A-Service (Baas)

FinTech, and Baas remain of significant interest to both the industry and regulators alike. A number of public enforcement actions around the country over the prior year have demonstrated regulatory concern regarding FinTech partnerships. In particular, the weaknesses identified surrounded poor risk and compliance controls and overall poor partnership management and oversight.

Due to the recent regulatory scrutiny, FinTech partnership endeavors have taken a reputational hit. However, regulatory concerns do not surround the model itself, and many banks are operating today with successful partnerships and robust risk and compliance management systems. The goal for institutions interested in pursuing a partnership should be to ensure a well-understood third-party risk-management program with robust oversight is in place prior to delving into new partnerships, the same as any new business strategy.

Technology is a vital part of creating a successful future for the industry. The recent enforcement actions across the country can be used as a tool to better perfect the due diligence and risk management processes of pursuing a FinTech partnership.

June WBA Convention

Division Director Roberta Hollinshead and Chief of Examinations Shannon Tushar joined DFI Director Charlie Clark at the four-state annual convention in Stevenson, Washington. They are pictured here with Federal Reserve Board Governor Michelle Bowman, who gave an update on the economy and the Federal Reserve System.



DFI Director Charlie Clark, Federal Reserve Board Governor Michelle Bowman, DFI Division of Banks Chief of Exams Shannon Tushar, and DFI Director of Banks Roberta Hollinshead at the convention.

Division of Credit Unions



Some of the Division of Credit Unions staff received examiner certifications from the National Association of State Credit Union Supervisors (NASCUS) for their expertise and proficiency.

DCU Bulletin Includes Updated NCUA Guidance on Cyber Incidents and Data Security Breach Notification

The Division of Credit Unions issued a bulletin to credit unions explaining the new NCUA regulation concerning report cyber incidents. The bulletin also explained existing laws and regulations about data breach notifications and what credit unions should do to respond.

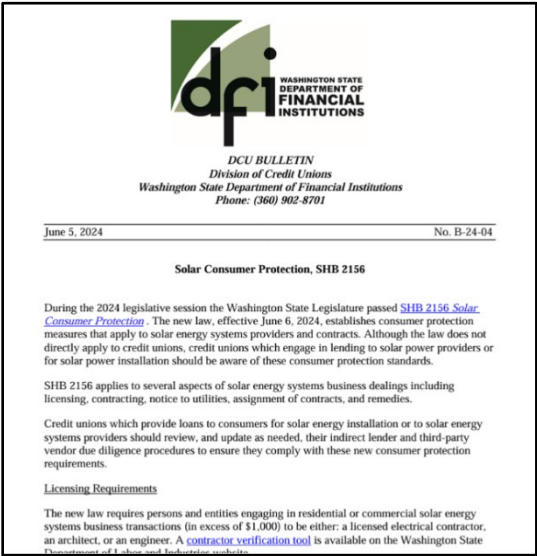
Bulletin on Solar Consumer Protection

In addition to the bulletin above, the Division of Credit Unions also published a new bulletin about Solar Consumer Protection from the [SHB 2156](#).

During the 2024 legislative session the Washington State Legislature passed SHB 2156 Solar Consumer Protection. The new law, effective June 6, 2024, establishes consumer protection measures that apply to solar energy systems providers and contracts. Although the law does not directly apply to credit unions, credit unions which engage in lending to solar power providers or for solar power installation should be aware of these consumer protection standards.

SHB 2156 applies to several aspects of solar energy systems business dealings including licensing, contracting, notice to utilities, assignment of contracts, and remedies.

You can read the bulletin here: [B-24-04.pdf \(wa.gov\)](#)



NASCUS Examiner School at DFI

In May, the National Association of State Credit Union Supervisors (NASCUS) hosted their Washington Examiner School at DFI headquarters for two days. Offering examiner schools to states is one of the many services NASCUS provides to its members.



On the first day of the examiner school, topics and presentations discussed included: An Economic Update, Current Expected Credit Loss (CECL), Payment Systems, Network Risk Management Nacha (Virtual Presentation), and National Issues. Also on the same day, the Division welcomed a Washington State Assistant Attorney General to provide the division with Loudermill Hearing due process training.

On the second day, topics and presentations discussed included: Top 10 Cybersecurity Risks and Ransomware, Balance Sheet Trends, Risk and Liquidity Management, Rate Risk Management, and Navigating the Evolution of Risk Measurement: Lessons from 3 Decades.

During the examiner school, John Kolhoff, NASCUS SVP of Policy and Supervision, was able to present certifications to some Division of Credit Unions staff. The certification acknowledges expertise, increased proficiency, and promotes the confidence and recognition that comes with meeting and adhering to demonstrable national standards of professionalism. Certified examiners also receive select NASCUS updates, information, and learning/collaboration opportunities. Certification requires the evidence of successful completion of appropriate coursework, appropriate on-the-job experience, and the approval of a superior attesting to satisfactory performance of the key skill sets required for the level of certification sought. There are two levels of certification: Certified State Credit Union Examiner (CSCUE) and Certified State Credit Union Examination Supervisor (CSCUES).

