



May 28, 2020

Christina Corieri
Interim Superintendent
Arizona Department of Financial Institutions
100 N 15th Avenue, Suite 261
Phoenix, AZ 85007

Re: Licensee operations conducted via telework

Dear Superintendent Corieri:

I write on behalf of the American Financial Services Association (AFSA)¹ regarding the ability of licensees to conduct operational and licensable activities by teleworking from the location at which the licensee transacts business without being physically present at that location.

Technology advancements have made remote work easier than ever and, at times, indistinguishable from in-person branch or office operations. For instance, loans can be closed with electronic signatures and virtual private networks (VPNs) provide employees with secure remote access to sensitive company systems. Financial institutions continue to leverage these technologies to safely expand telework operations during the pandemic-related state of emergency.

As states begin to lift stay-at-home orders and allow businesses to slowly reopen in-person operations, AFSA members remain committed to safeguarding employees and customers, mitigating risks to the continuity of operations, and ensuring credit remains available to consumers who need it. In order to accommodate certain telework operations beyond the initial state of emergency, we believe guidance from the Department would make clear that such activity is consistent with existing regulations.

Allowing certain employees to telework from the location at which the licensee transacts business will be a critical part of the strategy to keep employees safe and maintain operations. With states reopening at different paces, companies face a patchwork of state laws affecting in-person interactions, meaning employees may be under a stay-at-home order, while customers in another state are not. In such situations, telework is the best way to maintain continuity of operations for customers and ensure the safety of employees. Moreover, companies are taking steps to implement facility changes necessary to create workspaces that meet new health guidelines. Not only do these changes take time to implement, but they also include key recommendations for limiting in-person operations, with telework available where feasible.

¹ Founded in 1916, the American Financial Services Association (AFSA), based in Washington, D.C., is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance. AFSA members do not provide payday or vehicle title loans.

We believe that licensed activities can be conducted by teleworking employees and still be consistent with regulatory requirements. The systems and records used by teleworking employees are housed in the licensed location and teleworking employees are supervised from the licensed location, making the licensed location the proper licensable place of business. Employees are performing the same telephone/systems-based functions they would perform if physically present in the licensed location. They would not be meeting customers or keeping records in their homes. Teleworking employees are doing so through an existing licensed location and only transacting business on behalf of that licensed location, thus such activity should not qualify as a separate place of business requiring an additional license.

Such regulations exist for the purposes of protecting consumers and their information and preserving the ability of the Department to properly supervise licensees, and financial institutions can take steps to achieve these goals, even while employees conduct certain operations by teleworking from the location at which the licensee transacts business or branch office without being physically present.

Arizona has pioneered the embrace of technology through its regulatory sandbox for financial products and services, positioning the state at the forefront of innovation by financial institutions. Clear guidance from the Department on employee telework from locations at which licensees transact business would be keeping with the spirit of the regulatory sandbox, even if not administered directly through the sandbox itself.

With that in mind, given that the technology and the transition to teleworking has successfully been tested out of necessity during the pandemic, we respectfully request confirmation that employees of financial institutions may continue to utilize the technology investments that financial institutions made to support telework. We believe that employees should be allowed to continue to telework through a licensed location of the financial institution without being physically present at that location. The employees should be permitted to conduct operational and licensable activities that can be safely accomplished by teleworking, provided that the licensee fulfills certain conditions to ensure the protection of consumers and to preserve Department's supervisory authority. We believe the following best practices would achieve these goals and allow licensees to maintain operations:

- 1) In-person customer interactions will not be conducted outside of the location at which the licensee transacts business;
- 2) Sensitive customer information will be protected consistent with the licensee's existing cybersecurity protocols for on-site operations;
- 3) Risk-based monitoring and oversight processes will be followed; and
- 4) Records of the specific activities conducted via telework will be maintained and available to the Department upon request.

If fully implemented, these basic operational adjustments would balance the needs of consumers and the Department with those of financial institutions seeking to embrace financial innovation and teleworking operations.

Thank you for your attention to this matter. If you have any questions about how AFSA can be of any further assistance to you as you move forward, please do not hesitate to contact me at 952-922-6500 or dfagre@afsamail.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Danielle Fagre Arlowe', written in a cursive style.

Danielle Fagre Arlowe
Senior Vice President
American Financial Services Association
919 Eighteenth Street, NW, Suite 300
Washington, DC 20006-5517