

# Client Alert

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## OCC Announces Preliminary Framework on FinTech and Responsible Innovation

By **Obrea O. Poindexter, Sean Ruff, Jeremy R. Mandell, and Meredith Cipriano**

On March 31, 2016, the Office of the Comptroller of the Currency (“OCC”) released a [white paper](#) on financial technology innovation (“White Paper”), which lays out a preliminary framework for “responsible innovation.” The White Paper articulates principles the OCC will follow when evaluating innovative products, services, and processes that require regulatory approval and identifying potential risks associated with them. The White Paper also represents the OCC’s commitment to improving its own understanding of new technology and to improving collaboration with the Consumer Financial Protection Bureau (“CFPB”) and other banking regulators to develop a consistent supervisory approach in this space.

As part of the White Paper, the OCC broadly requested feedback on the challenges banks face with respect to FinTech and how the OCC can facilitate innovation, including by issuing guidance to banks and nonbanks and by establishing formal channels for communication with stakeholders. Comments are due by May 31, 2016. The OCC also plans to host a forum on responsible innovation on June 23, 2016, in Washington, D.C., to discuss the comments it receives on the White Paper.

In [prepared remarks](#) announcing the White Paper, Comptroller of the Currency Thomas J. Curry noted that the rise of financial technology companies has posed a challenge to traditional banks as well as the OCC, but at the same time noted that this challenge should not be avoided. Curry stated that the OCC’s “objective is to open the door for the banks we supervise to engage in the kind of innovation that can benefit businesses and consumers, including individuals who have not been well served or—in some cases served at all—by traditional banks.”

As articulated in the White Paper, the OCC envisions a framework that is based on “responsible innovation,” which the agency defines as:

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.

The White Paper generally supports “responsible innovation,” including for purposes of supporting financial inclusion.

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The White Paper sets forth eight principles that will guide the OCC's engagement with federally chartered banks with respect to new and innovative financial products and services:

- 1) **Support responsible innovation** by improving the OCC's ability to understand and evaluate new technology and services, and streamlining the process for banks and other stakeholders to seek OCC guidance, possibly through a centralized office.
- 2) **Foster an internal culture receptive to innovation** by using existing working groups to help bridge knowledge and expertise gaps, following the model of the OCC's Payment Systems Policy Group, and by augmenting existing training and education for OCC staff.
- 3) **Leverage internal experience and expertise** to support OCC bank supervisory efforts. The White Paper suggests developing lead experts to support bank examiners, similar to the existing lead expert program that covers substantive areas, including compliance, operational risk, and information technology.
- 4) **Encourage responsible innovation that provides fair access to financial services and fair treatment of consumers**, including by sharing "success stories" and possibly by issuing guidance on the OCC's expectations related to products and services designed to address the needs of low- to moderate-income individuals and communities, as well as by promoting awareness of activities that could qualify for Community Reinvestment Act consideration.
- 5) **Further safe and sound operations** by understanding and monitoring emerging risks in the financial industry, and building on the OCC's existing efforts to ensure effective risk management.
- 6) **Encourage banks of all sizes to integrate responsible innovation into their strategic planning**, while reminding banks that a decision to offer a new product or service should be consistent with the bank's long-term strategic planning criteria (i.e., consistent with the bank's corporate governance and risk appetite, realistic financial projections, adequate staff in number and expertise, etc.).
- 7) **Promote ongoing dialogue through formal outreach** to all stakeholders, including banks, nonbank innovators, and consumer groups. Such outreach may take the form of workshops or "innovator fairs" to share ideas on how regulators can be responsive to innovation.
- 8) **Collaborate with other regulators** to promote a common understanding and consistent application of laws, regulations, and guidance.

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The White Paper signals the OCC's interest in and willingness to engage banks and other stakeholders on key regulatory issues that affect FinTech innovation and investments. The request for comment, in particular, provides industry with an opportunity to offer input into the framework within which the OCC will engage the FinTech market and supervise banks active in the space.

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