



## Mutual Alert

### **Banking Groups Urge Congress to Block OCC Payments Charter**

October 1, 2020 | Washington, D.C. – This week, several trade groups that represent the banking industry submitted a letter to Congress ahead of the House Financial Services Committee (“the Committee”) Hearing. The trade groups, which included the American Bankers Association (ABA), made a direct appeal to Congress in an effort to stop the Office of the Comptroller of the Currency (OCC) from granting specialized national bank charters to payments companies that do not take deposits. In addition to the letter from the ABA, there was a joint letter to the Committee’s financial technology task force from the ABA, Bank Policy Institute, Independent Community Bankers of America, and The Clearing House.

The ABA’s letter asked lawmakers to “actively discharge their oversight prerogatives regarding the legality and administrative processes connected to any such charters” and said “as regulators look to promote innovation within banking, they will inevitably come across business models that challenge our current understanding of what constitutes a bank”. The appeal to the committee’s financial technology task force highlighted that in situations where risks are present, Congress should encourage regulators to be transparent in their process and defer to Congress when appropriate.

The joint letter from the four trade groups said, "We oppose any effort by the OCC to offer a payments charter, particularly one that would ultimately grant these companies access to the Federal Reserve payments system — the most critical part of our country’s financial infrastructure — and its corresponding federal safety net without protecting the financial system and consumers from the concomitant increase in systemic risk”.

Acting Comptroller Brian Brooks championed the idea of granting national bank charters without the requirement of deposit insurance as a way for fintech payments companies to streamline national money transmitter licensing. The majority of the financial services industry and many state regulators are opposed to Comptroller Brooks’ proposal. At an event hosted by LendIt Fintech earlier this week, Comptroller Brooks said it is too late for traditional banks to attempt slowing down the advance of payments-focused institutions.

In response to Comptroller Brooks’ comments, the ABA stressed that it does not oppose innovation in the banking system but that they “have serious concerns around the recent discussion of a payments-focused charter being issued by the OCC”. The trade groups have asked that the OCC clarify its authority to issue payments charters and limited-purpose charters in “an open and transparent process”. The ABA stressed that the issues being considered and the possible charters that may be granted will have lasting implications for the banking system, so it is essential that the corresponding policies be made with transparency and robust public

input. The ABA wrote that the OCC appears to be moving forward with a payments charter without a formal analysis of needs of the marketplace based on the adequacy of existing charters and warned that the “federal government’s increased involvement in the payments marketplace without evidence of a solvable market failure could have unintended consequences”.

To date, no company has been approved or applied for the charter.

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