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August 12, 2026

The Honorable Jonathan V. Gould
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

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

The Honorable Michelle W. Bowman
Vice Chair for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Advancing the Community Bank-Fintech Agenda: ICBA Recommendations in Response to Executive Order 14405, "Integrating Financial Technology Innovation into Regulatory Frameworks"

Dear Comptroller Gould, Vice Chair Bowman, and Chairman Hill

On behalf of thousands of community banks nationwide, the Independent Community Bankers of America (ICBA) appreciates your agencies' ongoing review of regulations and policies that advance innovation pursuant to President Trump's Executive Order, "Integrating Financial Technology Innovation into Regulatory Frameworks."¹ Since the Executive Order was issued on May 19, ICBA has worked closely with each of your agencies to identify practical reforms that will accelerate community bank adoption of innovative technologies.

We appreciate that the federal banking agencies have already begun implementing several of ICBA's recommendations. As we approach the 90-day mark from the EO's publication, ICBA remains committed to working with your agencies over the next 90 days to build momentum and advance additional reforms that will further expand community banks' ability to innovate and partner with fintechs. This letter highlights the recommendations already put into action and outlines the remaining policy changes that will strengthen community bank innovation and modernize the regulatory framework.

¹ Exec. Order No. 14405, "Integrating Financial Technology Innovation into Regulatory Frameworks," 91 Fed. Reg. (May 19, 2026).

I. Third-Party Risk Management Guidance

Community banks' ability to responsibly offer modern, technology-enabled products depends on a third-party risk management (TPRM) framework that is genuinely risk-based in both policy and practice. As community banks increasingly rely on technology providers to deliver innovative products and services, supervisory expectations must distinguish between high-risk and low-risk relationships and reflect the size, complexity, and risk profile of individual institutions.

ICBA has consistently emphasized that an effective TPRM framework should enable responsible innovation. When the FBAs first proposed interagency TPRM guidance in 2021, ICBA supported the agencies' effort to harmonize supervisory expectations and recognize the important role third-party relationships play in helping community banks innovate and compete.² At the same time, ICBA urged the agencies to ensure that the framework remained appropriately risk-based and proportionate, cautioning against supervisory practices that could lead examiners to apply a one-size-fits-all approach or impose expectations better suited for the largest, most complex institutions. ICBA also stressed that community banks should be permitted to leverage due diligence performed by trusted utilities, consortiums, and other independent parties where appropriate, rather than being expected to duplicate the same reviews individually.

ICBA's advocacy helped shape the agencies' subsequent implementation efforts, including the 2024 Community Bank Guide to Third-Party Risk Management, which acknowledged that community banks can appropriately scale their risk management practices based on the nature of the relationship and the risks presented.³ While this guidance represented meaningful progress, many community banks continue to report that supervisory expectations remain inconsistent across agencies and examination teams. In practice, some examiners continue to expect extensive documentation and due diligence regardless of the materiality or risk of the third-party relationship, increasing compliance costs and delaying the adoption of innovative technologies.

More recently, in May 2026, ICBA joined the Consumer Bankers Association, the American Fintech Council, and the Coalition for Financial Ecosystem Standards in issuing a report summarizing the findings of a multi-stakeholder roundtable that included current and former senior officials from the federal banking agencies.⁴ The report highlighted broad consensus that current supervisory practices can unnecessarily impede responsible bank-fintech partnerships and identified opportunities to improve consistency, transparency, and proportionality in third-party risk management oversight.

Building on these recommendations, ICBA encourages the agencies to reaffirm that TPRM guidance is principles-based rather than prescriptive and to ensure that examination practices consistently reflect that intent. The

² ICBA, Comment Letter on Proposed Interagency Guidance on Third-Party Relationships: Risk Management, Docket No. OP-1752 / RIN 3064-ZA26 / Docket ID OCC-2021-0011 (Oct. 2021), discussed in Agencies Issue Community Bank Guide on Third-Party Relationships, ICBA Newsroom (May 6, 2024), <https://www.icba.org/newsroom/news-and-articles/2024/05/06/agencies-issue-community-bank-guide-on-third-party-relationships>.

