

How to Regulate New Financial Technologies While Supporting Innovation

Office of the Comptroller of Currency publishes proposed framework for responsible innovation in federal banking.

The Office of the Comptroller of Currency (the OCC or the Agency) recently published a whitepaper, [Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective](#) (the Whitepaper), which details a proposed framework for supporting responsible innovation in the federal banking system.¹ Industry stakeholders have been invited to comment on the Whitepaper.

The Whitepaper, published March 31, 2016, contains a brief description of the origins and objectives of the agency's innovation initiative, a summary of its research efforts, and a general discussion of innovation-related opportunities and challenges for the financial services industry. The Whitepaper also includes an outline of the OCC's perspective on responsible innovation, including a detailed description of eight "principles" formulated to guide the agency's ongoing development of "its framework for understanding and evaluating innovative products, services, and processes that OCC-regulated banks may offer or perform."

Eight Guiding Principles

The following are the specific guiding principles set forth in the Whitepaper, together with illustrative examples of possible corresponding actions the agency is considering:

- 1. Support Responsible Innovation.** Create a centralized office on innovation; adopt less formal processes; allow banks to test or pilot new products and services.
- 2. Foster an Internal Culture Receptive to Responsible Innovation.** Augment existing training to reinforce receptiveness; establish dedicated internal Web pages describing resources and training opportunities for staff.
- 3. Leverage Agency Experience and Expertise.** Designate lead experts on responsible innovation; regularly evaluate the appropriate resources.
- 4. Encourage Responsible Innovation that Provides Fair Access to Financial Services and Fair Treatment of Consumers.** Share success stories of innovations increasing access to underserved groups; issue guidance on expectations for innovations that serve low- to moderate-income consumers.

5. **Further Safe and Sound Operations Through Effective Risk Management.** Improve knowledge and identification of emerging risks; leverage the National Risk Committee's current correspondence with banks.
6. **Encourage Banks of All Sizes to Integrate Responsible Innovation Into Their Strategic Planning.** Ensure decisions to offer innovative products are consistent with a bank's long-term strategy.
7. **Promote Ongoing Dialogue Through Formal Outreach.** Hold OCC Forums and workshops; host "innovator fairs" for discussing Agency expectations; provide resources on OCC.gov and Banknet.gov.
8. **Collaborate With Other Regulators.** Establish channels of intragovernmental communication to help provide consistent administrative guidance and minimize unnecessary regulatory burden.

Thomas J. Curry, Comptroller of the Currency, provided a summary of the Agency's outlook in his remarks on April 7th at the American Banker Retail Banking Conference : "if banks are to remain relevant in a changing world, they have to be able to adapt quickly. So it's important that regulators are open to changes that are underway in both technology and business practices ... [and] to support efforts ... to innovate ... in a responsible way that doesn't threaten the safety of the system or the financial well-being of bank customers."

Context

This initiative is likely driven by the rapid growth of the FinTech industry in the US and globally, which is marked by increasing investment in emerging FinTech companies, rapidly developing innovative financial services platforms and products, and joint ventures forming between traditional financial services players and technology companies to develop business solutions to complex problems. The industry is poised for continued innovation, and regulators such as the OCC are seeking to understand what such innovation will look like and what role regulators should play. We would expect the US financial regulatory framework to continue to develop in the coming months and years, while the impact of increased oversight and more regulation on innovation remains uncertain.

Comments should be emailed to innovation@occ.treas.gov by May 31, 2016.

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Endnotes

¹ Accompanying introductory remarks found at <http://www.occ.treas.gov/news-issuances/speeches/2016/pub-speech-2016-39.pdf>.