Compliance Exam Reboot

The Division of Credit Unions is in the process of giving their compliance exam a new look! The division originally started the compliance exams 10 years ago. In January, the division hired two compliance examiners, so it's timely to review the process. Watch for the updated compliance exam coming soon!



Division of Consumer Services



Most of the Division of Consumer Services team gathered recently for a staff retreat and planning session.

Ali Higgs Named as Director of Consumer Services

Ali Higgs is the Director of Consumer Services, and formally served as the Director of Regulatory and Legal Affairs for DFI from 2021 to 2023. Ali has extensive experience working in financial regulation and the financial services industry. Ali began her career at DFI in 2002 as a bank regulator and has worked for DFI in several capacities over her 20+ year tenure. She is also a lawyer, former compliance consultant, and adjunct professor. Ali received both her B.A. in Business Administration and JD from Seattle University. She is a member of the Washington State Bar Association.



Cryptocurrency Multistate Settlement with Abra

Led by Washington State, on June 2, 2024, twenty-five state financial regulators entered into a multistate settlement of up to \$82 million with a cryptocurrency company operating without receiving required state licensing. The action was against a company commonly known as “Abra” (Plutus Financial, Inc., Abra Trading, LLC, Plutus Financial Holdings, Inc., Plutus Lending, LLC) and William “Bill” Barhydt who is the CEO and largest equity owner. For more information, see our [press release](#).

Regulation of BaaS FinTech Lenders

As mentioned in the Division of Banks’ section of the newsletter, banks are under increased scrutiny for their BaaS FinTech partnerships. In 2024, the legislature passed the Predatory Loan Prevention Act (SSB 6025), which brings certain BaaS FinTech lenders under the jurisdiction of the Division of Consumer Services. On June 6, 2024, Interim Guidance was issued providing a grace period for licensure and enforcement of unlicensed activity. For more information, see the [Interim Guidance CLA-24-02](#).

Division of Securities

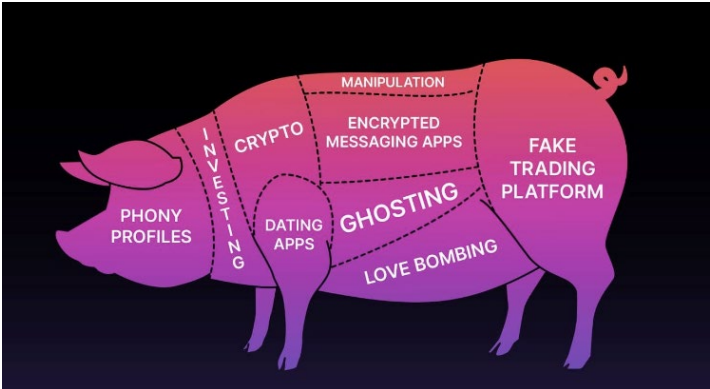


Most of the Division of Securities team

Pig Butchering Scams Are On The Rise

The Securities Division has been seeing an increase in cryptocurrency related scams commonly known as pig butchering scams. Typically, the scammer befriends unsuspecting victims through social media and dating websites. After the scammer builds trust in the relationship, the scammer directs the victim to a website that promises excessive returns on cryptocurrency investments. The scammer will direct the victim to invest in the fraudulent trading program by transferring cryptocurrency to a digital wallet. Once the victim has made their “deposit,” the scam website will show massive investment gains in the victim’s account. When the victim tries to make a withdrawal of these fake investment gains, the scammer tells the victim that they must pay various fees before they can make a withdrawal. Even if the victim pays these fees, the scammer never returns any money to the victim. Eventually, once the scammer has swindled enough money from the investor the scammer, and often the website, will disappear.

Over the past two years, in an effort to inform and educate the public on these scams, the Securities Division has issued more than 80 consumer alerts naming these fraudulent websites. The Securities Division will continue its work of educating Washington investors about these scams through community outreach and consumer alerts.



You can view the Consumer Alerts website here: [Consumer Alerts \(wa.gov\)](https://www.wa.gov/consumer-alerts)

DEZH Handyman and Soroosh Shafaeian Consent Order

On April 23, 2024, the Securities Division entered a [Consent Order against DEZH Handyman and Soroosh Shafaeian](#) (collectively, the “Respondents”). The Securities Division previously entered a Statement of Charges against the Respondents on August 4, 2023. DEZH Handyman was a Washington-based company that was believed to be in the business of “flipping” houses; Shafaeian, a Washington resident, was the company’s sole owner. From approximately 2018 to 2020, the Respondents offered and sold unregistered and nonexempt securities. The Respondents secured or attempted to secure up-front payments from investors by telling them that these payments were necessary to help them obtain a loan for the company.

