

Union Calendar No. 654

118TH CONGRESS
2D SESSION

H. R. 7440

[Report No. 118–792]

To promote innovation in financial services, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 23, 2024

Mr. McHENRY introduced the following bill; which was referred to the
Committee on Financial Services

DECEMBER 4, 2024

Additional sponsors: Mr. DONALDS and Mr. EMMER

DECEMBER 4, 2024

Reported with an amendment, committed to the Committee of the Whole
House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on February 23, 2024]

A BILL

To promote innovation in financial services, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) *SHORT TITLE.*—*This Act may be cited as the “Fi-*
 5 *nancial Services Innovation Act of 2024”.*

6 (b) *TABLE OF CONTENTS.*—*The table of contents for*
 7 *this Act is as follows:*

Sec. 1. Short title; table of contents.

Sec. 2. Definitions.

Sec. 3. Agency identification of regulatory areas.

Sec. 4. Establishment or designation of FSIO at agencies.

Sec. 5. FSIO Liaison Committee and chair.

Sec. 6. Petition to agency.

Sec. 7. Agency determination of petition.

Sec. 8. Enforceable compliance agreement.

Sec. 9. Report to Congress.

8 **SEC. 2. DEFINITIONS.**

9 *In this Act, the following definitions shall apply:*

10 (1) *AGENCY.*—*The term “agency” means each of*
 11 *the Board of Governors of the Federal Reserve System,*
 12 *the Bureau of Consumer Financial Protection, the*
 13 *Department of Housing and Urban Development, the*
 14 *Department of the Treasury, the Federal Deposit In-*
 15 *surance Corporation, the Federal Housing Finance*
 16 *Agency, the National Credit Union Administration,*
 17 *the Office of the Comptroller of the Currency, and the*
 18 *Securities and Exchange Commission.*

19 (2) *AGENCY REGULATION.*—*The term “agency*
 20 *regulation” means—*

1 (A) a rule (as defined in section 551 of title
2 5, United States Code) issued by an agency;

3 (B) guidance issued by an agency; or

4 (C) a published, proposed, or interim rule,
5 policy statement, directive, adjudication, or in-
6 terpretation of an agency.

7 (3) *BANK SECRECY ACT*.—The term “Bank Se-
8 crecy Act” means—

9 (A) section 21 of the Federal Deposit Insur-
10 ance Act (12 U.S.C. 1829b);

11 (B) chapter 2 of title I of Public Law 91–
12 508 (12 U.S.C. 1951 et seq.); and

13 (C) subchapter II of chapter 53 of title 31,
14 United States Code.

15 (4) *ENFORCEABLE COMPLIANCE AGREEMENT*.—
16 The term “enforceable compliance agreement” means
17 an agreement described under section 8.

18 (5) *FINANCIAL INNOVATION*.—The term “finan-
19 cial innovation” means a financial product or service
20 (as defined in section 1002 of the Consumer Finan-
21 cial Protection Act of 2010 (12 U.S.C. 5481))—

22 (A) the delivery of which is enabled by tech-
23 nology; and

24 (B) that is or may be subject to an agency
25 regulation or Federal statute.

1 (6) *FSIO*.—The term “*FSIO*” means a *Finan-*
2 *cial Services Innovation Office* established pursuant
3 to section 4.

4 (7) *PERSON*.—The term “person” means an in-
5 dividual, partnership, company, corporation, associa-
6 tion, trust, estate, cooperative organization, or other
7 entity.

8 **SEC. 3. AGENCY IDENTIFICATION OF REGULATORY AREAS.**

9 Not later than 60 days after the date of the enactment
10 of this Act, and biannually thereafter, each agency shall
11 publish in the *Federal Register* a nonexclusive list that
12 identifies 3 or more areas of existing agency regulation—

13 (1) that apply or may apply to a financial inno-
14 vation; and

15 (2) that the agency would consider modifying or
16 waiving if the agency were to receive a petition under
17 section 6 relating to that regulation.

18 **SEC. 4. ESTABLISHMENT OR DESIGNATION OF FSIO AT**
19 **AGENCIES.**

20 (a) *IN GENERAL*.—Each agency shall establish or des-
21 ignate an office within the agency to be known as the “*Fi-*
22 *ncial Services Innovation Office*”. Each such *Financial*
23 *Services Innovation Office* shall promote financial innova-
24 tions and assist persons whose petitions are approved under
25 section 7.

