

Steps To Take Now to Encourage New Bank Formation

New bank formation in the United States is at an all-time low. Potential bank organizers are deterred by the regulators' complex and burdensome bank charter application process and the low chance of regulatory approval at the end of that process.

The challenge is particularly acute for fintechs. The regulators approved only one national bank and one industrial bank from fintech applicants during the first Trump Administration, and none during the Biden administration. At the same time, Americans increasingly rely on fintech companies to satisfy their financial services needs.

Creating a faster, simpler path by which all applicants — both traditional and fintech — could obtain bank charters would foster innovative financial services through the approval and supervision of new banks and keep this activity within the regulatory perimeter.

In our open letter to incoming leadership, we identify eight steps the FDIC, OCC, and Federal Reserve could take to encourage new and innovative bank formation by enhancing government efficiency, ensuring fair treatment of applicants, and promoting greater objectivity and transparency in the application process. We encourage the agencies to take these steps quickly — none require Congressional action.

Measures to Encourage New Bank Formation

#	Objective: Encourage New Bank Formation				
	Measure	Supporting Objectives			
		Efficiency	Fairness	Objectivity	Transparency
1	Make New Bank Formation an Equal Priority to Bank Supervision	✓	✓		
2	Update Interagency Business Plan Guidelines	✓		✓	✓
3	Provide Objective	✓	✓	✓	✓

	Standards for a New Bank's Success				
4	Align Agency Review Processes	✓	✓	✓	✓
5	Adhere to Firm Application Decision Deadlines	✓	✓	✓	✓
6	Minimize the Disruption Caused by Frivolous Protests	✓	✓		✓
7	Require Agencies to Issue Written & Specific Notice of Intent to Deny		✓	✓	✓
8	Clarify Pre-Opening Exam Expectations	✓	✓	✓	✓