

Remarks by Vice Chairman Travis Hill at the ICBA ThinkTECH Accelerator Program

June 1, 2023

Good afternoon, and welcome to Regulator Day for the ICBA ThinkTECH Accelerator Program.

As we all know, innovation is imperative for community banks. Emerging technologies can help banks reach new customers and markets, develop innovative products and services, provide credit to underserved customers for whom traditional credit scores may not be well suited, and improve the efficiency of back office operations. In a world where customers' lives are becoming increasingly digital, and financial products and services are available from an array of bank and nonbank providers, adoption of new technologies is often critical to remaining competitive.

But banks face a number of potential hurdles. Community banks often lack the budgetary resources to develop and deploy new technology on their own, and face fierce competition for experienced, knowledgeable IT personnel. As a result, third-party partnerships are often an essential ingredient of innovation.

Bank supervision and regulation, by their very nature, can also present obstacles. Regulators need to engage with banks, with technology firms, with private sector experts, and with consumers to better understand how technology is changing the industry and how to foster a regulatory environment that is conducive to innovation. This requires working to identify and remove impediments to technology adoption, and reducing regulatory uncertainty.

Regulators can facilitate these efforts in other ways too. Before it was reorganized to focus on internal IT, the FDIC's innovation lab had an external facing mission. FDITECH was established to directly engage with banks, fintechs, and other experts; examine the formidable challenges associated with technology adoption; and help develop solutions. FDITECH also held tech sprints on topics like regulatory reporting and digital identity. I think that the FDIC's move away from this model was unfortunate, and that this type of active partnership can be helpful in promoting innovation.

Another initiative that merits further consideration is a public/private standards setting organization ("SSO") for financial technology. In 2020, the FDIC released a request for information on the development of such an SSO. Working with the private sector and the federal banking agencies, the SSO would develop standards for due diligence and emerging technologies. This would enable banks to on-board fintechs and technologies that had received a "seal of approval," reducing the need for each bank to conduct costly, time-consuming due diligence of its own. Banks would still be responsible for managing risks associated with third-parties, including those related to consumer protection, just as they are today. Interestingly, the

White House recently proposed standard setting bodies for “critical and emerging technology,” which would prioritize, among other areas, digital identity and distributed ledger technologies.¹

I appreciate your interest in the ICBA’s program today. Since 2018, ICBA has helped fintech companies connect with community bankers and regulators through its accelerator programs. Engagements like this are a valuable way to help foster innovation at community banks, and I applaud ICBA for their ongoing efforts. Today’s program provides an opportunity to ask questions of fintech developers and subject matter experts, and enhance our collective understanding of emerging technologies, integration challenges, and operational and regulatory obstacles.

Of course, as the past few months have reminded us, our primary focus should always be ensuring that banks operate in a safe and sound manner. But we also need to ensure community banks can remain competitive in a fast-changing world. I look forward to working with all of you, with ICBA, and with many others to speed the path for responsible innovation.

¹ See United States Government National Standards Strategy for Critical and Emerging Technology (May 2023), available at <https://www.whitehouse.gov/wp-content/uploads/2023/05/US-Gov-National-Standards-Strategy-2023.pdf>.