1 (b) *ADMINISTRATION.*—*Each agency shall designate an*
2 *individual to serve as the head of the agency’s FSIO.*

3 (c) *DUTIES.*—

4 (1) *GENERAL DUTIES.*—*The head of each agen-*
5 *cy’s FSIO shall—*

6 (A) *support the development of financial in-*
7 *novations;*

8 (B) *coordinate with FSIOs at other agencies*
9 *to share information and data about financial*
10 *innovations;*

11 (C) *upon request, coordinate with relevant*
12 *State regulatory entities to provide information*
13 *to the public with respect to financial innova-*
14 *tions and agency regulations related to such fi-*
15 *nancial innovations; and*

16 (D) *establish procedures to reduce the regu-*
17 *latory burden of offering a financial innovation*
18 *to the public and enable greater access to finan-*
19 *cial innovations.*

20 (2) *DUTIES FOR PETITIONS.*—*With respect to a*
21 *person with an approved petition under section 7, the*
22 *head of each agency’s FSIO shall—*

23 (A) *work with the person to address issues*
24 *of how existing regulatory frameworks of the*

1 agency apply to the financial innovation that is
2 the subject of the petition;

3 (B) assist the person in complying with any
4 requirements of the agency with respect to the fi-
5 nancial innovation; and

6 (C) assist the person in responding to any
7 challenges to a modification or a waiver granted
8 under subsection (d).

9 (d) *WAIVER AUTHORITY.*—The head of each agency,
10 acting through the agency’s FSIO, may modify or waive
11 the application of an agency regulation of the agency or
12 a Federal statute under which the agency has rulemaking
13 authority if—

14 (1) a petition has been approved under section
15 7; and

16 (2) the agency determines that compliance with
17 such agency regulation or Federal statute would im-
18 pede the ability of a person to offer the financial in-
19 novation that is the subject of the petition.

20 (e) *TERMINATION OF OTHER PROGRAMS; TRANSFER*
21 *OF AUTHORITY.*—

22 (1) *IN GENERAL.*—Not later than 90 days after
23 the establishment or designation of a FSIO at an
24 agency, the agency shall modify any offices or pro-
25 grams at the agency that promote financial innova-

1 *tions or assist persons in offering financial innova-*
2 *tions, and merge or transfer the operations of such of-*
3 *fices or programs into the FSIO.*

4 (2) *TRANSFER OF AUTHORITY.*—*On the date that*
5 *is 90 days after the establishment or designation of a*
6 *FSIO at an agency, the administration of any rule,*
7 *policy, or prior agency determinations relating to*
8 *promoting financial innovations or assisting persons*
9 *in offering financial innovations, including no-action*
10 *letters and staff advisory opinions, shall be trans-*
11 *ferred to the FSIO of that agency.*

12 (f) *REPORT.*—*Not later than 6 months after the date*
13 *of the enactment of this Act, and annually thereafter, each*
14 *agency shall present testimony to the Congress and submit*
15 *a report to the Congress and to the Financial Stability*
16 *Oversight Council on the activities of the FSIO of such*
17 *agency, including a description of the petitions considered,*
18 *the rationale for acceptance or rejection of petitions, and*
19 *the efforts of the FSIO to encourage financial innovations.*

20 **SEC. 5. FSIO LIAISON COMMITTEE AND CHAIR.**

21 (a) *ESTABLISHMENT.*—*Not later than 60 days after*
22 *the date of the enactment of this Act, the agencies shall es-*
23 *tablish a committee to be known as the “FSIO Liaison*
24 *Committee”.*

1 (b) *MEMBERS.*—*The FSIO Liaison Committee shall be*
 2 *composed of the head of each FSIO described under section*
 3 4 *and a State banking supervisor selected by the Conference*
 4 *of State Bank Supervisors (or a successor organization).*

5 (c) *DUTIES.*—*The FSIO Liaison Committee shall—*

6 (1) *consult on the administration, coordination,*
 7 *and oversight with the FSIO of each agency;*

