§ 7.3000 National bank and Federal savings association banking hours and closings.
  
(a) Banking hours. The board of directors of a national bank or Federal savings association, or an equivalent person or committee of a Federal branch or agency, should review its hours of operations for customers and, independently of any other bank, savings association, or Federal branch or agency, take appropriate action to establish a schedule of operating hours for customers.

(b) Emergency closings declared by the Comptroller. Pursuant to 12 U.S.C. 95(b)(1) and 1463(a)(1)(A), the Comptroller of the Currency (Comptroller), may declare any day a legal holiday if emergency conditions exist. That day is a legal holiday for national banks, Federal savings associations, and Federal branches or agencies in the affected geographic area. National holiday for national banks, Federal savings associations, or Federal branches or agencies in that State or any part of the State, that same day is a legal holiday for customers. National closings declared by a State or State agencies in the affected geographic area (i.e., throughout the United States, in a State or any part of a State), and national banks, Federal savings associations, and Federal branches and agencies may temporarily limit or suspend operations at their affected offices, unless the Comptroller by written order directs otherwise. Emergency conditions may be caused by acts of nature or of man and may include natural and other disasters, public health or safety emergencies, civil and municipal emergencies, and cyber threats or other unauthorized intrusions (e.g., severe flooding, a pandemic, terrorism, a cyber-attack on bank systems, or a power emergency declared by a local power company or government requesting that businesses in the affected area close). The Comptroller may issue a proclamation authorizing the emergency closing in anticipation of the emergency condition, at the time of the emergency condition, or soon thereafter. In the absence of a Comptroller declaration of a bank holiday, a national bank, Federal savings associations, or Federal branch or agency may choose to temporarily close offices in response to an emergency condition. The national bank, Federal savings associations, or Federal branch or agency should notify the OCC of such temporary closure as soon as feasible.

(c) Emergency and ceremonial closings declared by a State or State official. In the event a State or a legally authorized State official declares any day to be a legal holiday for emergency or ceremonial reasons in that State or part of the State, that same day is a legal holiday for national banks, Federal savings associations, and Federal branches or agencies or their offices in the affected geographic area. National

§ 7.3001 [Amended]
  42. Amend § 7.3001 by:
  a. In paragraph (a)(1), removing the words “Lease excess space” and adding in its place the words “Consistent with § 7.1024 of this title, lease excess space”;
  b. In paragraph (c) introductory text, removing the word “shall” and adding in its place the word “must”; and
  c. In paragraph (c)(3), removing the word “state” and adding in its place the word “State”.

§§ 7.4003 through 7.4005 [Removed]
  43. Remove §§ 7.4003 through 7.4005.

§ 7.4010 [Amended]
  44. Amend the section heading for § 7.4010 by removing the word “state” and adding in its place the word “State”.

§ 7.5001 [Removed]
  45. Remove § 7.5001.

PART 145—FEDERAL SAVINGS ASSOCIATIONS—OPERATIONS
  46. The authority citation for part 145 continues to read as follows:


§ 145.121 [Removed]
  47. Remove § 145.121.

PART 160—LENDING AND INVESTMENT
  48. The authority citation for part 160 continues to read as follows:


§ 160.50 [Removed]
  49. Remove § 160.50.
I. Introduction

Over the past two decades, technological advances have transformed the financial industry, including the channels through which products and services are delivered and the nature of the products and services themselves. Fewer than fifteen years ago, smart phones with slide-out keyboards and limited touchscreen capability were newsworthy. Today, 49 percent of Americans bank on their phones, and many Americans regularly use P2P to transfer funds. In 2003, Congress authorized digital copies of checks to be made and electronically processed.

Today, remote deposit capture is the norm for many consumers. The first cryptocurrency was created in 2009; there are now over 1,000 rival cryptocurrencies, and approximately eight percent of Americans own cryptocurrency. Today, artificial intelligence (AI) and machine learning, biometrics, cloud computing, big data and data analytics, and distributed ledger and blockchain technology are
used commonly or are emerging in the banking sector. Even the language used to describe these innovations is evolving, with the term “digital” now commonly used to encompass electronic, mobile, and other online activities.

These technological developments have led to a wide range of new banking products and services delivered through innovative and more efficient channels in response to evolving customer preferences. Back-office banking operations have experienced significant changes as well. AI and machine learning play an increasing role, for example, in fraud identification, transaction monitoring, and loan underwriting and monitoring. And technology is fueling advances in payments. In addition, technological innovations are helping banks comply with the complex regulatory framework and enhance cybersecurity to more effectively protect bank and customer data and privacy. More and more banks, of all sizes and types, are entering into relationships with technology companies that enable banks and the technology companies to establish new delivery channels and business practices and develop new products to meet the needs of consumers, businesses, and communities. These relationships facilitate banks’ ability to reach new customers, better serve existing customers, and take advantage of cost efficiencies, which help them to remain competitive in a changing industry.

