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To: [specialpurposecharter](#)
Subject: [EXTERNAL] FinTech Special Purpose National Bank Charter Response
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Hello, my name is Matt Rhodes, I am an entrepreneur from Binghamton, New York. I am currently developing software for the FinTech industry. I hope you find my responses useful.

1. What are the public policy benefits of approving fintech companies to operate under a national bank charter? What are the risks?

Any reduction in bureaucracy and paperwork in establishing a national bank would be warmly welcome by myself and my peers. It is incredibly hard, if not impossible, to form a commercial bank in the current environment, and few startups are looking to do so. Yet the benefits are enormous to both businesses and consumers.

I see very few risks, especially if any special-case risks particular to the bank in question are made public and transparent to consumers. Any opportunity for startup businesses in the FinTech space to register and be regulated makes the industry all that more transparent. The biggest risk is setting the bar for fledgling FinTech startups too high and imposing onerous application or bonding requirements, as it becomes yet another hurdle to overcome to bring an idea, service or product to market. The market will be driven underground.

2. What elements should the OCC consider in establishing the capital and liquidity requirements for an uninsured special purpose national bank that limits the type of assets it holds?

Please see above. If a company chartered as a National Bank is not accepting deposits but has access to monetary transfers, there is likely little risk to end users in this case.

A two-tier system could work well. Allow very small startups an interim license with little or no capital/bonding requirements and a probationary period. Increase capital requirements and freedoms when the startups are ready to "grow up."

3. What information should a special purpose national bank provide to the OCC to demonstrate its commitment to financial inclusion to individuals, businesses and communities? For instance, what new or alternative means (e.g., products, services) might a special purpose national bank establish in furtherance of its support for financial inclusion? How could an uninsured special purpose bank that uses innovative methods to develop or deliver financial products or services in a virtual or physical community demonstrate its commitment to financial inclusion?

I don't think a business should have to provide you with any special materials to demonstrate its commitment to financial inclusion. I believe it is a given that most FinTech businesses are looking to expand their customer bases as much as possible.

With that said, emerging FinTech technologies and money-transfer methods (e.g., Bitcoin and virtual currencies) could make it cheaper and easier for small money-transfer agents to compete with businesses like Western Union to decrease the costs of sending money across

the country or across borders, most commonly used in poorer, underbanked communities. The savings are substantial, but only if the regulations are easily followed by even the smallest of companies.

4. Should the OCC seek a financial inclusion commitment from an uninsured special purpose national bank that would not engage in lending, and if so, how could such a bank demonstrate a commitment to financial inclusion?

No.

5. How could a special purpose national bank that is not engaged in providing banking services to the public support financial inclusion?

Please see my response to #3.

6. Should the OCC use its chartering authority as an opportunity to address the gaps in protections afforded individuals versus small business borrowers, and if so, how?

No. Decrease regulations and allow new startups in the banking space to improve the quality of lending to both individuals and small businesses.

7. What are potential challenges in executing or adapting a fintech business model to meet regulatory expectations, and what specific conditions governing the activities of special purpose national banks should the OCC consider?

A few considerations:

- Startups won't necessarily work with traditional "money." Company, individual or software-backed "tokens" may proliferate in the upcoming years. Because these tokens are freely traded and often perform a function or are rewarded through market-generated activities, they contain market value and can be liquidated for U.S. Dollars on existing open-exchanges (currently with Bitcoin, but hopefully in the future with U.S. Dollars as well.) Focusing regulation specifically on the U.S. Dollar or in terms of the dollar won't necessarily make sense. Allow these tokens/coins an opportunity to flourish and become incorporated with the U.S. banking system.

- Startups won't necessarily have a physical location, but I believe there are already special considerations in place for this.

8. What actions should the OCC take to ensure special purpose national banks operate in a safe and sound manner and in the public interest?

Assistance with cases of fraud protection for banks and bank customers, analysis of customer feedback during startup probationary periods, and simple regulations depending on the size, complexity and scope of the business.

9. Would a fintech special purpose national bank have any competitive advantages over fullservice banks the OCC should address? Are there risks to full-service banks from fintech companies that do not have bank charters?

Not that I'm aware of, from my understanding of the requirements laid out, full-service banks are offered significantly more freedom and options, but are subject to more regulation. This seems fair to me, and special-purpose charters may be a great way to enable new startups the ability to compete.

10. Are there particular products or services offered by fintech companies, such as digital currencies, that may require different approaches to supervision to mitigate risk for both the institution and the broader financial system?

Please see my answer from #7 for how potential companies may use digital currencies in the future. Cybersecurity is obviously the most important element here, but it must be taken in context. Take the example of a virtual currency (Bitcoin) exchange. Some exchanges perform deposits and withdrawals automatically, but other exchanges may choose to manually process requests from users.

Again, blanket regulation in this example would not make sense. The exchange processing outgoing money transfers instantly is at a much higher risk than an exchange doing it manually.

The best approach is to make the potential risks clear to the end user/consumer, particularly if there is no FDIC insurance/other protection available for a particular special-purpose bank. Regulate with a light touch, with a focus on stopping fraud and money-laundering.

11. How can the OCC enhance its coordination and communication with other regulators that have jurisdiction over a proposed special purpose national bank, its parent company, or its activities?

Clearly identify which activities fall under which jurisdiction to keep it simple for the special purpose banks.

12. Certain risks may be increased in a special purpose national bank because of its concentration in a limited number of business activities. How can the OCC ensure that a special purpose national bank sufficiently mitigates these risks?

Be open to new business models that may produce a valuable end-product but not necessarily income in U.S. Dollars (for example, income may be earned in Bitcoin or other virtual currencies instead.) Allow special-purpose banks some freedom to change course and make adjustments to their business models based on market conditions, and/or grant expedited-approval for such changes.

13. What additional information, materials, and technical assistance from the OCC would a prospective fintech applicant find useful in the application process?

During the setup and chartering process for a special-purpose bank, help the applicant by identifying the other regulators that may have jurisdiction, as well as the regulations they impose.

Thank you for taking the time to read my responses, I very much look forward to seeing how the OCC crafts these regulations.

Please help small FinTech startups be competitive by keeping regulations simple, easy-to-understand, and accessible for small business owners and entrepreneurs!

Sincerely,
Matt Rhodes