8 (2) *facilitate the cooperation of each FSIO to en-*
 9 *sure that agencies share information and data on pe-*
 10 *titions submitted under section 6;*

11 (3) *monitor proposals for agency regulation and*
 12 *developments related to financial innovations;*

13 (4) *encourage the application of uniform prin-*
 14 *ciples and standards at each FSIO; and*

15 (5) *facilitate collaboration with relevant State*
 16 *regulatory entities to provide information to the pub-*
 17 *lic with respect to financial innovations and agency*
 18 *regulations related to such financial innovations.*

19 (d) *MEETINGS.*—*The FSIO Liaison Committee shall*
 20 *meet at least twice a year.*

21 (e) *CHAIR.*—

22 (1) *ESTABLISHMENT.*—*The first Chair of the*
 23 *FSIO Liaison Committee shall be elected by the mem-*
 24 *bers. The Chair shall serve for a term of 2 years and*

1 *thereafter the chairmanship shall rotate among the*
2 *members of the committee.*

3 (2) *POWERS OF THE CHAIR.*—*The Chair is au-*
4 *thorized to carry out the internal administration of*
5 *the FSIO Liaison Committee, including the appoint-*
6 *ment and supervision of employees and the distribu-*
7 *tion of tasks among members, employees, and admin-*
8 *istrative units.*

9 (f) *TESTIMONY.*—*Not later than 6 months after the*
10 *date of the enactment of this Act, and annually thereafter,*
11 *the Chair of the FSIO Liaison Committee shall present tes-*
12 *timony to the Congress on the activities of the FSIO Liaison*
13 *Committee.*

14 (g) *FUNDING.*—

15 (1) *COMPENSATION OF MEMBERS.*—*Each mem-*
16 *ber of the FSIO Liaison Committee shall serve with-*
17 *out additional compensation but shall be entitled to*
18 *reasonable expenses incurred in carrying out official*
19 *duties as such a member.*

20 (2) *GENERAL EXPENSES.*—*The costs and ex-*
21 *penses of the FSIO Liaison Committee, including the*
22 *salaries of employees, shall be split equally between,*
23 *and paid by, each agency.*

1 **SEC. 6. PETITION TO AGENCY.**

2 (a) *IN GENERAL.*—A person may submit a petition
3 to an agency, through the agency’s FSIO, in such form and
4 in such manner as the agency’s FSIO may require, to re-
5 quest to enter into an enforceable compliance agreement
6 containing a modification or waiver of an agency regula-
7 tion of the agency or the Federal statute under which the
8 agency has rulemaking authority with respect to—

9 (1) *the person; or*

10 (2) *a financial innovation the person offers or*
11 *intends to offer.*

12 (b) *CONTENTS.*—In a petition submitted under this
13 section, the person shall—

14 (1) *identify any requirement under which the*
15 *agency has rulemaking authority or the agency regula-*
16 *tion of the agency for which the person is requesting*
17 *a modification or waiver;*

18 (2) *explain why such modification or waiver is*
19 *essential to the operation of the person;*

20 (3) *submit an alternative compliance strategy*
21 *that proposes a method to comply with such require-*
22 *ment or agency regulation;*

23 (4) *demonstrate that under the alternative com-*
24 *pliance strategy, the financial innovation—*

25 (A) *would serve the public interest;*

1 (B) improves consumer access to a financial
2 product or service;

3 (C) would not present a national security
4 risk to the United States;

5 (D) would meet the purposes of anti-money
6 laundering and countering the financing of ter-
7 rorism obligations under the Bank Secrecy Act;

8 (E) would not present systemic risk to the
9 United States financial system; and

10 (F) would promote consumer protection;

11 (5) provide a detailed business plan; and

12 (6) propose a date on which an enforceable com-
13 pliance agreement would terminate and explain why
14 such termination date would be appropriate.

15 (c) *MULTIPARTY PETITIONS.*—One or more persons
16 that offer or intend to offer similar financial innovations
17 may jointly submit a petition under this section.

18 (d) *NOTICE AND COMMENT.*—

19 (1) *IN GENERAL.*—Not later than 30 days after
20 receiving a petition, the agency that receives the peti-
21 tion shall publish the petition in the *Federal Register*
22 and provide a 60-day period for public notice and
23 comment.

