



June 3, 2016

Office of the Comptroller of the Currency
400 7th Street SW
Washington, D.C. 20219
innovation@occ.treas.gov

Via Agency Website

Re: Invitation for Comments to OCC White Paper: “Supporting Responsible Innovation in the Federal Reserve Banking System: An OCC Perspective”

On behalf of BOK Financial (“BOKF”), thank you for the opportunity to comment on the Office of the Comptroller of the Currency’s (“OCC”) White Paper “Supporting Responsible Innovation in the Federal Reserve Banking System: An OCC Perspective.” We appreciate your interest in and willingness to engage on this important topic.

I. Background

As a midsize bank, BOKF does not consider most of the things we do as meeting the traditional definition of “innovative.” We aspire to provide a robust set of products and services to our customers delivered with a high level of customer service. Differentiating ourselves from other financial services companies through innovative technological capability would be financially prohibitive and, at best, would deliver an unsustainable advantage.

The OCC’s definition of “responsible innovation”, offered in the white paper, is broad and much of what BOKF does would be considered using new or improved financial products, services, and processes to meet the evolving needs of consumers, businesses, and communities. Using this definition, we offer the following commentary on the specific questions listed on the OCC perspective.

II. Responses to the OCC’s Specific Questions

Question 1: *What challenges do community banks face with regard to emerging technology and financial innovation?*

Response: Your question is specific to community banks. Our organization is a midsize bank and I do not assume that our challenges are typical of what a community bank experiences. Some of the challenges that we face with regard to emerging technology and financial innovation include:

- Given our scale, we must be efficient with our technology investment. Much of our investment is consumed with basic product capability and meeting risk management expectations. As a result, we have limited resources available for the experimentation required by emerging technology and financial innovation.



- Expectations of third-party risk management can also be challenging at times. Emerging technologies and financial innovation frequently involve partnering with technology companies with which we have limited negotiating leverage. This makes meeting reasonable third-party risk expectations challenging and sometimes impossible.
- Concern that our investment will be challenged by regulators post implementation causing an exit of the product and write off of the investment.
- The regulatory expectation that the control infrastructure for a new product or service be fully built out prior to even a small scale implementation. We sometimes want to scale the control infrastructure as a business grows to see if the business develops.

Question 2: *How can the OCC facilitate responsible innovation by institutions of all sizes?*

Response: The most important items contained in the OCC's perspective are changing the culture within the agency and active engagement with the industry. Institutions take their cues from formal guidance but also from informal, nuanced conversations with Examiners-In-Charge and examination staff. These conversations can be very influential in our decision making. Changing the culture of the OCC to embrace new and different approaches, when done responsibly, would have a positive impact on our willingness to take reasonable risk.

A few other suggestions for the OCC to consider are:

- Engage with institutions regarding product concerns as opposed to insisting they exit the product. Once the specter of a forced exit exists, institutions are less likely to be willing to make necessary investments in new products. Forcing a regulated institution to exit a product does not eliminate the marketplace need; it forces the customer to the shadow banking industry.
- Create an avenue for discussion of specific rules that have an inadvertent impact of suppressing innovation. We understand that the OCC does not always have the flexibility to change a rule but in certain cases our advocacy work could be aligned.
- Require a section in the annual report of examination that describes areas of responsible innovation that the OCC is supporting within the institution. This would force the conversation between examination staff and bank executives and place some accountability on OCC staff to explicitly support responsible innovation.

Question 3: *How can the OCC enhance its process for monitoring and assessing innovation within the federal banking system?*

Response: Greater engagement with industry participants outside of an examination cycle. Continue to promote responsible innovation as an agenda item at OCC hosted roundtable meetings. Participate in and engage with existing industry groups.

Question 4: *How would establishing a centralized office of innovation within the OCC facilitate more open, timely, and ongoing dialogue regarding opportunities for responsible innovation?*

Response: In theory, given the right culture and engagement processes, a centralized office of innovation within the OCC could make conversations on responsible innovation more fluid and timely. The engagement process would need to include the institution's Examiner-In-Charge to prevent disconnects or miscommunication.



Question 5: How could the OCC provide guidance to nonbank innovators regarding its expectations for banks' interactions and partnerships with such companies?

Response: A clear set of regulatory expectations shared with institutions and providers would clear up some of the contention inherently involved with interactions between banks and nonbank innovators. Easily the largest area of contention is expectations of contractual terms and conditions. We find ourselves needing protections that technology providers are not compelled to provide given current market dynamics.

Question 6: What additional tools and resources would help community bankers incorporate innovation into their strategic planning processes?

Response: Every institution thinks about innovation and its relationship to its strategic plan differently. Perhaps sharing best practices would provoke some unique thinking amongst institutions.

Question 7: What additional guidance could support responsible innovation? How could the OCC revise existing guidance to promote responsible innovation?

Response: Additional clarity around expectations of third-party contracts that reflect an understanding of industry dynamics; and, clear expectations on when and how to engage the OCC in discussion of initiatives that meet the definition of responsible innovation would support responsible innovation.

Question 8: What forms of outreach and information sharing venues are the most effective?

Response: We support your intention of hosting industry meetings and "innovation fairs." Engagement with existing industry groups such as the Midsize Bank Coalition of America ("MBCA").

Question 9: What should the OCC consider with respect to innovation?

Response: Keep in mind that a lack of capacity for innovation is in itself a risk. Banks have limited resources for investment and every regulatory required investment should be considered relative to its value versus investing in new or improved product, services, and processes.

We appreciate the opportunity to express our opinions on this valuable topic.

Regards,

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Donald T. Parker
Executive Vice President
Chief Information Officer, BOK Financial