

[Banking and Finance Law Daily Wrap Up, TOP STORY—OCC wants suggestions on Licensing Manual changes covering fintech charters, \(Mar. 15, 2017\)](#)

Banking and Finance Law Daily Wrap Up

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The Office of the Comptroller of the Currency is continuing in the direction of granting special purpose national bank charters to financial technology companies by proposing a supplement to its *Licensing Manual*. Although the OCC does not ordinarily ask for comments on its manuals, it says it has done so in this case in the interest of "fostering open dialogue with stakeholders." Comments on the proposed supplement will be accepted through April 14, 2017.

[According to the OCC](#), the supplement addresses the unique factors that must be considered in evaluating special purpose applications. However, fintech companies that receive charters will be expected to meet the same safety and soundness and fairness standards that apply to all national banks. The proposed supplement offers details on how a fintech company's compliance with those standards will be determined.

This is not the first OCC document published on special purpose charters for fintech companies. The agency published [guiding principles](#) in March 2016, and it issued a [discussion paper](#) in December 2016.

Explanatory statement. In an [explanatory statement](#) that also looks at comments received on the earlier documents, the OCC emphasized that it will be guided by three principles when issuing special purpose fintech charters:

1. There will be no "inappropriate commingling of banking and commerce."
2. Products with predatory features and unfair or deceptive acts and practices will not be permitted.
3. There will be no "light touch" supervision. Special purpose national banks will be expected to meet the same standards as all other national banks.

Specifically, the OCC said that fintech banks will be subject to leverage and risk-based capital standards. However, "alternative approaches"—meaning heightened requirements—might be needed to determine appropriate capital requirements because these banks are expected to have comparatively few on-balance sheet exposures.

Draft supplement. Under the [proposed supplement](#) to the *Licensing Manual*, a special purpose national bank would be defined as a national bank that either pays checks (or makes other similar transfers, such as using debit cards) or lends money. Accepting deposits will not be permitted, and the banks will not be covered by the Federal Deposit Insurance Corporation.

The OCC said it anticipates that special purpose banks may intend to engage in activities that have not previously been determined to be part or, or incidental to, the business of banking. The agency will consider such activities but will require the company to explain them and justify their inclusion as banking activities.

Special purpose banks will be required to satisfy the OCC's Bank Secrecy Act and anti-money laundering requirements, and they will have to meet Office of Foreign Asset Control expectations as well, the draft supplement said.

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