



Updates on a National Charter, Bank-Fintech Partnerships and Small Dollar Lending: A Conversation with Federal Regulators

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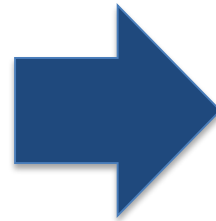
OCC's Framework for Responsible Innovation



- Technology and evolving consumer preferences are driving change within the financial services industry at an unprecedented pace
- Emergence of a significant number of nonbank companies that are providing services traditionally only offered by banks
- Changes provide promise for promoting economic growth, financial inclusion and greater efficiency for banks, but also may challenge traditional banking models
- OCC wants to ensure that banks, particularly community banks, remain a vibrant and relevant part of the financial services landscape

Established goal to better understand industry innovations

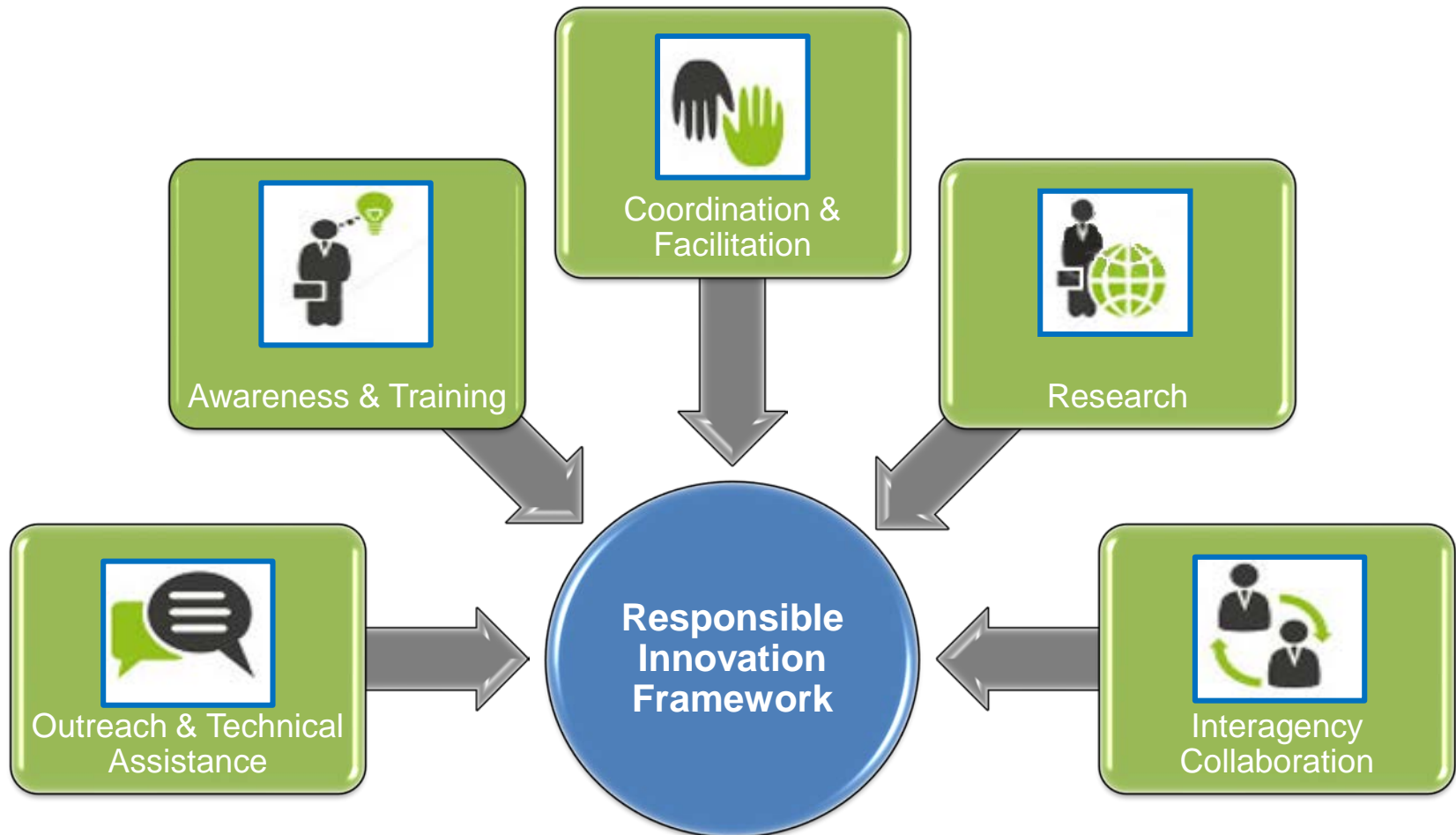
- Conducted extensive research on financial innovation, the evolving needs of customers, and innovation-related activities of OCC-supervised banks
- Met with community, midsize, and large banks; fintech firms; consultants; academics; community and consumer groups; and other regulators
- Conducted series of internal focus groups

