

SUPPORTING STATEMENT
INNOVATION PILOT PROGRAMS
(OMB Control No. 3064-NEW)

INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) is requesting approval from the Office of Management and Budget (OMB) for a new information collection titled, “Innovation Pilot Programs.” The FDIC seeks to continue its engagement and collaboration with innovators in the financial, non-financial, and technology sectors to, among other things, identify, develop and promote technology-driven innovations among community and other banks in a manner that ensures the safety and soundness of FDIC-supervised and insured institutions. An innovation pilot program framework can provide a regulatory environment in which the FDIC, in conjunction with individual proposals collected from innovators, including banks, will provide tailored regulatory and supervisory assistance, when appropriate, to facilitate the testing of innovative and advanced technologies, products, services, systems, or activities.

A. JUSTIFICATION

1. Circumstances and Need

The FDIC seeks to engage and collaborate with innovators in the financial, non-financial, and technology sectors to, among other things, identify, develop and promote technology-driven innovations among community and other banks in a manner that ensures the safety and soundness of FDIC-supervised and insured institutions. An innovation pilot program framework will provide a regulatory environment in which the FDIC, in conjunction with individual proposals collected from innovators, including banks, will provide tailored regulatory and supervisory assistance, when appropriate, to facilitate the testing of innovative and advanced technologies, products, services, systems, or activities.

While greater detail and the parameters of a planned innovation pilot program framework will be separately announced at a later date, innovators (banks and firms in partnership with banks) will be invited to voluntarily propose time-limited pilot programs, which will be collected and considered by the FDIC on a case-by-case basis. Innovators may request to participate by submitting proposals during a set time period for submissions.

Applicants will propose the design and parameters of the pilot program tests, as well as any tailored regulatory and supervisory assistance needed from the FDIC. Collected proposals will be assessed, prioritized and identified for testing, either on their own or as part of a subject-area focused grouping of pilot programs.

Accepted pilot programs may be conducted and monitored concurrently with a number of pilot programs selected in a given cohort with limited participants. Subject-area groupings could include pilot programs that match a general theme or product area of great promise or particular interest to the banking sector or the FDIC. This may be

announced in advance of the collection or afterwards if multiple pilot programs proposals are found to share key attributes or defining characteristics (e.g., similar product concept; banks of certain size; like customer focus).

Proposals will be collected from FDIC-supervised institutions (state-chartered banks and savings institutions that are not members of the Federal Reserve System), who may submit a pilot program proposal individually or together with companies that provide or aim to provide technologically driven products, services, or systems through direct contractual arrangements, partnerships, or joint ventures (this includes third-party service providers). Proposals may also be collected from innovators that are not themselves FDIC-supervised institutions and do not have a partnering institution but who may submit a pilot program proposal; however, the nonbank will be eligible to receive only a preliminary non-objection to its proposal conditioned on later submission (and collection) of the proposal in partnership with an FDIC-supervised institution.

The collection will be limited by eligibility for consideration. FDIC-supervised institutions that wish to participate in a pilot program must: (1) have a demonstrated record of engaging in appropriate risk management; (2) be well-capitalized; (3) be well-rated for compliance and safety and soundness; and (4) not have significant pending supervisory or enforcement actions (or significant regulatory investigations). Other firms seeking to participate in a pilot program must: (1) be a U.S. domicile; (2) conduct all pilot program banking activity (products and services) through an FDIC-supervised institution partner; and (3) not involve persons who have been convicted of any criminal offense involving dishonesty, breach of trust, or money laundering.

2. Use of Information Collected

An innovation pilot program framework can provide a regulatory environment in which the FDIC, in conjunction with individual proposals collected from innovators, including banks, will provide tailored regulatory and supervisory assistance, when appropriate, to facilitate the testing of innovative and advanced technologies, products, services, systems, or activities.

3. Use of Technology to Reduce Burden

Appropriate technology is used to minimize burden whenever possible.

4. Efforts to Identify Duplication

Every effort will be made to avoid duplication.

5. Minimizing the Burden on Small Entities

Small businesses or other small entities may be involved in these efforts but the FDIC will take efforts to minimize the burden on them. Additionally, all collections will be voluntary.

6. Consequence of Less Frequent Collections

The frequency of collection is held to the absolute minimum.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

The FDIC published a 60-day notice in the *Federal Register* on November 6, 2019 (84 FR 59808) seeking comments on this proposed information collection. No comments were received.

9. Payment or Gift to Respondents

None.

10. Confidentiality

Any information deemed to be of a confidential nature would be exempt from public disclosure in accordance with the provisions of the Freedom of Information Act (5 U.S.C. 552).

11. Information of a Sensitive Nature

No questions of a sensitive nature are included in this collection.

12. Estimate of Annual Burden

50 respondents x 60 hours = 3,000 hours.

This calculation assumes that an applicant/respondent will be comprised of a firm partnering with a bank to submit its proposal, each having 3 employees (2 staff and 1 legal counsel) working 10 hours each on the proposal. This results in 6 employees per applicant/respondent * 10 hours per employee = 60 hours per applicant/respondent. Based on the FDIC's observations of the market, it is estimated that roughly 50 applicants/respondents will submit proposals per year.

13. Capital, Start-up, Operating and Maintenance Costs

None.

14. Estimates of Annualized Cost to the Federal Government

None.

15. Reason for Change in Burden

Not applicable. This is a new request for an information collection.

16. Publication

General information about the FDIC's pilot programming, including lessons learned, may be published, but not particular details about any specific program piloted.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

B. STATISTICAL METHODS

Not applicable.