



February 2, 2024

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Dear Chairman Gruenberg:

On behalf of the American Fintech Council (AFC),¹ I am writing to inquire about the Federal Deposit Insurance Corporation's current thoughts towards innovation and to offer our support on issues that will help the agency achieve its previously stated goals of understanding innovative products and services to bolster the financial resilience of the banking system and improve financial inclusion.² AFC wholeheartedly agrees with the FDIC's mission of examining and supervising financial institutions to create a safe, consumer protected financial services sector. AFC's mission is to promote an innovative, transparent, inclusive, and customer-centric financial system by supporting the responsible growth of lending, fostering innovation in financial technology (Fintech), and encouraging sound public policy. AFC members are at the forefront of fostering competition in consumer finance and pioneering ways to better serve underserved consumer segments and geographies. AFC and its members strongly support the development and implementation of regulatory frameworks that encourage the responsible development of innovative financial products and services.

We appreciate the innovation goals set forth in the agency's current strategic plan. FDIC's establishment of its FDITech Office showed great promise for growing the agency's understanding of innovative financial services offerings. AFC was initially encouraged by the development of the agency's FDITech Office and the work it pursued during its first three years of operation. While we recognize that the agency has adjusted the aims of the FDITech Office to increase its focus on adopting technologies within the FDIC, we believe that opportunities to effectively collaborate remain available with the various divisions and offices in the agency.³

Agency engagement with industry is crucial to ensuring that pragmatic regulatory frameworks and effective oversight of the modern banking system. With the rapidly evolving financial ecosystem, many federal and state agencies have proactively recognized the importance of engaging with

¹ American Fintech Council's (AFC) membership spans Earned Wage Access (EWA) providers, lenders, banks, payments providers, loan servicers, credit bureaus, and personal financial management companies.

² See, FDIC, *2022-2026 Strategic Plan*, page 12, available at <https://www.fdic.gov/about/strategic-plans/strategic/strategic-plan-2022-2026.pdf>.

³ U.S. Government Accountability Office, "Financial Technology: Agencies Can Better Support Workforce Expertise and Measure the Performance of Innovation Offices" (GAO-23-106168), (Washington, D.C. Sep. 6, 2023) available at <https://www.gao.gov/assets/gao-23-106168.pdf> at 27.

industry professionals and trade associations like AFC to properly understand the innovative product and service offerings in financial services. For example, the Office of the Comptroller of the Currency and Federal Reserve Board of Governors have pursued efforts to direct their focus towards emerging markets and expand the internal authorities of knowledgeable agency staff to improve engagement with covered financial institutions throughout the agencies. Further, these agencies have dedicated aspects of their respective efforts to providing the necessary resources to examination staff so they can effectively and efficiently conduct exam activities of innovative bank business models. Given the recent Congressional inquiry into FDIC's activities regarding innovative banks and fintech companies,⁴ it seems especially important to engage collaboratively to find pragmatic regulatory solutions.

AFC has supported these endeavors in principle, because, if conducted correctly, we believe that these efforts could ensure the development of pragmatic regulatory frameworks that properly fit the modern financial services industry and balance innovation with consumer protections. In practice, AFC's consistent engagement with the numerous innovation offices and agency staff at the federal and state levels has helped build knowledge for both industry and agency participants about innovative financial service offerings and the regulatory frameworks within which they operate.

In turn, many responsible companies comprising AFC's membership have adjusted their business models and offerings, when necessary, to ensure they remain in compliance with regulatory requirements while continuing to serve consumers and expand financial inclusion. By finding opportunities to effectively collaborate, we believe that the FDIC can join its fellow state and federal regulators in effectively attaining its innovation goals for both policy and examination staff so they can adequately understand and interpret the trends, consumer benefits, and risk profiles of regulated entities pursuing innovative business models, products, and services.

In closing, we fully recognize and support the FDIC's important mission to ensure a safe and sound financial services industry. It is with this in mind that we ask the FDIC to carefully consider its posture towards innovation in financial services and to pursue additional efforts to connect with responsible financial services companies. Given our shared goals, AFC stands ready and willing to work with FDIC to develop pragmatic regulatory frameworks that are properly adapted to the modern banking system, improve the resilience of the banking system, and ensure that regulated banks effectively serve their consumers.

Sincerely,



Ian P. Moloney
SVP, Head of Policy and Regulatory Affairs
American Fintech Council

Cc: Brian Whittaker, Deputy Director and Chief Innovation Officer, FDITech

⁴ Congressional Letter, Chairman Patrick McHenry, Rep. Andy Barr, and Rep. French Hill to Chairman Martin Gruenberg, FDIC, Re: FDIC's strategy towards innovation, Feb. 2, 2024.