

AMERICAN BANKER

OCC chief, N.Y. regulator dig in on fintech chartering, preemption

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WASHINGTON — Appearing Comptroller of the Foreign money Brian Brooks and New York Division of Monetary Providers Superintendent Linda Lacewell traded barbs Wednesday within the perpetual wrestle between federal and state regulators over the twin banking system.

In remarks throughout a livestreamed occasion hosted by the Cato Institute, Brooks took difficulty, amongst different issues, with the view by some states that their legal guidelines higher defend shoppers. He stated some aggressive state legal guidelines to limit rates of interest have the impact of “rationing” credit score.

“We want banks to be able to export their own fixed interest rate. We want there to be preemption because without it, the parochial interests of individual states, acting under the belief that they’re protecting people, are in fact preventing those same people from accessing credit,” Brooks stated.

“If you believe as I do that more credit and more risk-taking leads to more dynamism and growth in the economy, you don’t want credit to go away, which is what those kinds of rationing state laws tend to do,” Brooks continued.

“The parochial interests of individual states ... [prevent] people from accessing credit,” stated appearing Comptroller of the Foreign money Brian Brooks. New York Division of Monetary Providers Superintendent Linda Lacewell argued “there is no federal authority for any kind of chartering for fintech companies ... that are not depositories.”

Brooks’ remarks, which have been adopted on the identical occasion by an look from Lacewell, got here towards the backdrop of New York state’s authorized problem of the Workplace of the Comptroller of the Foreign money’s special-purpose fintech constitution. Lacewell’s division prevailed within the federal case, which is now pending an enchantment. State regulators have additionally protested Brooks’ current statements that he desires the OCC to supply a funds constitution.

Lacewell stated the New York Division of Monetary companies, in contrast to the OCC, has express authority to constitution monetary establishments that don’t settle for federally insured deposits.

“We want responsible innovation. I do think it’s possible and, by the way, we have to do it, because right now, there is no federal authority for any kind of chartering for fintech companies, whether they’re [involved in] payment or lending, that are not depositories,” she stated.

Lacewell argued that “the federal-state twin banking system ... is important, and every has a task to play.”

Advocates of state authority regularly cite the significance of native bank supervisors as client watchdogs. However Brooks stated the notion that states are higher watchdogs is unproven.

“This idea that if the states want to go further, they can be more protective and everything, that’s a trope you hear a lot,” Brooks stated.

Lacewell emphasised the function of states in defending their residents.

“The states are the people, and the people are the consumers,” she stated. “Everything that we do, and everything that our licensed entities do, affect real people in their lives.”

However she additionally burdened the significance of collaboration between state and federal authorities within the realm of innovation, arguing that when the 2 branches of the twin banking system really work collectively, it was potential to foster innovation “at the same time as consumer protection.”

“We need to continue to work together — the states, together with the federal regulators, listening to all the stakeholders, the consumers,” Lacewell stated.