

**AMENDMENT IN THE NATURE OF A SUBSTITUTE  
TO H.R. 7440  
OFFERED BY MR. MCHENRY OF NORTH  
CAROLINA**

Strike all after the enacting clause and insert the following:

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

2 (a) SHORT TITLE.—This Act may be cited as the  
3 “Financial Services Innovation Act of 2024”.

4 (b) TABLE OF CONTENTS.—The table of contents for  
5 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.

**6 SEC. 2. DEFINITIONS.**

7 In this Act, the following definitions shall apply:

8 (1) AGENCY.—The term “agency” means each  
9 of the Board of Governors of the Federal Reserve  
10 System, the Bureau of Consumer Financial Protec-  
11 tion, the Department of Housing and Urban Devel-  
12 opment, the Department of the Treasury, the Fed-

1       eral Deposit Insurance Corporation, the Federal  
2       Housing Finance Agency, the National Credit Union  
3       Administration Board, the Office of the Comptroller  
4       of the Currency, and the Securities and Exchange  
5       Commission.

6               (2) AGENCY REGULATION.—The term “agency  
7       regulation” means—

8                       (A) a rule (as defined in section 551 of  
9                       title 5, United States Code) issued by an agen-  
10                      cy;

11                     (B) guidance issued by an agency; or

12                     (C) a published proposed or interim rule,  
13                     policy statement, directive, adjudication, or in-  
14                     terpretation of an agency.

15               (3) COVERED PERSON.—The term “covered  
16       person” means a person that offers or intends to  
17       offer a financial innovation by submitting a petition  
18       to a Financial Services Innovation Office at one or  
19       more agencies.

20               (4) ENFORCEABLE COMPLIANCE AGREE-  
21       MENT.—The term “enforceable compliance agree-  
22       ment” means an agreement described under section  
23       8.

24               (5) FINANCIAL INNOVATION.—The term “finan-  
25       cial innovation” means a financial product or service

1 (as defined in section 1002 of the Consumer Finan-  
2 cial Protection Act of 2010 (12 U.S.C. 5481))—

3 (A) the delivery of which is enabled by  
4 technology; and

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

7 (6) FINANCIAL SERVICES INNOVATION OFFICE;  
8 FSIO.—The term “Financial Services Innovative Of-  
9 fice” or “FSIO” means an office established in an  
10 agency pursuant to section 4.

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

12 Not later than 60 days after the date of the enact-  
13 ment of this Act, and biannually thereafter, each agency  
14 shall publish in the Federal Register a nonexclusive list  
15 that identifies 3 or more areas of existing agency regula-  
16 tion—

17 (1) that apply or may apply to a financial inno-  
18 vation; and

19 (2) that the agency would consider modifying or  
20 waiving if the agency were to receive a petition  
21 under section 6 relating to that regulation.

22 **SEC. 4. ESTABLISHMENT OR DESIGNATION OF FSIO AT**  
23 **AGENCIES.**

24 (a) IN GENERAL.—Each agency shall establish or  
25 designate an office within the agency to be known as the

1 “Financial Services Innovation Office” of the “FSIO”.  
2 Each such Financial Services Innovation Office shall to  
3 promote financial innovations and to assist a covered per-  
4 son with an approved petition under section 7.

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

7 (c) DUTIES.—

8 (1) GENERAL DUTIES.—Each agency, acting  
9 through the agency’s FSIO, shall—

10 (A) support the development of financial  
11 innovations;

12 (B) coordinate with FSIOs at other agen-  
13 cies to share information and data about finan-  
14 cial innovations;

15 (C) upon request, coordinate with relevant  
16 State regulatory entities to provide information  
17 to the public with respect to financial innova-  
18 tions and agency regulations related to such fi-  
19 nancial innovations; and

20 (D) establish procedures to reduce the reg-  
21 ulatory burden of offering a financial innovation  
22 to the public and enable greater access to finan-  
23 cial innovations.

1           (2) DUTIES FOR PETITIONS.—With respect to a  
2 covered person with an approved petition under sec-  
3 tion 7, each FSIO shall—

4           (A) work with the covered person to ad-  
5 dress issues of how existing regulatory frame-  
6 works apply to the financial innovation that is  
7 the subject of the petition;

8           (B) assist the covered person in complying  
9 with the requirements of Federal regulators of  
10 the financial innovation; and

11           (C) assist the covered person in responding  
12 to any challenges to a modification or a waiver  
13 granted under subsection (d).

