

Remarks by
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Comptroller of the Currency
Before the OCC Forum on “Supporting Responsible Innovation
in the Federal Banking System”
June 23, 2016

Good morning, and welcome to the Office of the Comptroller of the Currency. I’m excited to have you here for what I expect will be a series of lively discussions. When we released our white paper on responsible innovation in March, one of our goals was to engage stakeholders in a meaningful conversation. I think we accomplished that, evidenced by the number of thoughtful comment letters we received and the fact this forum “sold out” in about 36 hours. That is not quite as quickly as “Hamilton,” but still a hot ticket in this town nonetheless. I am glad that all of you made it and can be part of the discussion. After all, we are here to learn from you and exchange thoughts and ideas. Today’s event features some of the brightest minds and important voices in the financial industry—bankers, nonbank innovators, consumer and community advocates, academics, investors, and regulators. All of them are here to talk about the promise and challenges of financial innovation and its impact on the federal banking system. I encourage you to take full advantage of this opportunity to interact with the panelists and with one another. In important ways, we are in this together.

If you look at today’s agenda, you’ll see that I’m scheduled to speak for 45 minutes. I have no plans to talk for 45 minutes. I am far more interested in a dialogue, and I want to leave as much time as possible to answer your questions. But, before we get to that, I do want to share

the perspective on responsible innovation that I have developed over three decades as a bank regulator.

Part of that perspective is recognizing that innovation has *always* been an integral part of banking and the federal banking system. It comes in waves, and the particular ingenuity displayed each time feels fresh and pushes us forward. But, the process of innovation, adaptation, execution, *and* regulation is not new at all and what was once revolutionary can, in hindsight, appear quaint. Banks met the automobile era of the '30s and '40s with drive-up windows, providing greater convenience and mobility. The space age brought ATMs to banks to provide access around the clock and around the globe. In the Information Age, banks delivered a wave of high-tech conveniences, from depositing checks with the snap of a picture to the ability to manage your account entirely online. The arc of innovation has made the federal banking system stronger and has served customers better. Financial innovation by banks and nonbanks alike has helped people buy homes and build wealth, and led to greater financial inclusion. These innovations make our financial system the envy of the world. That's no exaggeration.

At the same time, we've seen the need for heightened risk management to keep pace with the rapid changes in technology, products, services, and processes. Greater interconnectivity has been a boon for cyber criminals, giving them greater opportunity to commit identity theft, phishing schemes, fraud, and other mischief. While responsible professionals and cyber watchdogs prevent many of the attacks from being successful, we read about far too many in the press each day. Still other so-called innovations had unforeseen consequences and led to abuses and dangerous risk in lending and securities, contributing to the Great Recession and resulting in trillions in losses to consumers, businesses, and the U.S. economy. That too, unfortunately, is no exaggeration.

That brings me to “responsible innovation.” What do I mean by those two words? At its simplest, a responsible innovation is one that meets the changing needs of consumers, businesses, and communities; is consistent with sound risk management; and aligns with the company’s business strategy. Said another way, responsible innovation within the federal banking system helps institutions achieve their public purpose without compromising their safety or soundness, and supports their long-term business goals.

As regulators, then, we want to encourage and promote advances in products, services, and processes that serve consumers, communities, and businesses better and more fairly. That *is* a bank’s public purpose, and that’s *why* national banks and federal thrifts exist. By the way, that’s also how banks compete—deliver more value than the bank on the next block or the next webpage. Whether it starts in a bank innovation lab or in a Silicon Valley garage, innovation that helps banks achieve that goal contributes to the vitality of our banking system and makes our financial services industry stronger. At the same time, regulators and the industry must not allow unnecessary risk for dubious benefit to creep into the system. We can’t be idle witnesses to potential harm to consumers, banks, or the federal banking system as a whole. That’s the challenge for our agency and the challenge for all participants and attendees in the room today.

