



Federal Financial Analytics, Inc.

A DIGITAL BANK ALL YOUR OWN?

Recent OCC actions provide a Wild West frontier for innovative digital and payment charters as well as greater scope for strategic alliances between federally-chartered banks and fintech or even big tech.

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As detailed in a [recent FedFin analysis](#), the Office of the Comptroller of the Currency has been very busy building new federal charters for unprecedented purposes in the absence of a guiding regulatory construct. The agency has [proposed new national-bank powers](#) and asked a lot of probing questions about [digital finance](#), but it's not waiting for answers. Although the next Comptroller may revert to due process and even dispute the policy objectives on which the OCC now acts, what's done between now and then won't be easily undone. This means:

- There will be at least two unique chartering arrangements that test the boundaries of current federal law: one [for Jiko](#) and [another for Kraken](#). These write a new road-map for new business models within regulated banks and far beyond.
- "Rent-a-bank" constructs could give way to "buy-a-bank" alliances that adroitly arbitrage bank-only powers and nonbank-powered innovation. Some of these arrangements might even be housed in [bank holding companies](#), circumventing [industrial-bank restrictions](#) without limiting financial-product innovation. Will new risks also be captured? If not, they are sure also to follow.
- The Fed is under still more pressure to set the standards for non-traditional charter access to the payment system, either ratifying [its bank-only standard](#) now set by default or reconciling itself to new OCC fintech and payment charters. Could the OCC's reserve backstop for cryptography be carried over to the payment system as the [others have urged](#)? If so, a lot more will need to be said about what these reserves are and just how sterilized they have to be.

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