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Via electronic submission

November 8, 2019

The Honorable Kathleen Kraninger
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Re: Request for Information Regarding Tech Sprints - Docket No. CFPB-2019-0048

Dear Director Kraninger:

The Independent Community Bankers of America ("ICBA")¹ welcomes the opportunity to respond to the Consumer Financial Protection Bureau's ("CFPB" or "Bureau") request for information ("RFI"), seeking comments and information to identify opportunities to utilize Tech Sprints ("Sprints"). The Bureau's stated intention is to use Sprints as a means to encourage regulatory innovation and collaboration with stakeholders in developing viable solutions to regulatory compliance challenges.

ICBA supports the stated goal of the Sprints and believes that they can help identify and implement improvements in areas such as regulatory reporting, supervision and examination, and publication of rulemakings. Marrying financial services and technology offers deeper relationships between banks and their customers, reduces consumer costs, increases consumer access, and provides equal access to credit and financial services.

¹ The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ nearly 750,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than \$5 trillion in assets, nearly \$4 trillion in deposits, and more than \$3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

The Nation's Voice for Community Banks.®

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

Background

To guide its efforts to facilitate innovation, the Bureau seeks to strengthen its open collaboration with stakeholders in order to work together in developing solutions to shared problems. It looks to foster an approach that inquires how technology might reshape compliance, speed effective interaction between regulators and financial institutions, and decrease cost and administrative burden.

As the RFI explains, the Bureau intends for Tech Sprints to gather regulators, technologists, financial institutions, and subject matter experts from key stakeholders for several days to work together to develop innovative solutions to specific regulatory compliance or market problems. Participants would represent a diverse set of entities to ensure the inclusion of regulatory, industry, and technology perspectives. The teams then work for several days to produce actionable ideas, write computer code, and present their solutions. On the final day, each team presents to an independent panel of judges that selects winners.

The Bureau is interested in using Tech Sprints to develop technology that: (1) may reduce or modify the need for regulated entities to transfer data to the Bureau, (2) provides more cost-effective oversight of supervised entities, (3) facilitates that secure data access or exchange between regulated entities and the Bureau, and (4) reduces unwarranted regulatory compliance burdens.

ICBA Comments

Executive Summary

The community bank model of relationship banking is key to delivering high quality products and services that improve consumers' financial well-being. ICBA believes that innovative technology will not only help community banks establish more meaningful relationships with their existing customers, but will also provide avenues to develop new relationships with the 70 percent of Americans that lack financial health.

In recognition of technology's potential to improve consumers' lives, ICBA is preparing to launch the second round of fintech participants in the ICBA ThinkTech Accelerator, a community bank-focused fintech accelerator program that provides an outlet for community banks to directly engage and partner with early stage fintech companies focused exclusively on community bank product development. Fintech companies offer possible partnerships and collaborative relationships that can help community banks enhance the customer experience and promote mutually beneficial relationships.

ICBA is optimistic that the proposed Sprints will leverage the bank-fintech partnerships forged by the Accelerator. Among other potential benefits, the Bureau’s proposed initiative can:

1. yield practical innovations;
2. facilitate collaboration among regulators, financial institutions, and fintechs, resulting in the advancement of regulatory compliance technology (“regtech”) and regulatory supervisory technology (“suptech”);
3. focus on meeting the needs of un- and under-banked individuals;
4. address regulatory uncertainty; and
5. ensure regulatory compliance is prioritized in the product development process.

Tech Sprints can yield practical innovations that aid all stakeholders

Taken together with the Bureau’s other innovation policies, such as the compliance assistance sandbox, no action letters, and trial disclosure policy, the Tech Sprints can provide laboratories for practical innovations that enable all stakeholders to keep pace with innovation lifecycles. ICBA believes that Tech Sprints are a nimbler alternative to the formal rulemaking process, yet still have traditional and transparent components typically associated with rulemaking tools, such as an advance notices of proposed rulemaking (“ANPR”) or requests for information (“RFI”).²

Already championed by other agencies and in other countries, agency-sponsored proof-of-concepts, prize competitions, and other convenings, such as the proposed Sprints, hold the potential to allow innovation to be encouraged under a regulator’s watchful eye.

The Bureau must collaborate with other federal banking agencies

To the extent possible, ICBA recommends that the Bureau collaborate with the Federal Deposit Insurance Corporation (“FDIC”) on its proposed prize competitions, as well as other federal banking agencies that are contemplating similar endeavors. For example, the FDIC recently announced that it plans to conduct up to five fintech prize competitions over a three-year period. It anticipates that competitions will include point solution competitions (designed to spur the development of solutions for a particular problem) and exposition (designed competitions to identify and promote a broad range of ideas and practices to facilitate further development by third parties). Possible competition topics could include solving challenges with financial inclusion, the use of information technology and data, and financial and

² *Id.*

technologically driven innovation in banking. These potential topics seem to align with the topics that the Bureau is considering for the Tech Sprints.

Focusing on technology to serve the un- and under-banked holds substantial promise

The community bank model of relationship banking is key to providing high quality products and services that improve consumers' financial health. ICBA believes that innovative technology will not only help community banks establish more meaningful relationships with their existing customers, but will also provide avenues to develop new relationships with the 70 percent of Americans that lack financial health.