³ Federal Reserve, FDIC & OCC, Third-Party Risk Management: A Guide for Community Banks (May 2024).

⁴ Consumer Bankers Ass'n, American Fintech Council, Coalition for Financial Ecosystem Standards & Independent Community Bankers of Am., Third Party Risk Management: Observations and Recommendations for Federal Banking Agencies (May 2026), <https://consumerbankers.com/wp-content/uploads/2026/05/Joint-Trade-TPRM-Roundtable.pdf> ["Joint TPRM Report"].

agencies should further encourage appropriate reliance on standardized due diligence, independent assessments, certifications, and other shared resources that reduce unnecessary duplication while maintaining strong risk management. Clarifying examiner expectations and reinforcing a truly risk-based approach would reduce regulatory uncertainty, lower compliance burdens for community banks, and accelerate the responsible adoption of innovative technologies that benefit consumers, small businesses, and local communities.

II. Standards-Setting Organizations

The current approach to third-party onboarding has become increasingly inefficient and unsustainable. A single community bank may evaluate dozens of fintech providers across payments, lending, compliance, fraud prevention, digital account opening, cybersecurity, cloud computing, and other services. Although many of these fintechs provide similar products and maintain substantially similar risk controls, banks are frequently required to conduct separate, duplicative due diligence reviews for each relationship. This process consumes significant time and resources, delays implementation of new technologies, and diverts attention from evaluating the actual risks posed by a particular service or provider.

The challenge extends beyond individual institutions. Fintech companies seeking to partner with community banks are often asked to respond to hundreds of unique due diligence questionnaires, produce customized documentation for each prospective banking partner, and satisfy varying supervisory expectations that differ across institutions and examination teams. As a result, fintechs expend considerable resources answering repetitive requests rather than investing in product development, security enhancements, and customer service. Smaller fintech companies, in particular, may find the costs of navigating this fragmented process prohibitively expensive, limiting competition and reducing the number of innovative solutions available to community banks.

A standards-setting organization offers a practical solution to these challenges by establishing common frameworks, standardized controls, and consistent assessment methodologies for bank-fintech partnerships. Similar to how standardized cybersecurity, payments, and financial reporting frameworks have improved efficiency across the financial sector, a trusted, industry-led organization could develop voluntary standards for governance, information security, operational resilience, consumer protection, and other key risk management areas. Fintechs that demonstrate conformance with these standards through independent assessments could provide community banks with a consistent and reliable baseline for evaluating third-party risk, allowing banks to focus their due diligence on institution-specific considerations and the unique risks presented by each relationship.

Community banks would benefit from a standards-setting organization by reducing duplicative due diligence, shortening vendor onboarding timelines, and increasing confidence in third-party risk assessments. Rather than recreating the same reviews for every fintech relationship, banks could leverage standardized information and independently validated controls while maintaining responsibility for their own risk management decisions. This approach would be particularly valuable for smaller community banks that often have limited compliance and vendor management resources but nonetheless seek to compete by offering customers modern digital products and services. Importantly, standardized assessments would complement—not replace—a bank's own risk-based oversight and ongoing monitoring responsibilities.

Fintech companies, regulators, and consumers would likewise benefit from a more standardized ecosystem. Fintechs could devote fewer resources to repetitive documentation requests and more resources to innovation,

cybersecurity, and customer outcomes. Regulators would benefit from greater consistency, transparency, and comparability across third-party risk management practices, while preserving each bank's responsibility to assess whether a particular partnership is appropriate for its business model and risk appetite. Ultimately, the development of an independent standards-setting organization would strengthen the safety and soundness of bank-fintech partnerships, lower unnecessary compliance costs, promote competition, and accelerate responsible innovation that expands access to modern financial services for communities across the country.

