

Oral Statement
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Chairman Lynch, Ranking Member Hill, and members of the Task Force on Financial Technology, I am pleased to appear before you to discuss the initiatives at the OCC to support responsible innovation. Responsible innovation enables a vibrant banking system to meet the evolving needs of consumers, businesses, and communities. It promotes economic opportunity and job creation. When done responsibly, innovation increases consumer choice, improves the delivery of products and services, enhances bank operations, and enables financial institutions—including small and rural banks—to more effectively meet the needs of their customers and communities. Moreover, responsible innovation expands services to unbanked and underbanked consumers and promotes financial inclusion.

Innovation has significantly changed how consumers engage with their financial services providers. How banks innovate is also evolving, particularly in the area of bank and fintech partnerships. The OCC supports partnerships between banks and fintech companies that are safe and sound and meet the evolving needs of consumers, businesses, and communities.

The OCC created the Office of Innovation to implement our responsible innovation framework. As Chief Innovation Officer, I head the office's work to regularly conduct outreach and provide technical assistance to banks, fintechs, and other

stakeholders through a variety of channels. These include “office hours,” “listening sessions,” and participation in hundreds of meetings, calls, conferences and events.

My office also works to advance awareness and training for OCC staff on emerging trends to foster a culture that is receptive to responsible innovation and develop staff competencies. In addition, we conduct research to assess the financial services landscape to inform OCC policy and supervisory actions. Finally, we put great emphasis on maintaining open channels of communication and information sharing with other domestic and international regulators.

The OCC’s most recent innovation initiative was announced in April when we proposed a voluntary innovation pilot program to support bank testing of activities that could significantly benefit consumers, businesses, and communities, including those that promote financial inclusion. The program is designed to assist banks in those situations where regulatory or supervisory uncertainty may be a barrier to deploying a new product, service or process, and where early regulatory involvement may promote a clearer understanding of risks and related issues. The pilot program will also allow the OCC to further our understanding of innovative products and services, and to assist in identifying supervisory approaches that might unintentionally or unnecessarily inhibit responsible innovation. The OCC invited public comment on its pilot program and is in the process of evaluating the comments we received.

Many fintech companies such as marketplace lenders, payment processors, and custody service providers offer products and services that historically have been offered by banks. Since the early stages of our work, these companies have consistently asked the agency about options to conduct their business on a national scale and their potential to

become a national bank. The OCC strongly supports the dual banking system and believes that fintech companies engaged in the business of banking should have the option to conduct their businesses through a national bank charter when it makes sense for their business model. The OCC has options available for firms that can meet our rigorous standards. Fintech companies may choose to consider a full-service national bank charter to engage in the full array of authorized national bank activities, including accepting deposits, or to apply for a variety of other limited purpose charters if they are engaged in a limited range of banking activities. Regardless of the particular path that a fintech company chooses, all national banks face rigorous examination and high standards that include capital, liquidity, compliance, financial inclusion, and consumer protection standards.

My written statement also includes some principles for the Task Force's consideration that we believe are important. For example, facilitating appropriate levels of consumer protection, including by ensuring transparency and informed consent, is critical. In addition, laws or changes to laws should be technology-neutral, so that products and services can evolve regardless of changes in the technology that enables them.

The OCC is looking forward to working with the Task Force and continuing to be a resource as members explore important policy considerations relating to financial technology. Thank you again for the opportunity to testify today. I will be happy to answer questions.