Financial innovation can also greatly expand bank access for millions of consumers that are either un- or under-banked. For example, advancements in mobile banking have provided enormous benefits to households that might have otherwise not had access to bank services. According to a recent FDIC survey, the percentage of banked households that use mobile banking to access their accounts increased from under 25 percent in 2013 to 40 percent in 2017. Further, new modeling techniques through the use of alternative data hold the promise to expand access to credit for consumers that have no conventional banking relationship. These innovations would align nicely with the Bureau's newly announced, "Start Small, Save Up" initiative.

Tech Sprints can help community banks innovate while also addressing regulatory uncertainty

Partnering with bank-enabling fintechs holds the promise for community banks to engage their customers on a level that has heretofore been limited to multi-billion-dollar financial institutions with multi-million-dollar research and development budgets. The ICBA ThinkTECH Accelerator ("Accelerator") creates a favorable environment from which community banks and financial technology companies can cooperatively create products, cultivate solutions, and address barriers to delivering superior service. After the first round, a common theme emerged among Accelerator fintech participant - legal and regulatory uncertainty poses a barrier to the innovations being developed in the marketplace.

While properly designed and tailored regulations certainly help consumers, overly broad or outmoded regulations create uncertainty and do not protect consumers but serve as barriers to innovation. Bureau-led Tech Sprints could help develop point-specific solutions, with regulatory agencies providing compliance assistance throughout the development.

Tech Sprints can prioritize regulatory compliance

A common refrain heard in the financial innovation arena is that fintechs are too focused on the solutions, but not on regulatory compliance – at least not initially. By hosting Sprints that

convene inter-disciplinary subject matter experts, each focused on a unique set of priorities, the proposed Sprints can help ensure that regulatory concerns are addressed from conception to completion. Compliance guidance can be provided in near real-time, and regulators get the information they need, when they need it. Sprints can make the development process simpler, more efficient and more effective. This holds the potential to save thousands of hours that would otherwise be spent on procedural compliance issues.

Finally, ICBA offers the following comments in response to questions 1 and 2, posed in the RFI.

RFI Question #1 - What regulatory compliance issues, problems, procedures, or requirements could benefit from innovation through a Bureau Tech Sprint?

Data collection and reporting regulations are prime candidates for regtech and suptech

Tech sprints focused on developing technology to provide automated reporting, real-time monitoring, and data management and validation would be invaluable for both regulators and their supervised institutions. The technologies would be useful for any data-intensive regulation, such as regulations implementing the Home Mortgage Disclosure Act (“HMDA”), the Bank Secrecy Act (“BSA”), the Community Reinvestment Act (“CRA”), and section 1071 of the Dodd-Frank Act.

Sprints designed in response to these regulations could focus on creating systems where the data is pushed from the bank to the regulator, automatically. Conversely, bank IT platforms could automatically pull-in regulatory data, which might have a direct effect on their own compliance operations and workflows, such as annual changes in threshold requirements.

Effective evaluation of vendor risk and compliance management systems

Both the Bureau and regulated entities would benefit from software solutions that identify anomalous data that could be flagged for human intervention. From a bank’s perspective, such detection efforts would be a way to remediate potential problems on a more immediate basis, thereby serving as a critical factor in their compliance management system.

In addition to managing a bank’s internal compliance with federal law, there is growing opportunity for technology to manage external risks that arise from a bank’s third-party relationships. This is especially true when considering that the number of bank-fintech partnerships has substantially grown over the past few years and is only expected to grow further.

ICBA recommends that the Bureau host a Sprint focused on developing technology that helps banks manage the third-party risk that is inherent with bank-fintech partnerships. This could include establishing on-going monitoring and risk-mitigating controls, conducting in-depth due

diligence, and identifying potential violations of consumer financial protection laws that could subject the bank to legal and reputational liabilities.

RFI Question #2 - What financial technology or other advances hold the most promise for helping modernize regulatory compliance?

Machine-readable regulations

Drafting regulations in a machine-readable format, by using natural language processing, would save thousands of hours and costs associated with tracking and complying with consumer financial regulations. For example, a recent Tech Sprint event in the United Kingdom resulted in a proof of concept demonstrated how regulations can be drafted and converted into a machine-readable format, thus paving the way for artificial intelligence and machine learning applications to integrate more directly with regulations. The benefits of this development are still unfolding, but one promising development is the possibility for a bank's software to revise its loan origination documents, monitoring procedures, and other policies on an automated basis, whenever a regulation is revised or amended.

Artificial intelligence ("AI")regulatory assistance

An intelligent assistant that acts as a regulatory specialist can not only assist the bank in complying with relevant consumer protection laws, but technology can also assist the consumer as he or she interacts with a bank. Through the use of AI technology, such as chatbots, consumers will have the opportunity to experience real-time, interactive information, resulting in a more informed consumer. A more informed consumer is a more protected consumer, able to choose the products that are in their best interests.

Conclusion

ICBA appreciates the Bureau's exploration of Tech Sprints as a mean to encourage regulatory innovation and collaboration with stakeholders. ICBA applauds the Bureau's efforts and stands ready to assist in any way possible. As the Bureau considers these comments, please do not hesitate to contact me at Michael.Emancipator@icba.org or 800-422-8439 with any questions.

Sincerely,

/s/

Michael Emancipator
Vice President, Regulatory Counsel