The Respondents informed investors that after the loan was obtained, they would be paid back and given an additional benefit. In some cases, investors were promised to be paid back with interest. In others, investors were promised the opportunity to share in the profits of his business. Two Washington residents and one California resident invested at least \$154,000 with the Respondents; three Washington residents were offered the chance to invest and declined. At least two of the investors were not accredited investors. In the Consent Order, the Securities Division alleged that the Respondents sold unregistered securities and that Shafaeian acted as an unregistered securities salesperson. Moreover, the Securities Division alleged that the Respondents violated the anti-fraud provision of the Securities Act of Washington. In settling the matter, the Respondent admitted the allegations and agreed to pay restitution to two investors. The Respondents waived their right to a hearing and to judicial review on the matter.

Northwest State Federal-Provincial Securities Conference

In May, the Division of Securities was well represented at the 56th Annual Northwest State-Federal-Provincial Securities Conference in Seattle. This conference is hosted by the U.S. Securities and Exchange Commission (SEC) and is attended by state and federal regulators and criminal law enforcement. Division of Securities Director William Beatty participated in the Overview of Regulatory Priorities panel, Chief of Licensing and Examinations Mark Kissler spoke on the Current Issues in Regulation panel, and Chief of Enforcement Brian Guerard spoke on the Current Issues in Securities Law Enforcement panel.



Panel at Northwest State Federal-Provincial Securities Conference

Communications & Outreach



\$10 Billion Reasons Ad Campaign Launched June 2024

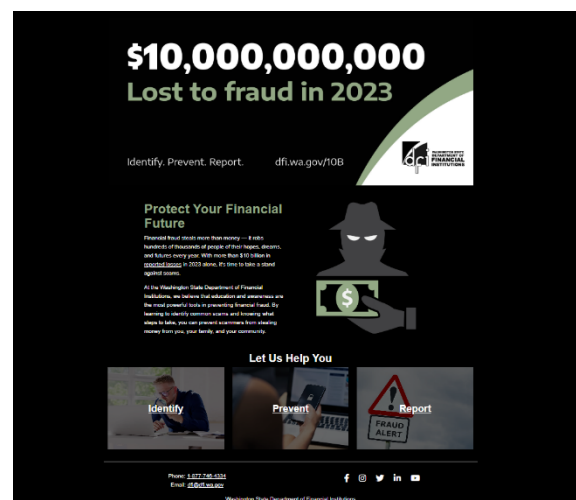
The “\$10 Billion Reasons” ad campaign was created in response to an uptick in fraud complaints to DFI and the Federal Trade Commission (FTC) data indicating Americans lost \$10 Billion to financial fraud in 2023. The statewide campaign is designed to encourage people to learn how to identify, prevent, and report financial fraud. Consumers reported losing more money to investment scams — more than 4.6 billion — more than any other category of fraud.

The campaign includes a variety of media outlets including radio, billboards, social media, movie theater screen ads, streaming, print media, and more.

All advertisements will drive viewers/listeners to a landing page on DFI’s website – www.dfi.wa.gov/10B. This landing page leads viewers to detailed information about the many forms of financial fraud (www.dfi.wa.gov/10B/Identify) – including what scams target which demographics most often, how to identify fraud, how to prevent fraud (www.dfi.wa.gov/10B/prevent) and how to report it (<https://www.dfi.wa.gov/10B/Report>). The web pages have details on a variety of emerging fraud forms – including pig butchering, romance scams, crypto scams, investment scams, and more.



The \$10 Billion Reasons billboard on I-5 in Tacoma, WA



The \$10 Billion Reasons website

Inaugural Next Generation Financial Leaders Workshop A Success! We're Ready for 2025!



DFI Director of Banks Roberta Hollinshead, DFI Director Charlie Clark, and DFI Director of Credit Unions Amy Hunter with Next Generation Financial Leaders participants

We are happy to announce that our inaugural Next Generation Financial Leaders workshop was a tremendous success! The workshop took place at Bellevue College in Bellevue, Washington on June 17-21 (with Juneteenth off) and included two days of in-person presentations, a visit to a credit union or bank, and an online meeting for the final day. The week brought great insights on what it means to work in the private and public sectors of the financial services industry. We had attentive participants who we hope ended the workshop inspired.

The week kicked off with panels and presentations about how people in the industry got their start and how they made it to where they are now, what trends are happening in the financial world, and what HR is looking for when hiring.

On Thursday, participants visited a local bank or credit union for the day. While there, attendees were able to get a more "real life" experience and information about what it means to work in the financial services industry. Friday, we met online for the final panel that discussed paths to leadership and ended with the presentation of certificates of completion for each participant.

Our hope is for the Next Generation Financial Leaders to become an annual workshop. We thoroughly enjoyed the week spent with the participants and are looking forward to doing the workshop again.

Next Generation Financial Leaders – June 2024



The Next Generation Financial Leaders participants and mentors with speakers



Careers in the Financial Industry panelists



Director of Consumer Services Ali Higgs presenting on banking/fintech to the group at Next Generation Financial Leaders



The Human Resources/Talent Acquisition panel

Washington State Department of Financial Institutions

(360) 902-8700

En Español: 1.888.976.4422

www.dfi.wa.gov

