



# FTA Policy Agenda for the Future of Finance



**Financial technology** and fintech companies are changing the way consumers interact with and manage their finances. Fintech companies harness modern technology to drive responsible innovation and expand access to services that were previously only available to those with a personal banker on speed dial.

Today, more than eight in ten Americans use a fintech product to manage their finances. **Fintech is the financial tool powering people's lives**, saving Americans billions in interest and fees, expanding access to credit and investing tools, helping individuals start and scale a small business, and giving people more choice and control over their financial data.

As fintech industry leaders, **we believe in a future that unlocks even more innovation for everyday Americans**. Our vision for the future of finance centers on modernized financial infrastructure that empowers consumers, small businesses, and entrepreneurs, spurs responsible innovation, and promotes a financial system that works for all. We envision a financial ecosystem with faster payments and more automated and personalized money management, where more people can access tools to help make the best financial decisions.



To make this vision a reality, **we must ensure that the U.S. remains the home of financial innovation** and that the benefits of that innovation extend to all Americans. The current financial legal and regulatory framework was built for legacy institutions, and there is a bias against creating pathways for innovation for new entrants. Consumers, small businesses, and entrepreneurs will benefit if the next generation of innovators has clarity on the multiple avenues available to innovate in a responsible manner.

**Fintech makes managing money easier and more accessible for American consumers and businesses. The fintech effect means:**

-  **Splitting the bill at dinner without having to take out your wallet.**
-  **Making payments from anywhere via a mobile phone.**
-  **Facilitating a loan for small businesses locked out of traditional banking.**
-  **Gaining access to investment opportunities once reserved for the wealthy.**
-  **Helping consumers assess their own financial health and optimize financial decisions.**
-  **Empowering entrepreneurs with the financial tools to power the innovation economy.**

We have three key recommendations to shape the future of finance:

1

## Ensure avenues for responsible financial innovation.

Today's financial regulatory framework is complex and built for legacy products, services, and institutions. Policymakers should leverage current authorities and establish new ones to promote responsible innovation while also providing regulatory clarity.

- ▶ Promote the utilization of state and federal banking regulators' **broad oversight and chartering authorities** to keep pace with the constantly-evolving business of banking by approving fintech companies seeking charters.

**Policy Action:** Banking agencies should use their existing broad chartering authority, including with respect to ILCs, uninsured depositories, and special-purpose non-depositories, and recognize such state or federal charters within their respective frameworks.

- ▶ Allow companies to innovate safely through sandbox and pilot programs, no-action relief, tech sprints, and related regulatory tools. Ensure regulators have the knowledge, capabilities, and human capital to keep pace with the rapidly developing financial services landscape.

**Policy Action:** Federal regulators should develop or expand financial technology innovation offices and/or programs to engage with innovators, inform internal agency understanding of related opportunities and risks, and implement programs, including sandboxes, pilots, no-action relief, and tech sprints, to facilitate responsible innovation. Examples of forward-leaning policies include the codification of the SEC's FinHub and the CFTC's LabCFTC, as well as the FUTURES Act.

- ▶ Support a **healthy and safe bank-fintech partnership ecosystem** to serve consumers and small businesses and drive financial innovation, including with MDIs, CDFIs, community banks, and credit unions. Ensure examiners have the tools and human capital to properly oversee these partnerships under existing guidance, leveraging a risk-based approach. Do not cut off responsible partnerships or restrict consumer and business access to financial services through over-broad enforcement.

**Policy Action:** Policymakers and bank regulators should publicly promote the benefits of bank-fintech partnerships and implement a supervisory process tailored to the bank's risk profile rather than applying broad, undifferentiated enforcement.

Bank regulators should adjust their guidance and training to ensure examiners can operate flexibly with clarity on different levels of risk.

- ▶ Support a **modern, robust consumer privacy regime** that increases trust and safety, empowers consumers to benefit from their data, and applies consistently across the financial services ecosystem.

**Policy Action:** Support clear national consumer privacy legislation that applies to legacy incumbent financial institutions and fintechs. A level playing field across financial institutions and fintechs will help ensure consistent treatment, continued responsible innovation, and service improvement for consumers regardless of where they manage their money. Furthermore, establishing clear, consistent, and uniform national standards will preempt the patchwork of state privacy laws and satisfy consumer needs and expectations, safeguard consumer data, and comport with broader societal objectives and regulatory requirements.

- ▶ Support **consistent and harmonized state and federal regulatory frameworks** tailored to the risks posed by particular business models.

**Policy Action:** Lawmakers and policymakers should foster business model competition by tailoring regulatory requirements to mitigate identifiable risks and avoiding unnecessary regulatory duplication, friction, or uncertainty. Examples of such efforts include the CSBS "one company, one exam" program, which promotes consistency and avoids duplication.

- ▶ Support the creation of an **optional federal payments charter** that would grant chartered entities direct access to the Federal Reserve settlement and clearing system.

**Policy Action:** Support federal legislative efforts to create an optional and tailored federal charter for payment companies focused on modernizing and improving the payment system. The charter would complement state money transmitter frameworks, allow participation in credit card networks, and tailor requirements to specific risks posed by payment companies.

## Support modern financial infrastructure.

The current financial infrastructure was built for the days of paper-based systems when people would bank or invest in person, not on their phones. We must ensure that the U.S. financial infrastructure reflects the digital reality of financial services and is technology-neutral rather than the past analog age.

► **Grant well-regulated payment companies direct access to the national payments system, including FedNow.**

**Policy Action:** Promote competition and diversification by granting well-regulated payment companies direct access to the national payments system, including Tier 3 state-chartered banks and companies that receive an optional federal payments charter, the latter of which would require legislation.