14       (d) WAIVER AUTHORITY.—An agency, acting  
15 through the agency’s FSIO, may modify or waive the ap-  
16 plication of an agency regulation of the agency or the Fed-  
17 eral statute under which the agency has rulemaking au-  
18 thority if—

19           (1) a petition of the covered person has been  
20 approved under section 7; and

21           (2) the agency determines that compliance with  
22 such agency regulation or Federal statute would im-  
23 pede the ability of a covered person to offer the fi-  
24 nancial innovation that is the subject of the petition.

1 (e) TERMINATION OF OTHER PROGRAMS; TRANSFER  
2 OF AUTHORITY.—

3 (1) IN GENERAL.—Not later than 90 days after  
4 the establishment or designation of a FSIO at an  
5 agency, the agency shall modify any offices or pro-  
6 grams at the agency that promote financial innova-  
7 tions or assist covered persons in offering financial  
8 innovations, and merge or transfer the operations of  
9 such offices or programs into the FSIO.

10 (2) LEGAL ACTIONS OR PROCEEDINGS.—On the  
11 date that is 90 days after the establishment or des-  
12 ignation of a FSIO at an agency, any legal action  
13 or proceeding commenced by or against any other  
14 offices or programs at the agency that promote fi-  
15 nancial innovations or assist covered persons in of-  
16 fering financial innovations, including no-action let-  
17 ters and staff advisory opinions, shall be transferred  
18 to the FSIO of that agency.

19 (f) REPORT.—Not later than 6 months after the date  
20 of the enactment of this Act, and annually thereafter, each  
21 agency shall present testimony to Congress and submit a  
22 report to Congress and to the Financial Stability Over-  
23 sight Council on the activities of the FSIO of such agency,  
24 including a description of the petitions considered, the ra-

1 tionale for acceptance or rejection of petitions, and the ef-  
2 forts of the FSIO to encourage financial innovations.

3 (g) **ELIMINATION OF FSIO.**—If an agency has not  
4 received a petition described in section 6 within 5 years  
5 of the date of the establishment of the FSIO of such agen-  
6 cy, the agency shall eliminate the FSIO. Such agency shall  
7 continue to comply with the requirements of any  
8 multiparty agreement entered into pursuant to section  
9 8(c) on or before the date of such elimination.

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

11 (a) **ESTABLISHMENT.**—Not later than 60 days after  
12 the date of the enactment of this Act, the agencies shall  
13 establish a committee to be known as the “FSIO Liaison  
14 Committee”.

15 (b) **MEMBERS.**—The FSIO Liaison Committee shall  
16 be composed of the head of each FSIO described under  
17 section 4 and a State banking supervisor selected by the  
18 Conference of State Bank Supervisors (or a successor or-  
19 ganization).

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

21 (1) consult on the administration, coordination,  
22 and oversight the FSIO of each agency;

23 (2) facilitate the cooperation of each FSIO to  
24 ensure that agencies share information and data on  
25 petitions submitted under section 6;

1           (3) monitor proposals for agency regulation and  
2           developments related to financial innovations;

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

5           (5) facilitate collaboration with relevant State  
6           regulatory entities to provide information to the pub-  
7           lic with respect to financial innovations and agency  
8           regulations related to such financial innovations.

9           (d) MEETINGS.—The FSIO Liaison Committee shall  
10          meet at least twice a year.

11          (e) CHAIR.—

12           (1) ESTABLISHMENT.—The first Chair of the  
13          FSIO Liaison Committee shall be elected by the  
14          members. The Chair shall serve for a term of 2  
15          years and thereafter the chairmanship shall rotate  
16          among the members of the committee.

17           (2) POWERS OF THE CHAIR.—The Chair is au-  
18          thorized to carry out the internal administration of  
19          the FSIO Liaison Committee, including the appoint-  
20          ment and supervision of employees and the distribu-  
21          tion of tasks among members, employees, and ad-  
22          ministrative units.

23          (f) TESTIMONY.—Not later than 6 months after the  
24          date of the enactment of this Act, the Chair of the FSIO



1 Liaison Committee shall present testimony to Congress on  
2 the activities of the FSIO Liaison Committee.

3 (g) FUNDING.—

4 (1) COMPENSATION OF MEMBERS.—Each mem-  
5 ber of the FSIO Liaison Committee shall serve with-  
6 out additional compensation but shall be entitled to  
7 reasonable expenses incurred in carrying out official  
8 duties as such a member.

