

Office of **INNOVATION**

At the Office of the Comptroller of the Currency, we are making certain that institutions with federal charters have a regulatory framework that is receptive to responsible innovation along with the supervision that supports it.

"Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective"



A GUIDE FOR COMMUNITY BANKS

INTRODUCING COMMUNITY BANKS TO THE OCC OFFICE OF INNOVATION

The Office of the Comptroller of the Currency's (OCC) Office of Innovation is the central contact and clearinghouse for requests and information relating to innovation in the federal banking system. The Office of Innovation is headed by Chief Innovation Officer Beth Knickerbocker, who leads OCC specialists located in Washington, D.C., New York, N.Y., and San Francisco, Calif. The Office of Innovation is responsible for implementing the OCC's framework for responsible innovation.

The Office of Innovation staff looks forward to hearing from you and assisting you.

OCC INNOVATION FRAMEWORK

The Office of Innovation is responsible for implementing the OCC's framework for responsible innovation, which includes the following:

- Establishing an outreach and technical assistance program for banks and financial technology (fintech) and other nonbank companies;
- Conducting awareness and training activities for OCC examiners and other staff;
- Encouraging coordination and facilitation within the OCC;

- Managing the OCC's innovation research function; and
- Promoting interagency collaboration.

QUESTIONS AND ANSWERS

How does the OCC define responsible innovation?

Responsible innovation is the use of new or improved financial products, services, and processes to meet the evolving needs of consumers, businesses, and communities in a manner that is consistent with sound risk management and aligned with a bank's overall business strategy.

What technical assistance can the Office of Innovation provide?

The Office of Innovation supports banks in their pursuit of responsible innovation by providing information on regulatory policy, the supervisory process, and expectations. In addition, the Office of Innovation shares success stories, lessons learned, and information that banks should consider when evaluating new products and services. The Office of Innovation provides direct access to OCC experts on a variety of matters related to financial innovation, new products and services, and emerging trends. The Office of Innovation also gives banks opportunities to have candid discussions with OCC staff outside of the supervisory process.

How should innovation be considered in strategic planning?

Banks are encouraged to consider responsible innovation in their strategic planning to address the evolving needs of their customers and the ongoing effectiveness of their business operations.

What key factors should a bank consider when implementing a new product or service?

The board and management should determine whether the product or service is consistent with the bank's strategic plan, conduct effective due diligence, establish policies and processes to manage risks, implement sound change management, and monitor performance.

How can a bank develop an effective due diligence process and evaluate a partnership with a fintech company?

Your bank should consider completing the following steps:

- Assess how the product or service meets your customers' needs.

- Determine whether the risk associated with the new product or service is consistent with your bank's business strategy.
- Determine whether your third-party risk management practices are consistent with OCC guidance.
- Determine expertise and infrastructure needs, including operational, compliance, and technology.

How does the Office of Innovation encourage awareness of responsible innovation within the OCC?

An objective of the Office of Innovation is to foster an internal culture receptive to responsible innovation. The Office of Innovation expands agency expertise through awareness materials, training opportunities, knowledge sharing, and internal communication.

CONNECT WITH THE OFFICE OF INNOVATION

You can reach us through your assigned Portfolio Manager, Examiner-in-Charge, or Assistant Deputy Comptroller. We also invite you to reach us directly through www.occ.gov/innovation, innovation@occ.treas.gov, or (202) 649-5200.

GUIDANCE FOR COMMUNITY BANKS

OCC RESOURCES (www.occ.gov)

"An Opportunity for Community Banks: Working Together Collaboratively"

"The Director's Book: Role of Directors for National Banks and Federal Savings Associations"

"Compliance Management System," *Comptroller's Handbook*

"Corporate and Risk Governance," *Comptroller's Handbook*

"Internal and External Audits," *Comptroller's Handbook*

OCC Bulletin 2004-20, "Risk Management of New, Expanded or Modified Bank Products and Services"

OCC Bulletin, 2011-12, "Supervisory Guidance on Model Risk Management"

OCC Bulletin 2012-16, "Guidance for Evaluating Capital Planning and Adequacy"

OCC Bulletin 2013-29, "Third Party Relationships: Risk Management Guidance"

OCC Bulletin 2017-21, "Third-Party Relationships: Frequently Asked Questions to Supplement OCC Bulletin 2013-29"

Federal Financial Institutions Examination Council Resources (www.ffiec.gov)

Federal Financial Institutions Examination Council Information Technology Examination Handbook

Federal Financial Institutions Examination Council Bank Secrecy Act/Anti-Money Laundering Examination Manual

Contact the Office of Innovation

Website: www.occ.gov/innovation ● E-mail: innovation@occ.treas.gov ● Phone: (202) 649-5200

Office of Innovation staff are located in the following OCC locations:

400 7th St. SW
Washington, DC 20219

340 Madison Ave.
New York, NY 10173

One Front St.
San Francisco, CA 94111