September 19, 2025

Jennifer Jones
Deputy Executive Secretary
Attention: Comments RIN 3064–ZA48
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies (RIN 3064–ZA48)

The Financial Technology Association (FTA) appreciates the opportunity to respond to the Federal Deposit Insurance Corporation's (FDIC) Request for Information (RFI) regarding industrial banks and industrial loan companies (hereinafter "industrial banks") and their parent companies. We believe this is an important opportunity to increase the number of *de novo* bank charters in the United States in order to advance competition and promote financial services innovation.

FTA is a nonprofit trade organization representing leading technology-centered financial services (fintech) companies. Our members are committed to advancing the responsible use of technology, which significantly improves the industry's ability to offer innovative financial products, including payment solutions, while maintaining robust compliance with regulatory standards.

To this end, FTA has long advocated that federal and state banking regulators possess sufficient authority, expertise, and tools to appropriately apply statutorily authorized bank charters to business models seeking to responsibly expand access to competitive, tailored, and innovative financial services, while mitigating identifiable risks.[1] Indeed, federal and state statutory frameworks—including in the context of industrial banks—grant broad chartering authority to regulators, providing financial services firms the flexibility to pursue charters that best fit their business models upon evaluating related regulatory costs and benefits. This broad chartering authority is inherently pro-consumer, safely introducing competition and facilitating tailored and innovative services that might otherwise be unavailable. It further reduces overconcentration risks that arise when financial firms are effectively forced into a one-size-fits-all chartering model, which undercuts competition and chills innovation, in direct contravention of recent White House Executive Orders.[2]

[1] Financial Technology Association (FTA) (2021) *Just the Facts: Bank Charters for Fintechs*. Available at: https://www.ftassociation.org/wp-content/uploads/2021/05/FTA-Just-the-Facts_-Fintech-Bank-Charters-1.pdf
[2] White House (2025) 'Guaranteeing Fair Banking For All Americans', *Executive Order 14331*. Available at: https://www.whitehouse.gov/presidential-actions/2025/08/guaranteeing-fair-banking-for-all-americans/.

FTA accordingly applauds this RFI by the FDIC and raises the following key topics:

- Industrial bank approvals will advance the creation of *de novo* banks and fuel greater competition and innovation;
- Industrial banks are consistent with a safe and sound banking system and should not be disfavored with punitive or unduly burdensome requirements; and
- Requests that the agency expressly state that ownership of an industrial bank by a financial technology company engaged primarily in financial services activities will be treated as a favorable factor in applications.

I. Consistent with Congress' Statutory Framework, Industrial Bank Approvals Can Advance the Creation of *De Novo* Banks and Fuel Greater Competition

Industrial banks represent a legitimate and well-established chartering option created by Congress that includes a robust framework for federal oversight. Unfortunately, despite clear statutory authority for the industrial bank charter, opponents have frequently argued for nonstatutory moratoriums, citing a range of unsubstantiated risks. Notably, there is no data to support claims that the FDIC's supervision of industrial banks is inadequate or that industrial banks pose safety and soundness risks. Indeed, the data support precisely the opposite conclusion; industrial banks have proven resilient, even through the most significant challenges to our financial system. The FDIC has a demonstrated record of effectively regulating these institutions, and research highlights that industrial banks have performed better than other insured depositories, including during times of financial stress.[3] Recent FDIC approvals have underscored a focus on safety and soundness.

Consistent with a diverse and dynamic chartering landscape, the industrial bank charter provides consumers and businesses with greater choice, specialized product offerings, and the potential for reduced costs. Depending on the particular business model and an individualized assessment of benefits and costs, fintech companies may choose to pursue an industrial bank charter. This can unlock competition and promote innovation and economic dynamism.

Indeed, fintech companies are fundamentally transforming financial services by enhancing efficiency and transparency, expanding access and inclusion, lowering costs, and increasing choices and opportunities for consumers and small businesses. Consistent with the Trump Administration's priorities, fintechs are helping to ensure *all* Americans have fair access to financial services.[4] Indeed, fintechs translate their capabilities into increasing credit availability, including for Main Street small businesses, as well as advancing payments modernization. The clear exercise of broad chartering authority by the federal banking agencies (FBAs), including the

[3] Barth, J. and Sun, Y. (2018) 'A New Look At The Performance Of Industrial Loan Corporations', *Utah Center for Financial Services, University of Utah*. Available at: https://lassonde.utah.edu/wp/wp-content/uploads/2018/10/ILC_REPORT_BARTH_2018.pdf.

[4] White House (2025)

FDIC with respect to industrial banks, can help solve the challenge of anemic *de novo* bank creation in the United States. Indeed, only 64 new banks were chartered from 2009 to 2019, compared to 1,837 from 1998 to 2008.[5] This lack of new bank formation reduces banking competition when industry consolidation is simultaneously dangerously high. In the longer term these dynamics can result in a sclerotic banking sector lacking innovation, choice, and competitiveness.

