From:	James Raanan
To:	specialpurposecharter
Subject:	[EXTERNAL] Comment to Fintech White Paper question
Date:	Wednesday, December 28, 2016 8:46:51 AM

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?

Dear Sirs/Madams:

Our company holds a US subsidiary with money transmission licenses in most US states (primarily involved in money transmission), and European subsidiary that operates as a bank licensed in Gibraltar focused on the issuance of e-money in the form of network branded prepaid cards.

The initiative to consider extending chartering fintech companies under a special purpose national bank charter is welcomed. In response to the question above, I would like to detail some factors that should be considered by the OCC:

1. Easing the "loading"/"depositing" of cash. One of the key elements of extending the reach of banking services would be to make it easier for the unbanked to deposit or load cash to their "account". Fintech companies looking to address this segment are not likely to have the resources to establish physical branches, and their business models do not allow for this. I would suggest easing restrictions on the acceptance of cash through distribution (retail points) points - with much lighter regulation on those distribution points for smaller cash amounts. Currently both Federal and state law render cash collection difficult and highly expensive. For example, a distributor who is only likely to take $2000 in deposits per week is unlikely to be highly rewarded in aggregate dollar terms, so his willingness to engage in extensive review and compliance is unlikely. From a risk perspective if activation is being processed through a system, and the provider behind the "account" stands behind the account from the moment of activation, it is difficult to see how the consumer is prejudiced from a safety and soundness perspective. From an AML perspective if amounts are kept low enough, and providers can demonstrate appropriate mitigations at the system level, there does not seem to be a great deal of risk.

2. Other activities. Many fintech companies are borne out of companies engaged in non financial services activities as well - eg. Facebook and Google-pay. Due to the rules of the BHCA regarding related banks being engaged in non financial services activities, it may be difficult for some fintech companies to qualify for a charter. Refining these rules to establish certain governance requirements and certain types of financial services activities (again, at lower denominations) could open up the possibility of the special purpose charter to fintech companies with larger businesses that have other assets that can be brought to bear, but are not necessarily dedicated to financial services.

Yours,

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