

Banking and Finance Law Daily Wrap Up, TOP STORY—OCC provides blueprint for ‘responsible innovation’, (Mar. 31, 2016)

By [John M. Pachkowski, J.D.](#)

Noting that the financial services industry in the United States is undergoing rapid technological change aimed at meeting evolving consumer and business expectations and needs, the Office of the Comptroller of the Currency has released its much anticipated whitepaper describing the agency’s vision for responsible innovation in the federal banking system.

The whitepaper, entitled “[Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective](#),” is the result of an initiative, that Comptroller Thomas Curry announced in August 2015, to improve the OCC’s ability to identify and understand trends and innovations in the financial services industry, as well as the evolving needs of consumers of financial services (see *Banking and Finance Law Daily*, [Aug. 10, 2015](#)).

The whitepaper discusses the principles that will guide the development of the agency’s framework for evaluating new and innovative financial products and services. The framework builds upon the OCC’s mission to ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

Thriving in disruption. In the whitepaper’s preface, Curry noted that while banks continue to innovate, financial technology—fintech—is beginning to disrupt the way traditional banks do business; and as the prudential regulator of the federal banking system, “we want national banks and federal savings associations to thrive in this environment and to continue fulfilling their vital role of providing financial services to consumers, businesses, and their communities.”

Responsible innovation. To set the parameters in which the OCC will develop its framework, the agency defines “responsible innovation” to mean: “The use of new or improved financial products, services, and processes to meet the evolving needs of consumers, businesses, and communities in a manner that is consistent with sound risk management and is aligned with the bank’s overall business strategy.”

The agency noted that defining innovation in this manner “recognizes the importance of banks’ receptivity to new ideas, products, and operational approaches to succeed in meeting the needs of consumers, businesses, and communities in the rapidly changing financial environment.”

Guiding principles. The OCC will also use a set of eight guiding principles in formulating its innovation framework. The principles are:

1. support responsible innovation;

2. foster an internal culture receptive to responsible innovation;
3. leverage agency experience and expertise;
4. encourage responsible innovation that provides fair access to financial services and fair treatment of consumers;
5. further safe and sound operations through effective risk management;
6. encourage banks of all sizes to integrate responsible innovation into their strategic planning;
7. promote ongoing dialogue through formal outreach; and
8. collaborate with other regulators.

Request for comments. As part of developing its innovation framework, the OCC is also seeking comments on the whitepaper until May 31, 2016. The comments can be submitted to innovation@occ.treas.gov.

Following the end of the comment period, the OCC will host a forum on responsible innovation on June 23, 2016, at Constitution Center in Washington, D.C. During the event, the agency will discuss comments received on the whitepaper and lead discussions regarding financial services innovation.

“Forward-looking efforts.” Following release of the whitepaper Rob Nichols, president and CEO of the American Bankers Association, called the OCC’s efforts “forward-looking.” He added, “The OCC’s focus on responsible innovation lines up with our core belief that banks should be empowered to innovate and that consumers should feel confident they have the same protections when doing business with any financial services provider —bank or a non-bank..”

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