► **Support the development of faster, safer, interoperable payment rails.**

**Policy Action:** Support the adoption, expansion, and enhancement of FedNow, including through non-bank participation and the Federal Reserve Board's recent proposal to expand the operating days of the Federal Reserve Banks' two large-value payments services, Fedwire Funds Service and the National Settlement Service, to include weekends and holidays. Doing so would help increase payment speeds, reduce costs, and make it easier and faster for consumers and small businesses to send and receive funds.

► **Support and expand on the CFPB's 1033 open banking rule and move towards an open finance future that puts all consumers in control of the full range of their financial information and reaffirms their ability to securely share their data with the apps and services of their choice.**

**Policy Action:** Consumers will enjoy the greatest benefit from open finance when it provides them with a holistic picture of their financial lives. Full access to the full range of their financial data allows consumers to better assess financial health and wellness, as well as access the broadest range of financial products and services. The Bureau should consider phased inclusion under 1033 of a range of financial accounts, including brokerage, savings and pension funds, government benefits, payroll, telecom, utility, and government-related accounts, which can provide, for example, benefits information.

► **Refine regulatory frameworks for AI governance, including national privacy legislation to govern the data that feeds AI/ML models.**

**Policy Action:** AI/ML usage is well regulated in the financial services sector, and these requirements set the standard for how existing law can apply to traditional use cases transformed by algorithms. However, policy-makers can do more to advance consumer- and compliance-centric utilization of AI/ML in financial services, including by enacting a federal data privacy standard. Regulators should support the responsible use of AI and, as necessary, clarify the application of existing frameworks.

► **Promote a safe and trustworthy financial services ecosystem for all by encouraging and enabling cutting-edge fraud prevention capabilities to protect consumers and businesses.**

**Policy Action:** Allow for the use of advanced technologies and the ability to leverage critical data - with appropriate privacy safeguards - in order to combat fraud. This includes allowing for the commonplace collection and use of data shared through open banking channels to develop and improve individual and systemic fraud prevention tools and enhanced fraud information sharing through both public and private sector avenues.

► **Establish digital ID standards and modernize KYC/AML requirements that balance reduced friction with bringing more people into the financial system and enhancing safety and security.**

**Policy Action:** Promote interagency support for digital identity (including mobile driver licenses) in order to ensure that emerging standards for digital identity documents, verifiable credentials, and identity wallets protect the rights of consumers and promote consistent application of this new technology; further support regulatory initiatives that combat de-risking in financial services resulting from onerous KYC/AML requirements that restrict financial access and inclusion.

► **Modernize credit reporting to make scoring practices and data collection efforts more transparent and inclusive to include innovations like Buy Now Pay Later.**

**Policy Action:** Support modernization of credit bureaus, including real-time reporting capabilities and upgrades to scoring methodologies to accommodate innovative financial products, including BNPL solutions.

## Expand financial access, choice, and inclusion.

Financial technology is a lifeline for the millions of Americans and small businesses locked out of traditional banking, credit, and investing systems. However, our policies and regulatory approaches have not caught up with innovations that have broken down barriers to financial services.

- ▶ **Build a more fair, inclusive, and robust consumer finance ecosystem** through appropriate regulatory frameworks for alternative data, AI/ML and sophisticated algorithmic methodologies, earned wage access, buy now pay later, and modernized income verification (including IVES).

**Policy Action:** Avoid one-size-fits-all regulatory frameworks for novel products that challenge legacy models. Promote the use of advanced technology to accurately assess creditworthiness for the millions of consumers locked out by status quo legacy methods. Ensure access to representative datasets to help ensure fairer models. Examples include the Earned Wage Access Consumer Protection Act.

- ▶ **Support promising cash flow underwriting approaches** that can expand access to credit, especially among historically disadvantaged communities and the over 50 million Americans who are thin-file or lack traditional credit scores.

**Policy Action:** Support public/private collaborations that advance innovation in inclusive cash-flow credit underwriting, such as the OCC's Project REACH. At the same time, policymakers should also protect lenders' ability to utilize open banking data to develop and improve cash flow underwriting models to protect beneficial uses that can enable more inclusive and representative access to financial services.

- ▶ **Power the next generation of financial advisory tools** to break down silos and expand access to wealth-creation opportunities, including by expanding the definition of an accredited investor.

**Policy Action:** Policymakers should reduce financial thresholds or develop knowledge-based tests that would allow more individuals to qualify as accredited investors and access private market opportunities. High wealth and income should not be the central proxies to determine whether someone is sophisticated enough to make informed investment decisions.

- ▶ **Power small businesses with access to capital and financial tools for success, including access to investment and retirement solutions.**

**Policy Action:** The SBA should continue to expand its loan guarantee programs beyond the limited recent increase in available non-bank licenses. Also, Congress should make it easier for small businesses to incorporate, scale, and leverage technology. FTA's Small Business Policy Agenda discusses the legislation that would assist small businesses.

- ▶ **Promote financial well-being by supporting comprehensive financial education** through nationwide curriculum and expanded public-private partnerships.

**Policy Action:** Support state and local initiatives to provide financial education courses in the K-12 grades. Encourage public-private initiatives to support financial health and well-being. Provide resources for more research into the factors influencing financial outcomes, including the role of digital technology.

### About us

The Financial Technology Association (FTA) is a Washington, DC-based trade association representing industry leaders shaping the future of finance. We champion the power of technology-centered financial services and advocate for the modernization of financial regulation to support inclusion and responsible innovation.

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