

April 18, 2016

Office of the Comptroller of the Currency
400 7th Street, S.W.
Washington DC 20219

Subject: Responsible Innovation in the Federal Banking System

This letter is in response to the Office of the Comptroller of the Currency's (OCC) request for public comment on its whitepaper discussing responsible innovation in the federal banking system. Comments must be received by May 31, 2016. I appreciate the OCC's request for public comment. And I fully support the agency's quest to support responsible innovation.

The OCC can promote responsible innovation in the federal banking system by providing:

- Direct Financial Investment / Funding
- Early Stage Applied Research
- Incentives
- Tax Credits
- "Enabling" Legislation

If the OCC cannot do any of the above, then the most important thing the OCC can do is remember that innovation is hard enough without governmental oversight. *Innovation occurs through the inefficient process of ideation, exploration, and experimentation. Innovation requires the willingness to fail and learn.* This is why innovation is so hard. It is the fear of failure, fear of looking bad, and fear of repercussions that inhibit innovative thinking, experimentation and progress.

Innovation and economic growth flourishes when the government allows permissionless innovations, enabling folks like Thomas Edison, Henry Ford, Eli Whitney, and Steve Jobs to launch their innovations without first obtaining government approval. However, governments, including the OCC, tend to be risk-averse. This is natural. But if the government or OCC impose paperwork and compliance burdens on banks experimenting with innovation, and if the OCC views mistakes as bad, this will cause bankers to spend more time on regulatory compliance and less time on innovation. This will result in less innovation, or perhaps no innovation at all.

One of the most innovative and transformative companies in history is Google. We should be mindful of Google's principles of innovation. One principle is that innovation comes from everywhere – not from a central body. Innovation is nobody's job title. The OCC's ideas of a "central office on innovation" and making certain lead experts responsible for innovation is counterproductive. The OCC should reconsider its view of centralized, command-and-control innovation.

Bottom Line: The OCC's whitepaper on principles of responsible innovation is awesome. But the OCC should be careful in going farther than publishing this guidance document. Innovation occurs best in an environment where everybody can put forth ideas, experiment, and receive candid feedback. If the OCC wants the federal banking system to be innovative and vibrant, OCC culture needs to foster experimentation-driven innovation and the willingness to fail and

learn. The OCC should allow banks to make mistakes and blunders as long as there is no *meaningful and adverse* impact to their communities, customers, or the federal banking system.

I appreciate the opportunity to comment. I wish the agency the best of luck.

Sincerely,

Sandra A. Holly
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