



INDEPENDENT COMMUNITY
BANKERS of AMERICA®

Via electronic submission

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December 11, 2018

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Recent Remarks at the Federal Reserve Bank of Philadelphia "Fintech and the New Financial Landscape"

Dear Chairman McWilliams:

The Independent Community Bankers of America ("ICBA")¹ is writing in support of your remarks delivered on November 13 at the Federal Reserve Bank of Philadelphia, where you discussed "Fintech and the New Financial Landscape."² Like you, ICBA is also eager to enter the "next chapter of banking" and we are pleased by the agency's recent announcement to establish an Office of Innovation that will lay a foundation that encourages innovation, promotes healthy and successful banks, and reduces compliance burdens. ICBA has long supported a legal and regulatory framework that fosters innovation while still requiring all financial service providers be subject to the same oversight and adhere to the same regulatory standards as banks.³ ICBA and this country's community banks welcome your leadership and foresight on these issues.

¹ The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 52,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 760,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than \$4.9 trillion in assets, \$3.9 trillion in deposits, and \$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

² Remarks by Jelena McWilliams, Chairman, Federal Deposit Insurance Corporation, at the Federal Reserve Bank of Philadelphia "Fintech and the New Financial Landscape" Philadelphia, Pennsylvania, *available at* <https://www.fdic.gov/news/news/speeches/spnov1318.html>.

³ ICBA has insisted, for instance, that any fintech company that is granted a special purpose national bank charter at a minimum be subject to the same regulations as community banks and we have advocated that industrial loan companies be subject to the Bank Holding Company Act, which prohibits commercial entities from owning banks, and provides for supervision and oversight of a bank's parent company, just as any other full-service bank.

The Nation's Voice for Community Banks.®

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ICBA also shares your desire to understand the impact, scope, and consequences of fintechs, and we appreciate the thoughtful questions posed in your remarks, particularly regarding how the FDIC can promote technological development at community banks with limited research and development funding. In response, ICBA would like to offer its perspective and information about our fintech activities. We hope these comments will inform your exploration into the interplay between fintech and community banks, and how the FDIC and the Office of Innovation can play a role.

Community Banks Support the Continued Development of a Vision that Strongly Promotes Technological Advances

The community bank model of relationship banking is key to high quality products and services that improve 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.⁴

In recognition of technology's potential to provide consumers with access to the quality offered by community banks, ICBA is partnering with The Venture Center in Little Rock, Ark., to launch the ICBA ThinkTech Accelerator. The ThinkTech Accelerator is a community bank-focused fintech accelerator program that will provide an outlet for community banks to directly engage and partner with early-stage fintech companies focused exclusively on community bank product development. Themes for the ThinkTech Accelerator include next-generation lending, artificial intelligence and machine learning, blockchain, payments, advanced analytics and big data, regulatory compliance tools, cybersecurity, authentication, financial literacy and streamlining customer experience, among others. ICBA is optimistic that the technology developed in the ThinkTech Accelerator will allow community banks to provide cheaper, faster, safer solutions to their customers to not only benefit their communities but also extend their reach to the underserved.

Timely Review and Feedback from Regulators Is Critical to Fintech-Community Bank Partnerships

While community banks continue to meet the needs of their customers in local communities, they understand that continued success is dependent upon the adaptation of banking practices to meet the evolving needs of the market. Fintech companies offer possible partnerships and collaborative relationships that can help community banks enhance the customer experience and promote mutually beneficial relationships.

⁴ Thea Garon, "U.S. Financial Health Pulse: 2018 Baseline Survey Results," Center for Financial Services Innovation, (Oct. 2018), available at <https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2018/11/01021056/Pulse-2018BenchmarkingStudy-Final-web.pdf>, finding that nearly 20 percent of Americans are struggling with all or nearly all aspects of their financial lives, and over 50 percent with at least some aspects. Only 30 percent of the country is spending, saving, and borrowing as part of a plan to lead financially healthy lives.

To quickly and efficiently embrace new technology, community banks need to be able to collaborate with fintech firms. The obvious challenge with collaboration is the introduction of new risks requiring aggressive identification and mitigation. In order to both manage and minimize these risks, community banks will need to identify and collaborate with partners who are in a strong position to assist in prudent risk management in real time. However, regulatory review should not be a barrier to allowing community banks to innovate at the speed necessary to remain competitive and operate on a level playing field. Instead, ICBA advocates that the FDIC and other federal financial regulators respond to bank and fintech partner requests to provide feedback and assessments of proposed activity so that the industry may have more regulatory certainty when they undertake innovative endeavors.

ICBA encourages FDIC and other federal and state regulators to place themselves at the forefront of these changes in technology by actively monitoring new developments and providing a forum where community banks can share what they see in their respective markets and seek regulator feedback.

Community Banks Are Well-Positioned to Blend the Strengths of Their Operations with Fintech Innovations

Community banks have historically enjoyed a strong lead in customer satisfaction over their larger counterparts. Given their nimble nature, community banks are well-positioned to take advantage of the opportunities in the fintech landscape—opportunities that present potential gains in fee income, reductions in risk and fraud, increased efficiency, and improvements to the customer experience.

In the coming weeks, ICBA will extend a formal invitation to you and your team, as well as other financial regulators, to visit the ICBA ThinkTech Accelerator in Little Rock, AR. The gathering will be an opportunity for you to hear directly from the fintech participants, as well as a chance for regulators to share their perspective and experience.

ICBA is encouraged that you are exploring how to best position the FDIC to promote the development of financial technology. We hope that these comments will aid your exploratory efforts, and we look forward to meeting with you and your staff to identify additional ways for community banks to collaborate and innovate with the FDIC and its new Office of Innovation.

Sincerely,



Rebeca Romero Rainey
President and CEO