

Regulation, Skepticism and the Business Cycle

Government Approaches to Innovation

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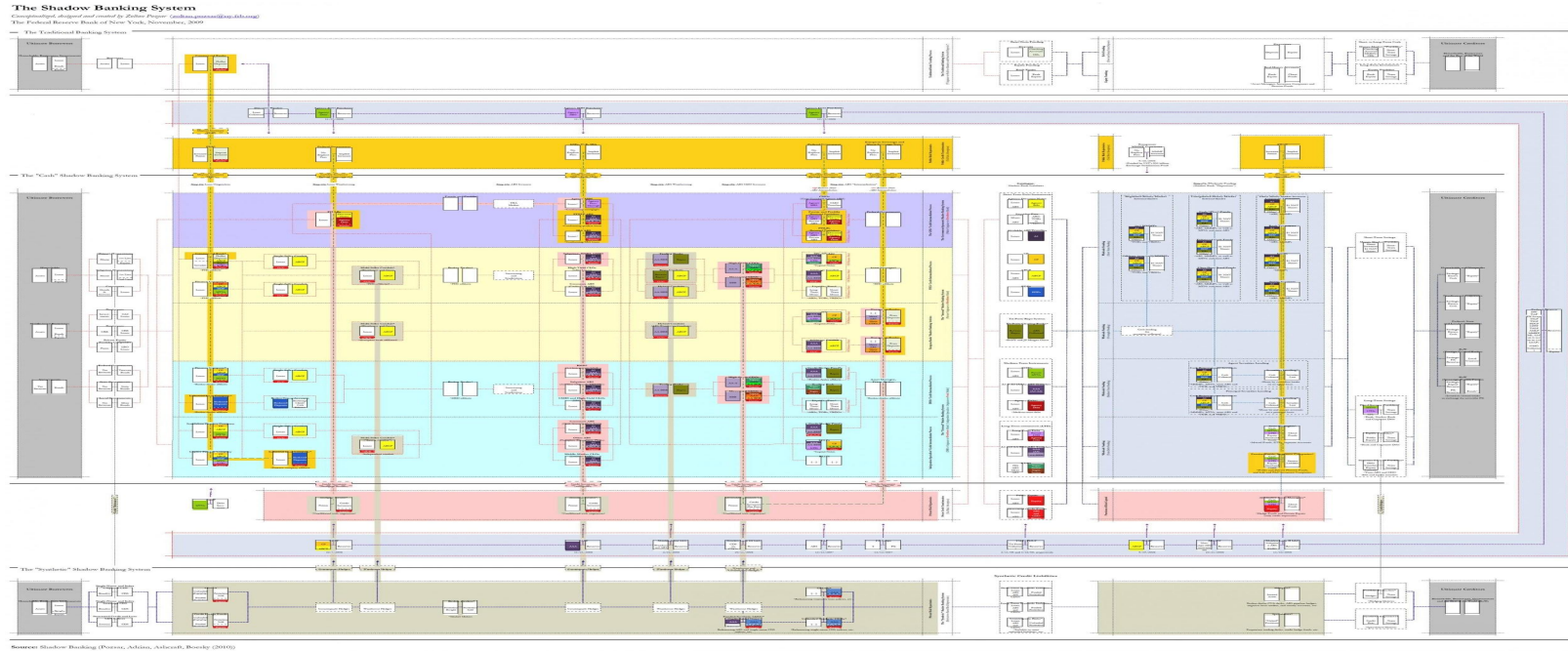
What Has Been Done?

- *Information Gathering:* requests for information, conferences, convenings
- *Writing:* Treasury White Paper on Marketplace Lending (May 2016); OCC Framework on Responsible Innovation (October 2016); Federal Reserve Paper on Distributed Ledger Technology (December 2016)
- *Regulatory Action:* CFPB Project Catalyst, OCC Fintech Charter

Who Needs a Sandbox?

- Laws, Regulation, and Guidance are largely technology agnostic
 - Truth in Lending Act: “The term “credit” means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.”
 - Securities Exchange Act: “The term “exchange” means any organization, association, or group of persons, whether incorporated or unincorporated, which constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities....”
- Regulators have a high bar for changing policy based on technology.
- State licensing regimes and partnerships with established players provide many avenues for innovation to prove out -- whether technologically or in terms of business process

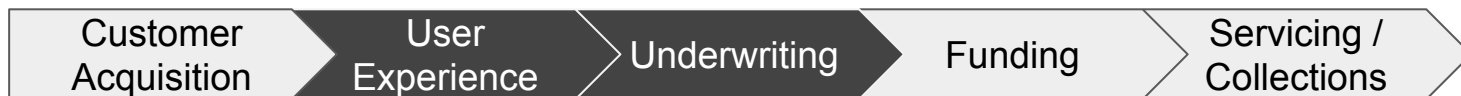
Pre-crisis Financial Innovation in One Image



Hard to tell what's going on in this picture?

Lending: Innovation and the Business Cycle

- Centers of new activity are out of sync with pressures a cyclical turn



- Regulators are mission-focused on understanding what can go wrong
- Does innovation serve a public purpose?

What Next?

Cautious exploration?

Responsible Innovation?

Wait and see?

Fear of missing out?