

Client Alert

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OCC Lays Out Responsible Innovation Framework

By **Obrea O. Poindexter, Sean Ruff, Jeremy R. Mandell, and Crystal N. Kaldjob**

On October 26, 2016, the Office of the Comptroller of the Currency (“OCC”) issued its [Recommendations and Decisions for Implementing a Responsible Innovation Framework](#) (“Framework”). The Framework is a follow up to the OCC’s March 2016 [white paper](#) on Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective (“White Paper”).¹ The Framework reflects the comments received in response to the White Paper, as well as other OCC internal and external outreach. While the Framework does not address the concept of a federal FinTech charter discussed by the OCC on several occasions this year, the OCC is expected to address the concept later this fall.

The Framework discusses the recommendations made by the OCC’s Innovation Framework Development Team that were approved by the Comptroller of the Currency and the OCC Executive Committee. This alert highlights several of the key approved recommendations, as well as certain concepts that were in the White Paper that did not result in approved recommendations.

- **Create an OCC Office of Innovation.** The Framework establishes a stand-alone Office of Innovation (“Office”) within the OCC. According to the Framework, the Office will serve as a central point of contact and facilitate responses to inquiries and requests; conduct outreach and provide technical assistance; enhance awareness, culture and education; monitor the evolving financial services landscape; and collaborate with other domestic and international regulators. The Office will be led, initially, by Beth Knickerbocker as the OCC Chief Innovation Officer (“CINO”), and will have personnel in New York, San Francisco, and Washington, D.C. The Office will begin operations in the first quarter of 2017. The CINO will report directly to Comptroller Thomas Curry. While some of the comments received in response to the White Paper viewed the Office as “another regulatory hurdle” or as an impediment to interactions with local supervisory staff, the OCC reported that commenters generally supported the creation of a stand-alone office. The Office is similar to the Consumer Financial Protection Bureau’s (“CFPB”) Project Catalyst, which the CFPB [launched](#) in 2012 to facilitate “consumer-friendly innovation and entrepreneurship” in consumer financial products and services markets.²
- **Develop an Innovation Outreach Strategy.** The Office will develop a formal outreach strategy related to innovation. The outreach strategy will use a wide variety of channels, including holding “office hours,” organizing innovation workshops and roundtables on specific topics, leveraging existing OCC-sponsored outreach events, sponsoring a periodic Responsible Innovation Forum, and participating as appropriate in non-OCC-sponsored events. The OCC also will consider conducting outreach events in other technology hubs such as in Austin, Texas; Boulder, Colorado; Raleigh-Durham, North Carolina; and Seattle, Washington.

¹ For more information on the White Paper, see our [alert](#) titled “OCC Announces Preliminary Framework on FinTech and Responsible Innovation.”

² For more information on the Project Catalyst, see our [alert](#) titled “CFPB Makes FinTech Headlines.”

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- **Provide Technical Assistance to Banks and Nonbanks.** The Office will provide technical assistance to banks and FinTechs to facilitate understanding of regulatory expectations and “how to operate in a heavily regulated environment.” The OCC believes that “[w]ell-informed fintechs also benefit the banks with which they partner.” Technical assistance would include creating resource material for banks and nonbanks on regulatory principles, processes, and expectations; designing “rules of the road” material for nonbanks; and sharing success stories and lessons learned.
- **Develop an Optional Program for OCC Participation in Bank-Run Pilots.** While a regulatory “sandbox” is not expressly endorsed in the Framework, the OCC will “develop and implement an optional program for agency participation in bank-run pilots.” The Framework does not provide specifics on the pilot program, and acknowledges that the proposal needs to be fleshed out further.
- **Improve OCC Staff Awareness.** To address any potential knowledge gaps of OCC staff on innovations in FinTech, the OCC will develop materials for OCC staff that provide the “fundamentals of emerging products, services, processes, and technology,” develop a process for reviewing and updating OCC training materials to address the changing trends and new products and services, and broaden the types of individuals the OCC recruits (such as individuals with engineering, advanced information technology, cybersecurity, and mathematical modeling skills). The OCC will also create a cross-functional Innovation Networking Group (e.g., field staff, examiners, and non-examiners) to identify OCC employees with interest or expertise in industry innovations, discuss trends in innovation within the federal banking system, share success stories, and consider emerging risks and opportunities.
- **Improve Timeliness and Transparency of OCC Decision-Making.** The OCC acknowledges that a “[l]ack of transparency and timeliness in decision-making” was a consistent theme in the feedback the agency received. Commenters on the White Paper stated that “regulatory uncertainty, lack of transparency, and inconsistency deter innovation.” To address this feedback, the OCC will “[e]stablish[] clear response expectations, time frames, and workflows” to provide “more consistent, transparent, and timely processes and facilitate disposition of inquiries and proposals.” The OCC will also implement an inquiry and request tracking process.
- **Conduct Research.** In response to commenters’ calls for real-time research and monitoring, the OCC will develop a research function within the Office to collect information on innovations and industry technology trends, analyze the effects of innovation on banks, bank segments, and the federal banking system as a whole and obtain information on consumer needs, demographics, and financial inclusion. The OCC recognizes that such a research function “could benefit the OCC by improving risk identification and understanding of industry innovations” and “benefit banks and fintechs that seek [the OCC’s] views on issues and concerns.”
- **Promote Interagency Collaboration.** To enhance collaboration among domestic and international regulators, the OCC will leverage its existing relationships with other regulators, such as the CFPB and various working groups and committees within the Department of Treasury, to discuss industry innovation, share information and develop consistent approaches among regulators.

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As noted above, the Framework does not address the concept of a federal FinTech charter, to which Comptroller Curry and others have often alluded. Comptroller Curry reportedly said that a potential charter was being reviewed separately from the Responsible Innovation Framework and that a decision on whether to propose a federal FinTech charter has not yet been reached. A paper on a federal FinTech charter is expected from the OCC later this year.

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