24 (2) *EXCEPTION FOR NOTICE AND COMMENT PE-*
25 *RIOD.*—The agency that receives the petition may

1 waive the notice and comment period described in
2 paragraph (1) if such agency determines that the per-
3 son submitting the petition is similarly situated to
4 another person that has been granted approval of a
5 petition pursuant to section 7.

6 (3) *CONFIDENTIALITY.*—The agency shall main-
7 tain the confidentiality of any nonpublicly available
8 data or information in any petition submitted under
9 this section. The agency shall give reasonable consid-
10 eration to maintaining the confidentiality of data or
11 information identified by the person in the petition
12 submitted under this section.

13 **SEC. 7. AGENCY DETERMINATION OF PETITION.**

14 (a) *IN GENERAL.*—Not later than 30 days after the
15 end of the comment period described under section 6 (or
16 if the comment period was waived, not later than 90 days
17 after receipt of a petition under section 6), the head of the
18 agency receiving the petition shall complete a review of the
19 petition and notify the person who submitted the petition,
20 in writing, of the agency’s determination of the petition.

21 (b) *APPROVAL OF PETITION.*—

22 (1) *IN GENERAL.*—An agency shall approve a pe-
23 tition if the agency has determined that—

1 (A) the alternative compliance strategy pro-
2 posed by the person in the petition satisfies the
3 requirements described in section 6(b)(4); and

4 (B) the person who submitted the petition
5 has, with respect to the financial innovation the
6 person offers or intends to offer, sufficiently iden-
7 tified—

8 (i) the regulations and Federal statutes
9 of which the person is seeking waiver or
10 modification; and

11 (ii) other applicable regulations and
12 Federal statutes with which the person in-
13 tends to comply.

14 (2) NOTIFICATION TO STATE REGULATORY AGEN-
15 CIES.—If an agency approves a petition, the agency
16 shall, with respect to each State regulatory agency
17 with jurisdiction over the person who submitted the
18 petition or the financial innovation about which the
19 person submitted the petition—

20 (A) notify such State regulatory agency that
21 the agency has approved the petition; and

22 (B) provide such State regulatory agency
23 information about the terms of the enforceable
24 compliance agreement entered into between the
25 person and the agency.

1 (c) *DISAPPROVAL OF PETITION.*—

2 (1) *IN GENERAL.*—An agency may disapprove a
3 petition if the agency has determined that—

4 (A) the alternative compliance strategy pro-
5 posed by the person in the petition does not sat-
6 isfy the requirements described in section 6(b)(4);
7 or

8 (B) the person who submitted the petition
9 has not, with respect to the financial innovation
10 the person offers or intends to offer, sufficiently
11 identified—

12 (i) the regulations and Federal statutes
13 of which the person is seeking waiver or
14 modification; and

15 (ii) other applicable regulations and
16 Federal statutes with which the person in-
17 tends to comply.

18 (2) *WRITTEN NOTICE REQUIRED.*—If an agency
19 disapproves a petition the agency shall provide the
20 person who submitted the petition with a written no-
21 tice explaining the reason for such disapproval and
22 such written notice shall include a description of—

23 (A) any benefits of disapproving the peti-
24 tion, including an identification of persons likely
25 to benefit from the disapproval of the petition;

1 (B) any costs, including potential costs, of
 2 disapproving the petition, including an identi-
 3 fication of persons likely to bear the costs associ-
 4 ated with the disapproval of the petition; and

5 (C) the baseline used by the agency to deter-
 6 mine the likely economic consequences of dis-
 7 approving the petition.

8 (d) *RESUBMITTAL*.—Receipt of a notice of disapproval
 9 of a petition under this subsection shall not preclude a per-
 10 son from revising and resubmitting such petition to the
 11 agency under section 6.

12 (e) *JUDICIAL REVIEW*.—A person may seek judicial re-
 13 view of an agency’s determination on a petition in accord-
 14 ance with subchapter II of chapter 5 of title 5, United
 15 States Code, and chapter 7 of such title (commonly known
 16 as the “Administrative Procedure Act”).

