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MEMORANDUM

March 21, 2016

To Our Clients and Friends

Re: OCC Releases Draft Fintech Charter Licensing Manual Supplement

The Office of the Comptroller of the Currency (OCC) is requesting comment on a draft supplement to the agency's Licensing Manual for evaluating applications for special purpose national bank (SPNB) charters from fintech companies. Although procedures governing the OCC's application process with respect to chartering national banks are already in place, the supplement provides guidance on how the OCC will apply them to fintech companies applying for SPNB charters. Comments are due by April 14, 2017.

The supplement explains that in order to begin the prefiling stage, an applicant should contact the OCC's Office of Innovation to inform it of the proposal and, if requested, to schedule a meeting with OCC staff for further discussion. The charter application is to be filed together with the business plan and the interagency biographical report on all identified insiders. This process is substantially the same as for other national bank applications.

In the review and evaluation stage, the OCC will determine if the applicant meets all the standards and policy considerations applicable to a national bank, such as whether it can be expected to achieve and maintain profitability and foster healthy competition. The OCC will also consider, among other matters the viability of the business plan, financial projections, capital requirements and the degree of capital support that will be made available by investors. The review of the applicant's business plan will focus on:

- risk assessment
- records, systems and controls
- financial management
- monitoring and revising the business plan
- alternative business strategy, contingency plans, recovery and exit strategies
- a financial inclusion plan.

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The OCC stated it may impose special requirements tailored to a particular applicant when it grants preliminary approval. These may include higher capital requirements tailored to the on- and off-balances sheet risks presented by the applicant's business plan.

A SPNB charter would enable fintech companies to operate nationwide under a single, uniform standard. This would be especially valuable for lenders and payment processors who would not be required to obtain state lending or money transmitter licenses and charge uniform rates of interest on loans. SPNBs controlled by fintech companies will be expected to meet capital requirements, Bank Secrecy Act, anti-money laundering and federal consumer protection requirements as well as other laws applicable to national banks, such as the Fair Credit Reporting Act and the Equal Credit Opportunity Act.

The OCC's Licensing Manual Supplement can be found on our website at <http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker, or Magda Gathani at (202) 776-0700.