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VIA ELECTRONIC SUBMISSION

Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219
innovation@occ.treas.gov

RE: U.S. Bank Comments on *Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective*

Dear Sir or Madam:

U.S. Bank National Association (U.S. Bank) welcomes the opportunity to comment on the Responsible Innovation Whitepaper (Whitepaper) released by the Office of the Comptroller of the Currency (OCC) in March 2016 entitled *Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective* and to provide responses to the OCC's questions. U.S. Bank serves the financial needs of customers through its over 3,000 branches located in communities of all sizes, almost 5,000 ATM locations, state-of-the-art online banking system, and highly rated and innovative mobile banking platform.

The rapid move to digital banking and advancements in mobile and other technologies offers the opportunity for financial innovators to provide new products and services that can enhance customer convenience, security, and demands of a customer base that has become increasingly technologically sophisticated. U.S. Bank and other traditional Financial Institutions (FIs) are required to meet the needs of this customer base while complying with regulations and under the supervision of numerous federal agencies, including the OCC. U.S. Bank appreciates the OCC's initiative in developing this Whitepaper and requesting public comment. The OCC Whitepaper comes at a time when consumers are increasingly turning to products and services offered by financial technology (fintech) companies who may not be subject to the same level of regulatory oversight as FIs.

U.S. Bank is supportive of the Whitepaper and believes all regulators should adopt a framework for understanding and evaluating financial innovation to ensure continued consumer protections, security, and equitable access to the banking system for all consumers. U.S. Bank agrees that the OCC should first develop a framework to facilitate responsible innovation that will, in part, streamline the agency's review process and promote open communications with all industry stakeholders. We further believe the relevant federal agencies should work together to coordinate their efforts in the area of responsible innovation to address this new environment and ensure financial inclusion, strong consumer protections, enhanced data security, and overall consumer confidence in the financial system.

I. Summary of U.S. Bank's Comments

For ease of reference, a summary of U.S. Bank's comments in this letter is presented below:

- Collaboration with other regulatory agencies is essential to ensure consistency in supervision, oversight, rulemaking, and guidance. Collaboration and coordination among the agencies would provide consistent and clear direction to the industry and could help avoid compliance issues that often result when regulatory expectations are inconsistent among regulators. In addition, this collaboration and coordination would help address the existing regulatory gaps between FIs and fintech companies.
- Clear and effective communication is essential to ensure the industry understands and can integrate the OCC's new or modified innovation review processes. The OCC should set expectations on how FIs should engage the OCC in innovation review, what the OCC needs to facilitate its review, and how innovation will be monitored and assessed for both FIs and for the partnerships that develop between FIs and fintech companies .
- Emerging technology is an important element of innovation in financial services today. These new technologies require advanced understanding to assess their risks and opportunities. This important work, we believe, requires centralized subject-matter expertise within the OCC that FIs and field examiners can leverage.

II. U.S. Bank Specific Comments in Response to Specific OCC Questions

Our comments below are grouped under the applicable questions that are set forth in the Whitepaper. U.S. Bank will not address questions aimed at community banks. We defer to those industry colleagues to best articulate their positions.

Question #2 – How can the OCC facilitate responsible innovation by institutions of all sizes?

U.S. Bank believes several areas of opportunity are available for the OCC to facilitate innovation across all institutions. Importantly, we believe the OCC should collaborate and coordinate with other regulatory agencies to ensure consistency in supervision, oversight, rulemaking, and guidance. FIs are examining how best to leverage new innovations, but fintech innovators generally are not subject to requirements to create innovation that meets the current supervisory and regulatory oversight regime. Ongoing collaboration and coordination with other agencies such as the FTC, the CFPB, the FDIC, and the Federal Reserve Board would help to address any existing regulatory gaps between FIs and fintech companies. It also would help identify concerns that the OCC or other regulatory agencies may have from a supervisory or regulatory perspective. Coordination among agencies also will help promote consistent and clear rulemaking and responses to industry requests for guidance and minimize delays in releasing such rulemaking and guidance.

Because of the rapidly evolving landscape of fintech, we anticipate that the OCC will learn a great deal from private conversations with FIs and fintech companies. We respect the sanctity of the proprietary information shared during these conversations, yet we believe that general guidance that comes out of these conversations could benefit the whole industry. Therefore, the OCC should facilitate communications and discussions within the industry by sharing insights gained from discussions the agency has with FIs and fintech companies, without divulging proprietary or confidential supervisory information. The OCC should share insights gained from these meetings and discussions as a means to share ideas and to provide thought leadership that FIs could use in their development of innovative financial products and services.

In recognition that the fintech industry is evolving rapidly and that regulatory guidance may be necessary, we believe both the OCC and the industry would benefit from a standardized process that FIs should use when submitting requests for review by the OCC, including timeframes for submitting and responding to such requests. A standardized submission process and clarity around timeframes would help ensure that FIs provide the OCC with the information and data needed to facilitate OCC review. We would welcome working with the OCC on the development of such a process.

U.S. Bank supports the OCC's proposed common point of contact for FI innovation. U.S. Bank believes a dedicated unit – appropriately trained and funded – would facilitate more open, timely, and ongoing dialogue regarding opportunities for responsible innovation. In addition to facilitating dialogue within the industry, a central point of contact would provide consistency and clarity to the FIs with regard to regulatory expectations. We expand further on this in our response to Question #4.

Question #3 - How can the OCC enhance its process for monitoring and assessing innovation within the federal banking system?

