



May 27, 2016

The Honorable Thomas J. Curry  
Comptroller of the Currency  
400 7th Street, SW  
Washington, D.C. 20219

Submitted via e-mail to: [innovation@occ.treas.gov](mailto:innovation@occ.treas.gov)

Re: Request for Comments on Financial Innovation

Dear Comptroller Curry:

NBT Bank, N.A. ("NBT"), a national banking association with its main office located in Norwich, New York, appreciates the opportunity to provide comments to the Office of the Comptroller of the Currency (the "OCC") in response to the OCC's request for public comment contained in *Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective*, which was released by the OCC on March 31, 2016 (the "OCC Innovation Paper").

NBT is a full service commercial bank, providing a range of financial products to individuals and businesses throughout a six state footprint in the northeast. Through its network of over 150 branch locations, the Bank offers a wide range of products and services tailored to individuals, businesses, and municipalities. In addition to deposit and loan products, the Bank and its affiliates also offer trust and investment services and financial planning and life insurance services. With assets of approximately \$8.4 billion, as of March 31, 2016, NBT is very much a community bank.

NBT also offers access to certain of its products and services electronically enabling customers to check balances, transfer funds, pay bills, view statements, apply for loans and access various other product and service information. Our customers expect these digital banking services and these services are necessary for us to remain competitive.

Yet, these digital banking products are evolving and represent just the early stages of the innovation in the financial services industry today.

As an industry, both banks and nonbanks need to take advantage of innovation and continuously develop and adopt new technology in order to deliver financial services in a manner that satisfies consumer preferences. Community banks like NBT must adapt to stay relevant, serve their communities, and remain financially strong.

We applaud the OCC's definition of responsible innovation and its recognition of the importance of the need for banks to be receptive to new ideas, products and approaches to meeting customer needs. Our approach to new strategies and products is much aligned with your definition of responsible innovation. With a focus on customer service, we employ new strategies within a sound risk management framework that aligns with our overall business strategy.



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### *OCC Support of Responsible Innovation*

Innovation of financial services is a way of life for community banks today. The themes set forth in the OCC's Innovation Paper are welcome, supportive and encouraging of banks to adopt new and innovative ways of doing business. Innovation partnerships between community banks and their regulators is critical to the long-term viability of the banking system. We strongly support the concept of "innovator fairs" that bring banks, nonbanks and regulators together to discuss innovation.

Banks need clear guidance in order to promote innovation. Principles-based guidance around third party risk management exists and is applied consistently to new products and services. The OCC should consider providing additional guidance in the form of frequently asked questions addressing how the agency expects certain regulations to apply to common innovative products and services. As banks partner with nonbank technology firms and other companies, more specific guidance and expectations around third party risk management of these relationships would be helpful, including expectations around anti-money laundering and know your customer risks. Providing enhanced guidance to banks on their relationships with nonbanks will also provide guidance and clear expectations to those nonbanks which, while not directly regulated by the OCC, must work to meet the expectations of the OCC and other banking.

We welcome the OCC's support for new products and services testing through pilot programs. We believe that piloting innovation allows us to determine our appetite to commit to investment in a new idea on a larger scale. The launch of new products and services require the commitment of significant community bank resources. Beyond capital investment, significant time is dedicated to documentation of risk management practices, including third party due diligence and oversight. The pilot concept allows community banks to deploy resources commensurate with a pilot's level of risk, and if the pilot is successful more resources can be dedicated to expanding the pilot into a long-term committed product or service launch.

### *OCC Centralized Office of Innovation*

Centralizing the OCC's efforts to support responsible innovation will likely allow for the development of more expertise to build on different innovative financial products and services and will certainly allow for a more focused outreach to banks and nonbank innovators.

Community banks enjoy the direct relationship we have with our regional examiners. Having a centralized Office of Innovation should not impede the ability of regional examiners to communicate directly with banks under their supervision or suggest that community banks should not continue to consult with their examiners and supervisory contacts concerning significant matters. It will be important, therefore, to have a streamlined process for vetting innovative proposals and clarity around when the Office of Innovation should be consulted. While creating an Office of Innovation within the OCC would be a welcome step, its existence should not require national banks to consult with the Office of Innovation or to obtain its approval in order to conduct activities that are legally permissible and that have not previously required OCC approval.

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Community banks must be afforded the opportunity to earn a reasonable return for taking innovation risk without regulatory uncertainty. Beyond the critical importance of effective intragency guidance and communication, it is equally important that an Office of Innovation work effectively with the other federal and state banking agencies. Collaboration among regulatory agencies will create a uniform set of principles and expectations for community banks and reduce uncertainty. Thereafter, consistent application of the collaborative efforts will be important. 

### *OCC on Federal Preemption*

Federal preemption is one of the cornerstones of a national bank charter. This concept also is important in supporting the expansion of innovation in the area of consumer lending. Consistent with the OCC's past efforts, it is critical that the OCC take an affirmative position supporting the right of national banks to export interest rates under Section 85 of the National Bank Act and to confirm that the OCC's position is that exported interest rates are enforceable in the hands of a loan assignee even if that assignee is not a national bank.

### *Benefits of Innovation*

Innovation will allow community banks to reach and offer reasonably priced products and services to a broader group of consumers and small businesses. Through the digital banking channels described earlier, NBT has already been able to broaden our service offerings to more individuals that choose to bank differently than they have historically. Further innovation will provide even more access to consumers and small business, including the underbanked. Innovative new products and services, as well as relationships with technology firms and other nonbank companies will also provide community banks an additional avenue for risk diversification.

Today, inside and outside the banking industry, powerful tools are being created that impact all aspects of how customers bank and how banks connect with their customers. Community banks must be supported by our regulators so that we can actively participate in this transformation.

Thank you for the opportunity to comment on the OCC's *Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective*. If you have any questions concerning our letter, please feel free to contact Executive Vice President, General Counsel and Corporate Secretary, F. Sheldon Prentice, Esq. at [sprentice@nbtbci.com](mailto:sprentice@nbtbci.com) or 607-337-6530.



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