Along with the opportunities presented by these technological changes, there are new challenges and risks. Banks should adjust their business models and practices to a new financial marketplace and changing customer demands. Banks are in an environment where they compete with non-bank entities that offer products and services that historically have only been offered by banks, while ensuring that their activities are consistent with the complex regulatory framework and enhance cybersecurity to more effectively protect bank and customer data and privacy. More and more banks, of all sizes and types, are entering into relationships with technology companies that enable banks and the technology companies to establish new delivery channels and business practices and develop new products to meet the needs of consumers, businesses, and communities. These relationships facilitate banks’ ability to reach new customers, better serve existing customers, and take advantage of cost efficiencies, which help them to remain competitive in a changing industry.

II. Existing Regulatory Framework

For almost twenty years, OCC regulations have specifically addressed national banks’ digital activities. The agency initially issued regulations in 1990 that addressed data processing activities.11 In 2000, it published an ANPR seeking public comment on how to revise its regulations to further facilitate national banks’ use of developing technology, noting that “rapid developments in new technologies are causing banks to reevaluate existing delivery channels and business practices and to develop new products and services in order to reach new customers, better serve existing customers, and take advantage of cost efficiencies.”12 The comments submitted in response to that ANPR formed the basis of a final rule issued in 2002 and updated in 2008.13 Today, these regulations, at 12 CFR part 7, subpart E, address (1) electronic activities that are part of or incidental to the business of banking:14 (2) furnishing of products and services by electronic means and facilities; (3) engaging in an electronic activity that is comprised of several component activities (composite authority); (4) the sale of excess electronic capacity and by-products; (5) acting as digital certification authority; (6) data processing; (7) correspondent services; (8) the location of a national bank conducting electronic activities; (9) the location under 12 U.S.C. 85 of national banks operating exclusively through the internet; and (10) shared electronic space.

Federal banking activities that are electronic in nature. There would be no 12 CFR part 7, subpart A, as new § 7.1027. These proposed changes would better organize OCC rules and enhance cybersecurity to more effectively protect bank and customer data and privacy.

Notwithstanding these challenges, the Federal banking system is well acquainted with and well positioned for changes, which has been a hallmark of this system since its inception. The OCC’s support of responsible innovation throughout its history has helped facilitate the successful evolution of the industry. The OCC has long understood that the banking business is not frozen in time and agrees with the statement made over forty years ago by the U.S. Court of Appeals for the Ninth Circuit: “the powers of national banks must be construed so as to permit the use of new ways of conducting the very old business of banking.”16 Accordingly, the OCC has sought to regulate banking in ways that allow for the responsible creation or adoption of technological advances and to establish a regulatory and supervisory framework that allows banking to evolve, while ensuring that safety and soundness and the fair treatment of customers is preserved.

11 61 FR 4849 (Feb. 9, 1996).
12 65 FR 4895 (Feb. 2, 2000).
13 67 FR 34992 (May 17, 2002) and 73 FR 22216 (Apr. 24, 2008).
14 This provision, at 12 CFR 7.5001, identifies the criteria that the OCC uses to determine whether an electronic activity is authorized for national banks as part of, or incidental to, the business of banking under 12 U.S.C. 24(Seventh) or other statutory authority. While this section details those criteria in the context of electronic activities, the OCC uses the criteria to determine whether any activity is part of or incidental to the business of banking. To confirm the broader applicability of the criteria listed in § 7.5001, the OCC is proposing in a separate rulemaking to remove the word “electronic” from this section and move it to part 7, subpart A, as new § 7.1027. These proposed changes would better organize OCC rules and clarify that the criteria of this section may apply to any potential national bank activity, not just those that are electronic in nature. There would be no substantive effect as a result of this change.
16 Specific citations for these approvals are in OCC’s 2000 ANPR. See supra note 12, at 4895–96, fn. 4–6.
17 Conditional Approval No. 1205 (Aug. 31, 2018).
18 In 2015, the OCC launched an initiative to better understand the role of innovation in financial services and to determine what actions the agency could take in response to this dynamic environment. The OCC subsequently implemented a “responsible innovation” framework designed to...
19 Over this same period, the OCC has responded on a case-by-case basis to industry requests for approval to engage in innovative, technology-driven banking activities. Such approvals in the 1990s covered internet applications (e.g., transactional websites, commercial website hosting services, a virtual mall, an electronic marketplace for non-financial products, and internet access services), electronic payment systems activities (e.g., electronic bill payment and presentment services, stored value systems, electronic data interchange services, and prepaid alternate media such as stamps and prepaid phone cards), and other technology-based services (e.g., digital certification authority services and correspondent banking services).16 More recently, the OCC issued a preliminary conditional approval for a full-service national bank with a nationwide footprint that proposes to offer banking products through mobile, online, and phone-based banking channels.17 The OCC also approved a request for confirmation that a national bank may participate as a funding participant in a real-time payment system for small dollar, irrevocable payment services.18
ensure that national banks and Federal savings associations have a regulatory structure that is receptive to innovation and that the agency’s supervisory approach appropriately accounts for the opportunities and risks of changing business models and new products, services, and processes. The OCC also established a dedicated Office of Innovation that serves as a central point of contact for interested parties and a clearinghouse for innovation-related matters. This Office works to increase OCC awareness and understanding of industry trends and issues, such as the use of AI and machine learning, payment developments, the evolution of lending, and relationships between banks and technology companies. The Office of Innovation also assists both OCC-supervised banks and nonbanks with understanding the agency’s expectations regarding safe and sound operations, fair access to financial services, and fair treatment of customers.