ICBA has long supported the development of an independent standards-setting organization as a means of improving the efficiency, consistency, and scalability of third-party risk management. In response to the FDIC's 2020 Request for Information on Standard Setting and Voluntary Certification for Models and Third-Party Providers,⁵ ICBA strongly endorsed the agency's exploration of an industry-led framework to establish common standards and voluntary certifications for technology providers serving banks. ICBA recognized that such a framework could significantly reduce duplicative due diligence, promote greater consistency in risk assessments, and enable community banks to more efficiently identify and onboard qualified fintech partners while maintaining robust oversight of third-party relationships. ICBA also emphasized that standardized assessments should complement a bank's own risk-based due diligence and governance responsibilities.

Six years later, the need for this initiative is even more compelling. The rapid growth of bank-fintech partnerships, increasing reliance on cloud-based technologies, and expanding supervisory expectations have only magnified the costs associated with fragmented third-party risk management practices. ICBA encourages the FDIC to revisit and advance the concepts outlined in its 2020 RFI, working in coordination with the other federal banking agencies and industry stakeholders to facilitate the development of a trusted, independent standards-setting organization.

Reviving this effort would represent one of the most meaningful steps the agencies could take to reduce unnecessary regulatory burden, improve consistency across the supervisory landscape, and accelerate the responsible adoption of innovative technologies by community banks. By establishing a common foundation for third-party risk assessments, the agencies can enhance safety and soundness while enabling community banks and fintechs to bring new products and services to market more efficiently.

III. Bank Investment in Fintech and Technology Venture Funds

Community banks have a strong interest in investing in the technologies that will define the future of financial services, yet few individual institutions have the scale, capital, or specialized expertise to make direct investments in early-stage fintech companies. Unlike the nation's largest financial institutions, community banks generally cannot maintain dedicated venture capital teams or independently source, evaluate, and monitor a portfolio of emerging technology companies. As a result, many community banks are effectively excluded from participating in the development of innovative solutions that could improve their operations, enhance customer service, and strengthen their long-term competitiveness.

⁵ ICBA Comment Letter on Request for Information on Standard Setting and Voluntary Certification for Models and Third-Party Providers of Technology and Other Services, RIN 3064–ZA18, Sept. 22, 2020, <https://www.icba.org/w/icba-response-to-fdic-request-for-information>.

Pooled investment vehicles offer a practical and prudent solution. By investing through a professionally managed venture fund or similar investment vehicle, community banks can combine resources, diversify risk across multiple portfolio companies, and benefit from experienced investment managers with deep expertise in financial technology. Rather than making concentrated investments in a handful of companies, community banks gain exposure to a broad portfolio of innovative firms developing solutions in payments, lending, fraud prevention, cybersecurity, digital identity, artificial intelligence, compliance technology, and other areas critical to the future of community banking. This model not only reduces institution-specific risk but also provides smaller banks with access to investment opportunities that would otherwise be unavailable.

The benefits extend well beyond financial returns. Community banks that participate in fintech investment funds are better positioned to identify emerging technologies, influence product development through strategic engagement, and foster stronger partnerships between innovators and the community banking sector. These investments can accelerate the commercialization of technologies specifically designed to meet the needs of community banks, creating solutions that may otherwise struggle to attract capital in a marketplace dominated by the priorities of larger financial institutions. A more robust community bank investment ecosystem would encourage greater competition, expand the diversity of technology providers, and help ensure that innovation reflects the needs of local communities and small businesses.

Despite these benefits, existing regulatory restrictions continue to limit community banks' ability to invest in fintech-focused venture funds. Current investment authorities and supervisory interpretations often create uncertainty regarding permissible investments in pooled funds, even when those funds are professionally managed, diversified, and structured to mitigate risk. As a result, community banks face barriers that prevent them from participating alongside other institutional investors in financing the next generation of financial technology. ICBA encourages the federal banking agencies to modernize their investment frameworks and provide clear guidance affirming that appropriately structured fintech venture funds can represent a safe, sound, and permissible means for community banks to support responsible innovation. Doing so would unlock new sources of capital for emerging technology companies while ensuring that community banks have a meaningful voice in shaping the future of the financial services ecosystem.