II. Modernized Banking for a Modernized Economy: How the Industrial Bank's Structure Can Be a Source of Strength and Enhance System Safety and Soundness

As other leading global jurisdictions have recognized, the business of banking is fundamentally changing, and our regulatory frameworks must evolve to reflect this new reality. Especially in today's economy, the industrial bank model—and the industrial bank's parent entity—can be a key source of strength, not weakness.[6] This reality was recently underscored by the approvals granted to industrial banks during the first Trump Administration. By allowing a parent company to provide capital, technology, and management expertise, the industrial bank structure can bolster the bank's safety and soundness. This model diversity not only fosters competition and innovation, but as noted above, also mitigates systemic risk by preventing a dangerous over-concentration of business models within the bank holding company framework.

Notably, the FDIC has the authority to impose requirements to ensure safety and soundness and tailor requirements to ensure that a parent company serves as a source of strength to the industrial bank. For example, the FDIC can require reports from controlling companies to assess their ability to comply with this requirement and to enforce compliance. The FDIC also has the authority to examine the affairs of any industrial bank affiliate, including the parent company, to determine the relationship and its effect on the depository institution.

While it is appropriate for the FDIC to tailor any safety and soundness requirements to the risks posed by a particular parent or affiliate, such requirements should not prove more onerous than those placed on other banks or charters. More specifically, requirements on industrial banks should not disfavor the industrial bank or be punitive. This approach is not only fair and necessary for

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5 *See generally* Statista (2025) *Number of new FDIC-insured commercial bank charters in the United States from 2000 to 2024.* Available at: *https://www.statista.com/statistics/193052/change-in-number-of-new-fdic-insured-us-commercial-bank-charters/*; *See also* Bowman, M. (2021) 'The Lack of New Bank Formations is a Significant Issue for the Banking Industry', *Speech at the 2021 Community Bankers Symposium: Banking on the Future, Federal Reserve Bank of Chicago, Chicago, Illinois.* Available at: *https://www.federalreserve.gov/newsevents/speech/bowman20211022a.htm#:~:text=There%20have%20been%20only%20a,for%20banking%20as%20overriding%20factors*.

6 Barth and Sun (2018), pp. 27.

equal competition, but is also supported by the simple fact that industrial banks have performed better than other types of chartered banks during previous banking crises.[7]

Additionally, when crafting requirements for industrial banks and their parents or affiliates, it is critical that the FDIC be clear to the marketplace regarding its expectations. Given years of flip-flopping policy and nonstatutory moratoriums on the approval of industrial banks, potential applicants are rightly uncertain of related requirements and regulatory expectations. The FDIC should accordingly provide clear messaging regarding the application process and what will be expected of industrial banks. This clarity can improve the application review process and subsequent supervision.

III. The FDIC Should Expressly State that Ownership of an Industrial Bank by a Financial Technology Company Engaged Primarily in Financial Services Activities will be Treated as a Favorable Factor in Applications

As discussed above, the data shows that industrial banks are resilient. It also supports the view that the source of strength provided by a parent company, in addition to regulatory oversight, appropriately counterbalances differentiated risks, including any affiliation-related risks. However, any such concerns are completely discounted when those affiliates are themselves engaged primarily in financial activities.

Fintechs seeking bank charters are primarily engaged in financial services and leverage technology to provide financial services to consumers and businesses, including, frequently with banks. The synergies provided by industrial banks working with fintech affiliates, enables more closely integrated financial offerings demanded by the market. Rather than forcing an artificial separation of "finance" from "tech" in today's digitized environment, the FDIC should declare that it embraces business models that take the best from both worlds. While consolidated supervision through a bank holding company may offer certain regulatory advantages, Congress has reaffirmed numerous times that the supervision of industrial banks and their affiliate relationships through the industrial bank is an equally viable alternative.

Because fintechs are primarily focused on financial services activities, related industrial applications should be treated with favor—indeed, fintechs are the ideal candidates to increase the number of *de novo* banks, including through industrial bank charters, given their familiarity—and compliance—with financial regulation. The FDIC should accordingly expressly state that ownership of an industrial bank by a financial technology company engaged primarily in financial services activities will be treated as a favorable factor in applications.

[7] Barth, J. and Sun, Y. (2018).

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We appreciate the opportunity to contribute to this discussion and support the FDIC's efforts to ensure a robust and adaptable financial system. Congress created the industrial bank charter and it should be a clear and core part of a diverse and dynamic chartering landscape in the U.S. This landscape is capable of further promoting competition and innovation to the benefit of consumers, businesses, and the broader economy.

Sincerely,

[redacted]

Penny Lee
President and Chief Executive Officer
Financial Technology Association