This forum is another step in our efforts to make sure we at the OCC are up to that challenge. Our efforts began last summer when we asked how we, as an agency, can adapt to the breakneck pace of banking innovation today. And, how we can support positive change? We went about answering those questions by conducting dozens of conversations with folks like you. We put the themes and principles that flowed from those conversations into what has become a well-received white paper. The paper describes our perspective on responsible innovation in the federal banking system. It articulates the principles that are guiding the development of our

framework for identifying and evaluating new and innovative financial products and services. Most importantly, the paper sparked *this* conversation, and I appreciate all of the thoughtful comments we have received. Those comments are helping to inform the discussions you are a part of today and our agency's next steps. This forum is symbolic of the concerted effort of many contributors, some of whom are here today.

People like Amy Friend, my Chief Counsel and the agency's sponsor and leader of the team that recognized the opportunity that innovation presents for the agency and the industry. We would not be here without her leadership and the extraordinary number of hours and thoughtful work put in by the team she assembled from across the agency.

Among many others, I should single out Noelle Kurtin. Noelle is chiefly responsible for pulling this terrific event together. Events like these take a great deal of effort and long days and nights. Noelle and everyone on the team and in the OCC Conference Office deserve a round of applause.

I'd also like to use this opportunity to introduce you to Kay Kowitt. Some of you know Kay as the Deputy Comptroller for the Western District. But today, I publicly introduce her in a new role heading the team responsible for turning our principles for responsible innovation into practice. It's no small task to turn a good idea into an operational reality. And, over the next few months before returning to their day jobs, Kay, her deputy Beth Knickerbocker from our legal division, and their team will take your comments and develop a set of actionable recommendations for implementing our framework for innovation—that framework that will help us identify and evaluate innovation affecting the federal banking system *and* maintain the active dialogue we have successfully begun. It's a big job, but I have every confidence in Kay

and her team. This forum will go a long way in helping them crystalize her ideas for implementing a framework for innovation in the most effective way.

As your host, let me give you a short preview of what the day holds for all of us.

We're going to start with a big picture look at innovation in the financial services industry. Not many people are more familiar with this topic than our moderator of the first panel, Amy Friend. Since I announced this effort in August last year, she has immersed herself in all aspects of innovation. Her panel brings some big thinkers from several disciplines together to explore whether fintechs and banks can co-exist and what they can learn from each other. The panel will also discuss what regulators should do.

Next we will move to the opportunities and challenges for national banks, federal savings associations, and fintech companies in our "Business of Innovation" session. If our opening panel delves into the macro issues of innovation, this panel will deal with more of the nuts and bolts. Kathleen Oldenborg, our moderator for this session, is on the cutting edge of many of these advances as our Director for Payment Systems Policy. I think you will agree that the area of payment systems and processing is among the most fertile grounds for innovation today. Among other topics, the panel will discuss real-world successes *and* failures, the potential for partnerships between banks and fintechs, how banks evaluate risks and develop controls, and how we should define success.

Our third panel will discuss the impact of innovation on consumers and communities. Remember, to be responsible, innovation should improve the products and services that customers rely upon. It should help expand financial inclusion. Led by Senior Deputy Comptroller for Compliance and Community Affairs Grovetta Gardineer, this afternoon's panel on "Responsible Innovation and the Consumer" will focus on understanding how consumer

needs are changing and how innovation can expand services for unbanked and underbanked populations across the country.

Finally, we'll wrap up today's discussion with a panel on the OCC's vision for responsible innovation and the principles guiding the development of our innovation framework. Bryan Hubbard, our new Deputy Comptroller for Public Affairs, will lead that panel, which includes a number of experts from across the agency who helped produce our white paper and who conducted the research and conversations that informed our thinking and this event. They'll discuss the feedback we have received on our paper in more detail and where we are headed, adding a particular perspective from their lines of business within the OCC.

With an "out of the box" lunch squeezed in between panels, I think we have a full day planned for everyone, and I hope all of you take away something valuable to you. As I said at the beginning, this forum is about dialogue, so enough with my remarks. Now I'd like to hear from you and answer any questions that you might have.