IV. Confidential Supervisory Information Sharing

ICBA supports the foundational purpose of Confidential Supervisory Information (CSI): preserving candid communication between supervisors and supervised institutions, protecting depositor confidence, and safeguarding the integrity of the examination process. However, today's banking system increasingly depends on third-party technology providers that play a critical role in delivering banking products, managing compliance functions, and remediating supervisory findings. Existing CSI restrictions can prevent banks from sharing relevant supervisory information with the very service providers responsible for correcting identified issues, resulting in slower remediation, unnecessary costs, and reduced operational efficiency. Modernizing the CSI framework would strengthen the supervisory process by enabling banks and their technology partners to respond more effectively to regulatory concerns.

ICBA appreciates that both the OCC and FDIC have recognized these challenges and have proposed targeted improvements to their CSI frameworks. Those proposals appropriately preserve the confidentiality and privileged nature of supervisory information while creating more practical pathways for limited, purpose-specific information sharing that supports timely remediation. These reforms acknowledge the realities of a banking

ecosystem in which critical compliance and operational functions are frequently performed in partnership with third-party service providers.

While these agency actions represent meaningful progress, differing CSI standards across the federal banking agencies would continue to create uncertainty for community banks and their service providers. Community banks frequently operate across multiple supervisory jurisdictions and partner with technology providers that serve institutions supervised by different agencies. Consistent interagency standards governing when and how CSI may be shared with agents, contractors, and key technology partners would reduce confusion, promote more efficient remediation, and improve supervisory coordination without compromising the confidentiality protections that underpin the examination process.

Accordingly, ICBA encourages the federal banking agencies to finalize and harmonize their CSI modernization efforts by adopting a consistent, principles-based framework that permits narrowly tailored, purpose-limited sharing of supervisory information with bank agents and third-party service providers responsible for remediation. Such a framework should preserve the privileged status of CSI, include appropriate safeguards against broader disclosure, and provide banks with clear supervisory expectations. A uniform interagency approach would reduce unnecessary friction in bank-fintech partnerships, accelerate corrective action, and strengthen the safety, soundness, and resilience of the banking system while supporting responsible innovation.

Recognizing the growing urgency of this issue, ICBA and the American Fintech Council (AFC) recently submitted a joint letter urging the federal banking agencies to modernize their approaches to Confidential Supervisory Information.⁶ The letter highlighted that the current CSI framework was developed for an era in which banks performed most critical functions internally, whereas today's banking system depends on specialized technology providers that often play an essential role in implementing corrective actions identified during examinations. ICBA and AFC recommended that the agencies adopt a harmonized, interagency framework permitting banks to share CSI with authorized agents and service providers for the limited purpose of remediation and compliance, subject to appropriate confidentiality safeguards. The letter emphasized that modernizing CSI rules would improve the speed and effectiveness of supervisory remediation, reduce unnecessary operational friction, and facilitate responsible bank-fintech partnerships without diminishing the confidentiality or privileged status of supervisory information.

Conclusion

ICBA appreciates your continued engagement in implementing Executive Order 14405 and your willingness to work collaboratively with the community banking industry to modernize the regulatory framework for financial innovation. The actions already taken demonstrate meaningful progress, but additional reforms are necessary to ensure that community banks can fully participate in the rapidly evolving financial services ecosystem.

The recommendations outlined in this letter, including reinforcing a truly risk-based approach to third-party risk management, supporting the development of industry-led standards-setting organizations, modernizing investment authorities for fintech venture funds, and harmonizing Confidential Supervisory Information policies,

⁶ American Fintech Council & ICBA, Letter to Federal Banking Regulators on Confidential Supervisory Information Reform (Jan. 13, 2026), <https://fintechcouncil.org/advocacy/afc-and-ibca-letter-on-confidential-supervisory-information-reform>.

represent practical, targeted reforms. Collectively, these initiatives will enable community banks to adopt innovative technologies more efficiently, strengthen partnerships with responsible fintech providers, and better serve the households, small businesses, and local communities that depend on them.

ICBA looks forward to continuing our close collaboration with your agencies as you advance the next phase of Executive Order implementation. We appreciate your leadership and stand ready to provide any additional information or assistance that would be helpful as you consider these recommendations.

Sincerely,

Michael Emancipator
Senior Vice President, Regulatory Counsel