



January 13, 2017

Mr. Thomas J. Curry, Comptroller of the Currency  
Office of the Comptroller of the Currency  
Delivered via email at specialpurposecharter@occ.treas.gov

Re: Exploring Special Purpose Charters for Fintech Companies

Dear Mr. Curry:

SHAZAM, Inc. ("SHAZAM") appreciates this opportunity to respond to the Request for Comment issued by the Office of the Comptroller of the Currency ("OCC") regarding the proposed special purpose national bank charter.

Since 1976, SHAZAM's member-owned structure has stayed true to our mission to provide our financial institution customers with competitive products and services related to the electronic payments industry. As a long standing, nationally-recognized pioneer and innovative service provider in the payments system, we have dedicated our organization to providing and enhancing the opportunity for approximately 1,200 financial institutions to compete effectively and profitably in the marketplace through the delivery and support of quality, comprehensive, and timely electronic funds transfer (EFT) services. SHAZAM provides EFT services to financial institutions and processing services to merchants throughout the U.S. It should also be noted that as part of our corporate structure, SHAZAM owns and operates ITS Bank, a limited purpose credit card bank chartered in the State of Iowa.

As the OCC focuses on responsible innovation, it is important to act in a manner to facilitate and ensure open and equal access to the payments system for community financial institutions. While much attention may be given to smaller start-up fintech companies, it is important to note that many large, well-established financial service companies are certain to take advantage of this new charter. Based on the size and the scale of these entities, community financial institutions and their customers will be at risk of being effectively shut out of payments without a focus on interoperability. Interoperability facilitates the ability to process payments across various entities and solutions.

Common standards and governance would enable interoperability for various payment activities. Common standards can be utilized by a variety of both front end and back end solutions and products, thus fostering innovation while promoting interoperability. Person to person payments ("P2P") is a prime example of an innovative product which lacks common standards and governance thus consumers do not have interoperability. In today's environment consumers are often restricted to sending payments to other individuals utilizing the same person to person service provider. The technology and infrastructure in today's environment can allow consumers to do real-time P2P with any other consumer regardless if both consumers utilize separate service providers. These service providers can be new fintech companies, banks, or credit unions, which is where competition and innovation will thrive. However, innovation is restricted due to this lack of payment activity interoperability, and today's market fails consumers as a result of propriety standards and the inability of "competitors" to work together to facilitate payments which needs to be part of the governance. If there had a been a common standard that each service provider could code to, each solution would be able to communicate with the other, even if they did not have the end-to-end connections directly themselves, thus ensuring interoperability and allowing the transaction to process successfully which is what consumers need first and then consumers will seek innovative functionality differences catered to their specific needs.



SHAZAM has long advocated the importance for community financial institutions to have open access to the payments system. Other EFT processors and networks do not demonstrate the same philosophy, and operate on a competitive model to harbor business. Non-discriminatory access and interoperability coupled with a strong set of standards and governance, are necessary to ensure that community financial institutions are not being put at a disadvantage due to technology restraints or inflated pricing.

A federal charter for fintech companies would provide them with an unfair advantage over community financial institutions. A federal charter would make community financial institutions uncompetitive in payments as they are required to comply with state and federal regulations that their service providers do not need to comply with under the special purpose national bank charter for fintech companies. Additionally, such a federal charter would considerably reduce the profitability of the community financial institutions and thus initiate a decline in such institutions causing harm to their communities and to their customers.

Financial institutions seeking to reduce costs and improve customer experience by establishing relationships with fintech companies are facing a major challenge due to regulatory uncertainty. Burdensome third-party vendor due diligence and oversight is required, and financial institutions face increased liability. The existing regulatory environment promotes a low tolerance for risk and does not encourage financial institutions to innovate. The low risk tolerance coupled with the burdensome vendor management requirements cause community financial institutions to become even less inclined to innovate due to the threat of negative regulatory action. A reasonable standard must be developed whereby financial institutions, fintech companies and regulatory agencies work together to promote and foster innovation.

As you noted in your speech at Georgetown University Law Center on December 2, 2016, “[f]intech companies hold great potential to expand financial inclusion, empower consumers, and help families and businesses take more control of their financial matters.” Nonetheless, proper regulation, examination, and oversight are essential in order to be commensurate with the risk and complexity of each component within our industry today. It is also vital to improve regulation upon existing financial institutions, permitting secure and stronger partnerships with fintech companies. SHAZAM offers an alternative solution to the special purpose fintech charter wherein the federal banking agencies will hire and develop a team of specialized examiners and regulatory staff with legitimate fintech expertise to work with banks, both outside of and concurrent with safety and soundness examinations. These highly trained examiners would assist financial institutions in establishing relationships with fintech companies to innovate in a consistent manner with established standards both financial institutions and fintech companies can utilize and rely on going forward.

We urge you to protect financial institutions in a manner that will not stifle competition or harm community financial institutions, their communities, and their customers and rather enable competition that can deliver consumers, merchants and financial institutions interoperability, lower prices, more choices and further innovation if permitted to flourish. SHAZAM appreciates the opportunity to comment on the special purpose national bank charters for fintech companies, and we thank you for consideration of our comments.

Sincerely,

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Paul A Waltz  
President/CEO