

Alliance Partners is pleased to submit this response to the OCC's Request for Comment regarding its proposed Innovation Pilot Program (the "Program"). As one of the first companies to successfully facilitate bank/fintech partnerships, and still one of the only market participants to scale those partnerships beyond a small pilot, we have a unique perspective on how innovative partnerships are viewed by regulators and where potential enhancements could improve overall results.

Alliance Partners serves as an advisor to BancAlliance, a network of over 260 community banks. Our goal is to provide BancAlliance member banks with access to assets and services that would be difficult or cost-prohibitive for any individual bank to access by itself but are readily accessible through the combined scale of the network.

Our partnerships provide both assets and services to the BancAlliance network, allowing the network's community bank members to efficiently acquire assets, diversify their portfolios, and more efficiently serve their customers. Our process of creating and then implementing new bank partnerships involves soliciting feedback from our member banks as well as identifying and evaluating suitable partners from the hundreds of potential bank partners, primarily in the financial technology space. This is the perspective that guides our responses below.

The Program has the potential to provide significant value, as it signals to banks that responsible innovation is a vital part of their strategic planning. In areas where there is regulatory or supervisory uncertainty, the incentives for bank executives are asymmetric. While the costs and risks of an innovation failure can be quantified, the costs and risks of failing to innovate are often not adequately considered. In general, despite a few notable exceptions, this has led to a community bank landscape that is falling further behind the largest banks, who are willing and able to invest billions of dollars into new technology. For community banks, this is obviously not a feasible option, so the option most likely to lead to success is partnering with fintech companies, potentially under an umbrella such as the Program.

We believe the OCC should play a leading role in encouraging banks to make technological innovation come sooner rather than later. The proposed Program may allow community banks to partner with vendors to bring their customers new products and services or deliver current products and services more efficiently. We believe the survival of many community banks is dependent on finding a niche where they can be successful, and in some cases, that niche may clearly benefit from a partnership. The OCC can serve a valuable function by defining what exactly is expected from a bank approaching such a partnership. We believe the OCC should encourage banks to take on new initiatives while continuing to ensure regulatory and supervisory compliance.

The Program parameters seem reasonable, but we would also encourage the OCC to specify clear timelines under which institutions could expect responses to their own inquiries and applications.

The lengthy time required by one prominent fintech firm to receive a no-action letter from the CFPB (which reportedly took over two years to process) is an example of why many banks and firms considering partnering with banks shy away from new partnerships – by the time they are able to resolve regulatory uncertainty, technology has evolved again and that particular chance to innovate is gone. Banks are generally not first movers, but they should be able to utilize their unique strengths to act as fast followers when an innovative technology clearly demonstrates an ability to improve the lives of their customers. We are not recommending that the OCC rush to issue decisions, but we believe that making a good-faith effort to put guidelines in place governing response times could spur increased adoption of the pilot program and demonstrate the priority that the OCC places on innovation.

We will not be opining on specific activities that have the potential to benefit from an approach like the Program, as we believe that many aspects of banking have the potential to be transformed through innovative partnerships. This runs the gamut from the very first customer interaction to loan decisioning to back-end accounting. We believe very strongly that community banks cannot afford to lose the technological arms race, or they will continue to lose market share to the largest banks. This existential threat should be at the center of a bank's overall strategic planning, and the risks of ignoring it are great. Even community banks in rural areas without significant local market competition are at risk, as branchless banks and the increase in online banking capabilities have the potential to siphon away customers. We believe that the lack of acknowledging and preparing for these risks should be noted and constructively addressed by bank examiners.

We are encouraged by the OCC's steps in recent years to embrace and encourage innovation. We have met previously with the OCC's Office of Innovation and believe that they are committed to advancing the adoption of newer technologies in the banking community. This proposed Program is a logical next step, signaling to banks across the country that not only does the OCC encourage banks to attempt to solve problems in novel ways, but that banks who remain complacent are in grave danger of falling behind in a race they cannot afford to lose.