17 **SEC. 8. ENFORCEABLE COMPLIANCE AGREEMENT.**

18 (a) *IN GENERAL*.—If an agency approves a petition
 19 under section 7, the person who submitted such petition
 20 shall enter into an enforceable compliance agreement with
 21 such agency, which shall include—

22 (1) the terms under which the approved financial
 23 innovation may be developed or offered to the public;
 24 and

1 (2) *any requirements of the person and such*
2 *agency with respect to the financial innovation.*

3 (b) *REQUIREMENTS.—Each agency, by rule, shall es-*
4 *tablish requirements relating to enforceable compliance*
5 *agreements that include—*

6 (1) *procedures for modifying the terms of the*
7 *agreement;*

8 (2) *consequences for failure to comply with the*
9 *terms of the agreement;*

10 (3) *a compliance examination process that—*

11 (A) *solicits feedback from other agencies on*
12 *the agreement; and*

13 (B) *occurs not less frequently than annu-*
14 *ally;*

15 (4) *a termination date for the agreement that is*
16 *at least 1 year and not more than 3 years after the*
17 *date on which the agreement is entered into;*

18 (5) *procedures and standards for extending the*
19 *termination date, including procedures and standards*
20 *for evaluating the effectiveness of the agreement; and*

21 (6) *procedures for maintaining the confiden-*
22 *tiality of any information disclosed to the agency*
23 *during the process of drafting and entering into*
24 *agreement.*

1 (c) *JOINING OF AGREEMENT BY ADDITIONAL AGEN-*
 2 *CIES.—With respect to a financial innovation that is the*
 3 *subject of an enforceable compliance agreement entered into*
 4 *under this section, an agency that did not enter into such*
 5 *enforceable compliance agreement may join as a party to*
 6 *the enforceable compliance agreement entered into pursuant*
 7 *to this section.*

8 (d) *ENFORCEMENT ACTIONS BY NON-PARTY AGEN-*
 9 *CIES.—An agency that is not a party to an enforceable com-*
 10 *pliance agreement entered into under this section—*

11 (1) *may not attempt to enforce, against the per-*
 12 *son who is party to the enforceable compliance agree-*
 13 *ment, any regulation or Federal statute modified or*
 14 *waived by the enforceable compliance agreement; and*

15 (2) *may continue to enforce, against the person*
 16 *who is party to the enforceable compliance agreement,*
 17 *any regulation or Federal law over which the agency*
 18 *has enforcement authority that has not been modified*
 19 *or waived by the enforceable compliance agreement.*

20 (e) *ARBITRATION.—A person who is party to the en-*
 21 *forceable compliance agreement may elect to arbitrate any*
 22 *action initiated by another person relating to a financial*
 23 *innovation that is the subject of the enforceable compliance*
 24 *agreement.*

1 (f) *RULE OF CONSTRUCTION.*—*Nothing in this Act*
 2 *shall be construed to limit the ability of an agency to en-*
 3 *force the requirements of an enforceable compliance agree-*
 4 *ment entered into under this Act.*

5 **SEC. 9. REPORT TO CONGRESS.**

6 *Not later than 1 year after the date of the enactment*
 7 *of this Act, and annually thereafter, the Financial Stability*
 8 *Oversight Council shall submit to the Congress a report on*
 9 *the aggregate impact of enforceable compliance agreements*
 10 *entered into under this Act, which shall include—*

11 (1) *the number and characteristics of the agree-*
 12 *ments;*

13 (2) *the most innovative and least burdensome*
 14 *tools that the agencies' FSIOs have implemented to*
 15 *allow a financial innovation that is the subject of an*
 16 *enforceable compliance agreement to be offered;*

17 (3) *strategies implemented to coordinate and fa-*
 18 *cilitate cooperation among FSIOs;*

19 (4) *the existing Federal laws, regulations, or*
 20 *practices that the Financial Stability Oversight*
 21 *Council identifies as the most burdensome to innova-*
 22 *tion that adversely affect competition in the financial*
 23 *services industry, or that restrict improvements for*
 24 *consumers of financial products or services; and*

1 (5) *an identification of the overlap or fragmenta-*
2 *tion of agency regulations of financial products or*
3 *services and recommendations for reducing, consoli-*
4 *dating, or eliminating such overlap or fragmentation.*

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