III. Regulatory Review

As part of its on-going efforts to remain responsive to the evolution of the Federal banking system, the OCC is undertaking a comprehensive review of 12 CFR part 7, subpart E, and part 155. The goals of this review are to evaluate whether these regulations effectively take into account the ongoing evolution of the financial services industry, promote economic growth and opportunity and ensure that banks operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

As part of this review, the OCC invites the public, including members of the financial service and technology sectors and consumer groups, to share their experiences and ideas. Based on the comments received, the OCC may propose specific revisions to its rules, on which it would again seek public comment. It should be noted that certain principles guide the OCC’s approach to its regulatory framework in the context of technology and innovation. First, any regulation adopted should be technology-neutral, so that products, services, and processes can evolve regardless of the changes in technology that enables them. Second, any regulation should facilitate appropriate levels of consumer protection and privacy, including features that ensure transparency and informed consent. Finally, regulations on digital activities should be principle-based, rather than prescriptive, to enable effective management of evolving risks and to reduce the potential that the regulations quickly become outdated.

IV. Issues for Comment

The public is invited to respond to the following questions and offer comments or suggestions on any other banking issues related to digital activities, use of technology, or innovation. The OCC is not seeking comment on its authority to issue a special purpose national bank charter.

1. Considering the financial industry’s evolution, are the OCC’s legal standards in part 7, subpart E, and part 155 sufficiently flexible and clear? Should the standards be revised to better reflect developments in the broader financial services industry? If so, how?

2. Do any of the legal standards in part 7, subpart E, or part 155 create unnecessary hurdles or burdens to the use of technological advances or innovation in banking?

3. Are there digital banking activities or issues related to digital banking activities that the OCC does not address in part 7, subpart E, or part 155 that the OCC should address? If so, what are these activities or issues, and why and how should the OCC address them?

4. What types of activities related to cryptocurrencies or cryptoassets are financial services companies or bank customers engaged in? To what extent does customer engagement in crypto-related activities impact banks and the banking industry? What are the barriers or obstacles, if any, to further adoption of crypto-related activities in the banking industry? Are there specific activities that should be addressed in regulatory guidance, including regulations?

5. How is distributed ledger technology used, or potentially used, in banking activities (e.g., identity verification, credit underwriting or monitoring, payments processing, trade finance, and records management)? Are there specific matters on this topic that should be clarified in regulatory guidance, including regulations?

6. How are AI techniques, including machine learning, used or potentially used in activities related to banking (e.g., credit underwriting or monitoring, transaction monitoring, anti-money laundering or fraud detection, customer identification and due diligence processes, trading and hedging activities, forecasting, and marketing)? Are there ways the banking industry could be, but is not, using AI because of issues such as regulatory complexity, lack of transparency, audit and audit trail complexities, or other regulatory barriers? Are there specific ways these issues could be addressed by the OCC? Should the OCC provide regulatory guidance on this use, including by issuing regulations?

7. What new payments technologies and processes should the OCC be aware of and what are the potential implications of these technologies and processes for the banking industry? How are new payments technologies and processes facilitated or hindered by existing regulatory frameworks?

8. What new or innovative tools do financial services companies use to comply with applicable regulations and supervisory expectations (i.e., “regtech”)? How does the OCC’s regulatory approach enable or hinder advancements in this area?

9. Are there issues unique to smaller institutions regarding the use and implementation of innovative products, services, or processes that the OCC should consider?
10. What other changes to the development and delivery of banking products and services for consumers, businesses and communities should the OCC be aware of and consider?

11. Are there issues the OCC should consider in light of changes in the banking system that have occurred in response to the COVID–19 pandemic, such as social distancing?

Brian P. Brooks,

Acting Comptroller of the Currency.

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