



One Mission. Community Banks.

May 2, 2025

The Honorable Rodney Hood
Acting Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

RE: Innovation Policy Letter: Strengthening Oversight and Enabling Responsible Bank–Fintech Partnerships

Dear Acting Comptroller Hood:

The evolving landscape of financial services has created an urgent need for a more modern and responsive regulatory framework—one that can support innovation while maintaining the safety, soundness, and integrity of the financial system. As banks and fintechs increasingly collaborate to deliver accessible, efficient, and inclusive financial products, it is essential that regulators, including the Office of Comptroller of the Currency (“OCC”) adopt policies that both recognize the benefits of these partnerships and address emerging risks in a thoughtful, proportionate manner.

Recognizing the Value of Bank–Fintech Collaboration

Bank–fintech partnerships have emerged as a central engine of financial innovation. By combining banks’ compliance expertise and consumer convenience with fintechs’ agility and technology, these partnerships have extended vital services to millions of Americans—including many previously underserved by traditional institutions. Offerings such as early wage access, fee-free overdraft protection, and mobile-first platforms demonstrate the tangible value that such collaborations bring to consumers.

Regulators should recognize these partnerships not as regulatory loopholes or systemic threats, but as tools for promoting financial inclusion, advancing technological modernization, and preserving the competitiveness of regional and community banks. Overregulating well-functioning models risks undermining the very consumer benefits that regulators are tasked with protecting.

Modernizing Oversight and Expanding the Supervisory Perimeter

While these partnerships offer significant benefits, they also raise new supervisory challenges. Existing third-party risk management (“TPRM”) guidance, largely built around traditional vendor relationships, does not adequately capture the complexity of fintech arrangements involving shared data environments, real-time consumer interactions, or embedded compliance functions. A modernized regulatory approach must account for these unique features.

In some cases, regulators may need to expand their supervisory reach. For example, leveraging the Bank Services Company Act (“BSCA”) to directly oversee fintechs operating on behalf of banks—where appropriate—could improve visibility into partner conduct and mitigate systemic risk. Enhanced transparency requirements, including reporting obligations and structured wind-down plans, would

further strengthen safeguards and provide clarity in the event of partnership dissolution.

Laying the Foundation for Shared Standards and Infrastructure

To streamline oversight and reduce redundancy, regulators should support the development of shared due diligence frameworks and standards-setting organizations. These initiatives would provide consistent criteria for evaluating fintech partners and reduce the need for each bank to duplicate costly diligence efforts. Regulatory acceptance of third-party certifications developed under such standards could offer a pragmatic form of “regulatory passporting,” easing onboarding while maintaining accountability.

In parallel, banks—particularly smaller institutions—need affordable infrastructure options to participate in the digital economy. Supporting the creation and adoption of low-cost, open-source, or cloud-based core banking platforms would reduce reliance on legacy vendors and foster a more competitive technology landscape. Regulatory encouragement of shared infrastructure models, educational resources, and vendor transparency would empower community banks to innovate without compromising safety or compliance.

Enabling Strategic Investment in Fintech

Many banks are also exploring investments in fintech-focused venture funds to gain exposure to new technologies. Under current legal frameworks, these investments can be permissible when managed prudently and structured to align with safety, soundness, and consumer protection standards. Regulators should provide clear guidance on these investments to ensure transparency, capital adequacy, and appropriate risk diversification, particularly for community banks seeking innovation through indirect means.

Advancing Regulatory Clarity and Coordination

A recurring theme across industry feedback is the need for enhanced regulatory clarity. Uncertainty around supervisory expectations continues to hamper innovation, particularly for banks seeking to responsibly engage with fintechs under existing TPRM guidance. Regulators can address this by issuing interpretive tools such as FAQs, supervisory highlights, and no-action letter-like processes that provide banks with timely, actionable insight into how rules apply to novel partnership models.

Beyond individual agency action, the fragmentation of regulatory oversight remains a concern. Fintech partnerships often span multiple jurisdictions and touch on rules enforced by various agencies. To reduce confusion and compliance costs, agencies should prioritize interagency coordination to ensure consistent regulatory standards, minimize conflicting interpretations, and avoid duplicative supervision. Regular, structured channels for dialogue with industry stakeholders—banks, fintechs, consumer advocates, and legal experts—will further support an informed and adaptive regulatory environment.

Promoting Proportional and Risk-Based Regulation

Regulatory interventions must reflect the diversity and nuance of the fintech ecosystem. Applying a uniform standard that treats all bank-fintech relationships as inherently high-risk is both impractical and counterproductive. Instead, regulators should adopt a risk-based framework that tailors oversight to the nature of the activity, the roles and responsibilities of each party, and the actual risk posed to consumers and the broader system.

This is especially critical for smaller and community banks, which often lack the compliance infrastructure of larger institutions. These banks rely on fintech partnerships to reach new customers and remain competitive, particularly in light of continued consolidation within the banking sector. Heavy-handed or duplicative regulations risk driving these banks out of the innovation economy entirely—ultimately limiting consumer choice and reinforcing the dominance of the largest players. Proportionate regulation, phased implementation, and targeted oversight will better preserve a competitive and inclusive marketplace.

Conclusion

The future of banking will be shaped by collaboration—between banks and fintechs, and between industry and regulators. A regulatory framework that is clear, proportionate, and innovation-forward will not only ensure the safety of the financial system but also unlock its potential to better serve consumers, especially those historically left behind. We urge the OCC to embrace this vision and take decisive steps to modernize the regulatory architecture in a way that balances innovation, inclusion, and oversight.

Sincerely,

/s/

Rebeca Romero Rainey
President and CEO
Independent Community Bankers of America