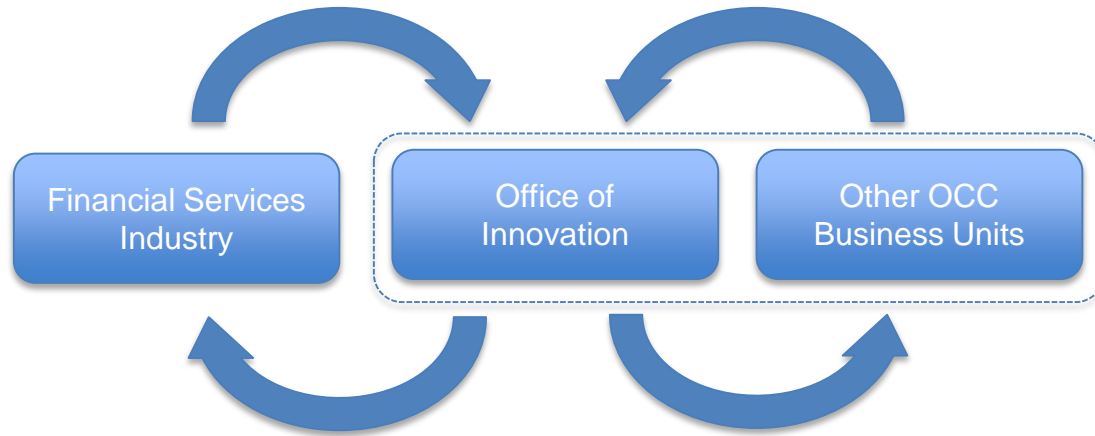


Results of developing better insight into industry innovations

- Published three innovation-related white papers and solicited comments
- Defined Responsible Innovation
- Developed and formalized OCC Responsible Innovation Framework
- Established Office of Innovation
- Released draft special purpose national bank charter supplement to *Comptroller's Licensing Manual* and solicited comments

Responsible Innovation is the use of new or improved financial products, services, and processes to meet the evolving needs of consumers, businesses, and communities in a manner that is consistent with sound risk management and is aligned with the bank's overall business strategy.





- Established in January 2017 to implement the OCC's framework to support responsible innovation in the federal banking system
- Serves as a central point of contact and clearinghouse to facilitate responses to inquiries and requests on innovation-related matters
- Enhances the OCC's ability to identify, understand, and respond to emerging trends and related risks in the financial services industry
- Provides an open forum to discuss regulatory principles, processes, and expectations

How can the Office of Innovation help me?

- Provide candid information on financial services innovation
- Assist in understanding what questions to ask and what issues to consider
- Provide success stories and lessons learned

When should I contact the Office of Innovation?

- If you have questions about partnering with a fintech or a bank
- If you are considering offering an innovative product or service
- If you have questions about innovation topics or emerging industry trends

How can I contact the Office of Innovation?

- Banks may go through their assigned Portfolio Manager or EIC/ADC
- Go to the Responsible Innovation webpage on [occ.gov](https://www.occ.gov)
- E-mail directly at innovation@occ.treas.gov

- Third Party Risk Management
 - OCC Bulletin 2017-21 (Frequently Asked Questions)
 - OCC Bulletin 2013-29 (Third Party Relationships – Risk Management Guidance)
- New Product and Service Development
 - OCC Bulletin 2017-43 (New, Modified, or Expanded Bank Products and Services – Risk Management Principles)
 - OCC Bulletin 2018-14 (Core Lending Principles for Short-Term, Small-Dollar Installment Lending)
- Cybersecurity
 - OCC Bulletin 2015-31 (FFIEC Cybersecurity Assessment Tool)
- Model Risk Management
 - OCC Bulletin 2011-12 (Sound Practices for Model Risk Management)

- December 2016 - the OCC issued white paper announcing intent regarding special purpose charters
- March 2017 - the OCC issued a draft supplement to *Comptroller's Licensing Manual* describing how the OCC will evaluate applications for special purpose charters from fintech companies
- July 2018 - the Comptroller announced the OCC would begin to accept special purpose charter applications from fintech companies

The OCC's July announcement was accompanied by a policy statement and the *Comptroller's Licensing Manual Supplement: Evaluating Considering Charter Applications From Financial Technology Companies*

- Fintech companies engaged in the core banking functions of payment processing or lending money may apply for a special purpose national bank charter
- Fintech companies that apply, qualify for, and receive, national bank charters will be supervised like similarly situated national banks, to include capital, liquidity, and financial inclusion requirements
- Every application will be evaluated on the unique facts and circumstances presented.
- Only some fintech companies will choose or qualify for national bank charters. Many will partner or enter into other business combinations with existing banks that serve the business goals and customer needs of both institutions.

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