

Acting Comptroller of the Currency Michael J. Hsu
Statement at the FDIC Board Meeting
September 17, 2024

**Notice of Proposed Rulemaking on Custodial Deposit Accounts with Transaction Features
and Prompt Payment of Deposit Insurance to Depositors.**

I strongly support the notice of proposed rulemaking (NPR) to strengthen FDIC-insured depository institutions' recordkeeping for custodial deposit accounts with transactional features. I see this as one of several regulatory and supervisory reforms needed to keep up with the digitalization of banking.

At the OCC, we have been focused for some time on how digitalization is impacting bank safety and soundness and consumer protection. In particular, we have strived to both recognize the benefits and mitigate the risks of arrangements between banks and fintechs. In 2022, for instance, the OCC announced the creation of the Office of Financial Technology, building on the successes of the Office of Innovation, which had been created six years prior. Also in 2022, the OCC was the first federal banking agency (FBA) to take an enforcement action on a bank's weak risk management practices related to certain banking-as-a-service arrangements with fintechs. Similar actions have since been taken by the FDIC and the Federal Reserve.

This NPR is part of continued efforts by the FBAs to highlight, better understand, and address the risks associated with banks' arrangements with fintechs. For instance, in July the FDIC issued a request for information (RFI) related to uninsured deposits and proposed amending its brokered deposit rule to address, among other issues, the changing nature of deposits – due in large part to digitalization – and the associated risk of faster and more severe bank runs. Also in July, the FBAs issued a joint statement on banks' arrangements with third parties to deliver bank deposit products and services. The FBAs also issued an RFI on bank-fintech arrangements and recently extended the comment period for that RFI until October 30.

In short, the FBAs are adapting to changes in banking and are seeking public input on how to best to do that. We need the various reforms to work together so that banks are safe and sound, customers are protected, financial stability is maintained, and there is a level playing field. This is especially important given the pending finalization of the CFPB's section 1033 rulemaking on open banking, which is likely to accelerate further changes brought about by digitalization.

For these reasons, I strongly support the NPR. Scoping this proposed rule correctly is important and I look forward to comments on how to strike the right balance.

Thank you to FDIC staff for all their hard work on this NPR.