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MEMORANDUM

July 31, 2018

To Our Clients and Friends

Re: Office of the Comptroller of the Currency Fintech Charter Announcement

The Office of the Comptroller of the Currency (OCC) announced today that it will begin accepting applications for national bank charters from nondepository financial technology (fintech) companies. The decision was announced via a policy statement and the publication of the OCC's *Comptroller's Licensing Manual Supplement*.

In the policy statement, the Comptroller of the Currency, Joseph M. Otting, explained the change saying, "[t]he federal banking system must continue to evolve and embrace innovation to meet the changing customer needs and serve as a source of strength for the nation's economy." The policy statement emphasizes that:

- The decision to consider national bank charter applications from financial technology companies is consistent with the OCC's longstanding chartering standards and supervisory expectations
- Every application will be evaluated on its unique facts and circumstances
- Fintech companies that apply for, qualify for, and receive special purpose national bank charters will be supervised like similarly situated national banks
- New fintech companies that become special purpose national banks will initially be subject to heightened supervision
- The OCC has the authority, expertise, processes, procedures, and resources necessary to supervise fintech companies that become national banks and to unwind a fintech company that becomes a national bank in the event that it fails.

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The *Comptroller's Licensing Manual Supplement* builds on these points, explaining the process and outlining key considerations that the OCC will review in applications from fintech companies to charter special purpose national banks that would engage in one or more of the core banking activities of paying checks or lending money but would not take deposits and would not be insured by the Federal Deposit Insurance Corporation (FDIC). The OCC stated that fintech companies that seek national bank charters and plan to take insured deposits would be required to obtain FDIC insurance and should apply for full-service national bank charters.

Copies of the OCC's *Policy Statement on Financial Technology Companies' Eligibility to Apply for National Bank Charters* and *Comptroller's Licensing Manual Supplement* are available on our website at <http://www.schwartzandballen.com/news.html>.

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