As discussed above, we believe the OCC should communicate clear guidelines for how innovation will be monitored and assessed for both FIs and fintech companies. In addition, we recommend the OCC make clear how a modified or new OCC innovation review process incorporates or replaces current processes and communicate its goals when the innovation review process is created or revised. The OCC also should set expectations for how FIs should engage with the OCC in innovation review, as well as the specific information or data that the OCC will need to facilitate its review. Structure and process should encourage collaboration and conversation between the industry and the OCC pertaining to innovative financial products and delivery channels.

The OCC should further recognize that companies likely will take somewhat unique approaches to innovation in financial products and services due to differences in technology platforms, communities served, and customer preferences, among other factors. We recommend the OCC account for these differences in a review process and not gravitate towards “one size fits all” solutions.

Allowing banks to pilot new products and services on a small scale is a positive step. We support such an approach, as it will assist the OCC in monitoring and assessing responsible financial innovation in the banking industry on a smaller segment of the population before being applied more broadly.

Question #4 - How would establishing a centralized office of innovation within the OCC facilitate more open, timely, and ongoing dialogue regarding opportunities for responsible innovation?

We recognize financial technology, products, and services likely will evolve rapidly as a result of fintech innovations. As discussed above, a centralized office within the OCC should better enable the OCC to track and respond to those changes on a timely basis, as compared to a more decentralized structure. A centralized office also would facilitate sharing of information within the OCC, provide consistency in communication with the industry, and facilitate timely feedback to requests and inquiries from the FIs. Investment in staffing and training a central unit to ensure its employees have expertise in a wide variety of technical areas related to financial innovation would be critical.

A centralized office also would facilitate conversation on new products and how those products meet regulatory requirements and expectations, including how these new products will ensure or facilitate access by all consumers. These conversations should create an atmosphere of frank and informal discussions between the OCC and specific banks that may then evolve into more formal conversations that may include requests for guidance or other regulatory issuances.

Question #5 -How could the OCC provide guidance to nonbank innovators regarding its expectations for banks' interactions and partnerships with such companies?

If the OCC establishes a centralized office for innovation, it should also serve as a resource for fintech companies. As fintech companies generally are not subject to the same level of regulatory and supervisory oversight as FIs, fintech companies may not fully appreciate the ramifications if they do not meet regulatory expectations of the agencies that will supervise the industry. A centralized office for innovation would help the OCC to further educate fintech companies on the regulatory environment faced by FIs and the need to address the same regulatory requirements, risks, and customer access issues that FIs are required to address. The OCC also should create a dedicated website with easy to read rules, searchable FAQs, and other resources that fintech companies may access so that they are familiar with the OCC's guidance and expectations in this area.

Question #7 - What additional guidance could support responsible innovation? How could the OCC revise existing guidance to promote responsible innovation?

U.S. Bank agrees with the discussion in the Whitepaper that great potential exists for companies to broaden access to financial products and services for the unbanked,

underbanked, and low- to moderate-income consumers with responsible innovation. We suggest the OCC consider issuing guidance on its expectations related to current and future innovative financial products and services to address how they can better serve the needs of these individuals and their communities. As one example, the OCC should address how innovative products and services can be offered to satisfy the requirements of the Community Reinvestment Act.

The OCC also should provide guidance as to how FIs can work with the agency to pilot new products and services on a small scale before committing significant bank resources to a full rollout. The guidance should address how FIs and the OCC would collaborate to create a well-defined plan and approach that would include defined Key Performance Indicators (KPIs), delivery expectations, defined use, defined timing, objectives, and planned learning.

Question #8 - What forms of outreach and information sharing venues are the most effective?

U.S. Bank supports several forms of outreach that the OCC has described in the Whitepaper. We support bringing together banks, nonbanks, and other stakeholders through a shared forum and creating a variety of workshops and meetings to discuss responsible innovation in the financial industry. We also support hosting “innovator fairs” to bring together FI and fintech innovators with OCC experts to discuss regulatory requirements and supervisory expectations in the financial services industry. In addition, we encourage the OCC to provide resources, information, and guidance through its Web sites, including OCC.gov and BankNet.gov, which may include links to future whitepapers and other resources on emerging technologies and responsible innovation for those who want to engage with the OCC.

In conjunction with the above approaches, we recommend the OCC work with the relevant trade associations to facilitate communications between the OCC and the financial services industry.

Question #9 - What should the OCC consider with respect to innovation?

The OCC identified several areas of focus for responsible innovation. U.S Bank encourages the OCC to focus on avoiding a culture of a low risk tolerance for innovative products and services; encouraging a deliberate and extended vetting process that does not inadvertently discourage innovation; addressing the need for increased awareness and education within the OCC; and recognizing and addressing the desire by employees for additional expert resources and easier access to those resources.

The OCC can further support FIs in the innovation process by encouraging a “test and learn” approach to innovation. This approach should recognize that true innovation is an iterative process and not all tests will be successful. Indeed, more can be learned by tests that are not successful. We hope the OCC will be receptive to an approach that allows for multiple versions of a product before the final solution is created and implemented.

III. Conclusion

U.S. Bank supports the efforts of the OCC to address the need for an effective approach to responsible innovation within the financial services industry. We thank the OCC for your efforts in this space and appreciate your consideration of our comments.

Should you have any questions, please feel free to contact me at (612) 973-2136 or dominic.venturo@usbank.com.

Respectfully,

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Dominic Venturo
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U.S. Bank