



United States House of Representatives
One Hundred Eighteenth Congress
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

February 2, 2024

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Dear Chairman Gruenberg:

We write to express our concern about the Federal Deposit Insurance Corporation's (FDIC's) ongoing regulatory agenda pertaining to innovation in the financial services sector. As you are aware, financial technology (fintech) firms provide access to innovative products and services by partnering with highly regulated financial institutions to meet the evolving needs of consumers and businesses of all sizes.

Yet, during your tenure, the FDIC has moved innovation backwards. You have not only dismantled the external facing portion of the agency's FDITech Office, which was focused on "engaging and collaborating with the private sector to support innovation that promotes economic inclusion, consumer protection, competition, and identification of risk," but shifted FDITech's mission to focus solely on adoption of technologies within the FDIC.¹

Moreover, under your direction, FDITech was also reorganized within the agency's Division of Information Technology. Thus, it no longer focuses on competition or innovation within the financial sector. While the FDIC indicated that FDITech still "engages with industry participants... separate from examinations," we are concerned this transformation has actively discouraged innovation within the banking sector.² This move, together with the recent establishment of the Office of the Comptroller of the Currency's Office of Financial Technology, which incorporated the former Office of Innovation established in 2016, suggests that the Administration is more interested in hindering innovation than helping it.

We are also concerned that there is no publicly available information detailing how the FDIC's posture on innovation will manifest in examinations and whether this change will be in compliance with the FDIC's Compliance Examination Manual. The FDIC has a troubling history of using extralegal pressures to attain anti-business results. We are concerned that the FDIC's approach could, within the examination processes or otherwise, be used to prevent the development of innovative products and services that benefit consumers and businesses.

¹ U.S. Government Accountability Office, "Financial Technology: Agencies Can Better Support Workforce Expertise and Measure the Performance of Innovation Offices" (GAO-23-106168), (Washington, D.C. Sep. 6, 2023) available at <https://www.gao.gov/assets/gao-23-106168.pdf> at 27.

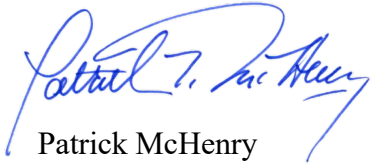
² *Id.*

To gain a better understanding of FDIC's strategy as well as examination and supervisory actions toward financial institutions and fintechs, please provide the following information:

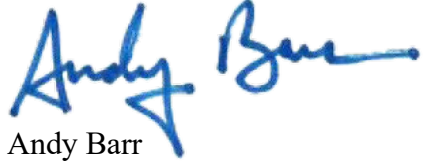
1. Starting in 2021, please provide the number of financial institutions, by year, that were issued a consent order, memo for board review, or subject to any other agreement involving the risk management of third-party relationships with fintech companies.
 - a. Please indicate whether the actions were related to the third-party's arrangement with subcontractors or other parties.
2. For the financial institutions referenced in Question 1, please provide the following information:
 - a. the date on which the examination of the financial institution began;
 - b. the date on which the financial institution received the first copy of findings report; and
 - c. the date on which the financial institution received a final consent order, memo for board review, or other agreement.
3. Please describe how a financial institution's growth impacts the FDIC's decision to begin a board review of the bank.
4. Please provide all the information disseminated from FDIC Headquarters to the various regional offices regarding the risk management of third-party relationships with fintech companies from 2021.
5. Please describe how the FDIC enforced infractions related to third-party risk management prior to 2020, and what changes have been made since then and why.
6. Please describe how the FDIC ensures that financial institutions have an independent, fair, and consistent appeals review related to third-party risk management practices.
7. Although the FDIC does not have a dedicated innovation office that conducts external outreach, the FDIC has maintained that it still engages with industry participants. Please describe the nature of these engagements, the frequency of them, as well as the FDIC divisions and offices, including positions by title who engage with industry participants regarding specific third-party relationships with fintech companies.

We appreciate your attention to this request. Please respond no later than February 29, 2024.

Sincerely,



Patrick McHenry
Chairman
Financial Services Committee



Andy Barr
Chairman
Subcommittee on Financial
Institutions and Monetary Policy



French Hill
Chairman
Subcommittee on Digital Assets,
Financial Technology and Inclusion