9 (2) GENERAL EXPENSES.—The costs and ex-  
10 penses of the FSIO Liaison Committee, including  
11 the salaries of employees, shall be split equally be-  
12 tween, and paid by, each agency other than an agen-  
13 cy that has eliminated the agency's FSIO pursuant  
14 to section 4(g).

15 **SEC. 6. PETITION TO AGENCY.**

16 (a) IN GENERAL.—A covered person may submit a  
17 petition to an agency, through the agency's FSIO, in such  
18 form and in such manner as the agency's FSIO may re-  
19 quire, to request to enter into an enforceable compliance  
20 agreement containing a modification or waiver of an agen-  
21 cy regulation of the agency or the Federal statute under  
22 which the agency has rulemaking authority with respect  
23 to—

24 (1) the covered person; or

1           (2) a financial innovation the covered person of-  
2           fers or intends to offer.

3           (b) CONTENTS.—In a petition submitted under this  
4           section, the covered person shall—

5           (1) identify any Federal statutory requirement  
6           or agency regulation for which the covered person is  
7           requesting a modification or waiver;

8           (2) explain why such modification or waiver is  
9           essential to the operation of the covered person;

10          (3) submit an alternative compliance strategy  
11          that proposes a method to comply with the agency  
12          regulation or Federal statutory requirement;

13          (4) demonstrate that under the alternative com-  
14          pliance strategy, the financial innovation—

15                 (A) would serve the public interest;

16                 (B) improves consumer access to a finan-  
17                 cial product or service;

18                 (C) would not present systemic risk to the  
19                 United States financial system; and

20                 (D) would promote consumer protection;

21          (5) provide a detailed business plan; and

22          (6) propose a date on which an enforceable  
23          compliance agreement would terminate and explain  
24          why such termination date would be appropriate.

1 (c) MULTIPARTY PETITIONS.—One or more covered  
2 persons that offer or intend to offer similar financial inno-  
3 vations may jointly submit a petition under this section.

4 (d) NOTICE AND COMMENT.—

5 (1) IN GENERAL.—Not later than 30 days after  
6 receiving a petition, the agency that receives the pe-  
7 tition shall publish the petition in the Federal Reg-  
8 ister and provide a 60-day period for public notice  
9 and comment.

10 (2) EXCEPTION FOR NOTICE AND COMMENT PE-  
11 RIOD.—The agency that receives the petition may  
12 waive the notice and comment period described in  
13 paragraph (1) if such agency determines that the  
14 covered person submitting the petition is similarly  
15 situated to another covered person that has been  
16 granted approval of a petition pursuant to section 7.

17 (3) CONFIDENTIALITY.—The agency shall  
18 maintain the confidentiality of any nonpublicly avail-  
19 able data or information in any petition submitted  
20 under this section. The agency shall give reasonable  
21 consideration to maintaining the confidentiality of  
22 data or information identified by the covered person  
23 in the petition submitting under this section as non-  
24 publicly available data or information.

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

2 (a) IN GENERAL.—Not later than 30 days after the  
3 end of the comment period described under section 6 (or  
4 if the comment period was waived, not later than 60 days  
5 after receipt of a petition under section 6), the head of  
6 the agency receiving the petition shall complete a review  
7 of the petition and notify the covered person, in writing,  
8 of the agency’s determination of the petition.

9 (b) APPROVAL.—If the covered person submitting the  
10 petition shows that the covered person meets the require-  
11 ments for establishing an alternative compliance strategy,  
12 the agency shall—

13 (1) approve the petition; and

14 (2) enter into an enforceable compliance agree-  
15 ment with the covered person in accordance with the  
16 requirements of section 8.

17 (c) DISAPPROVAL.—

18 (1) EXPLANATION.—If the agency disapproves  
19 a petition, the agency head shall provide the covered  
20 person with a written notice explaining the reason  
21 for such disapproval, including—

22 (A) evidence that the covered person did  
23 not satisfy the requirements for establishing an  
24 alternative compliance strategy;

25 (B) an identification of any agency regula-  
26 tions or Federal statutes applicable to the cov-

1           ered person with respect to the financial innova-  
2           tion that were omitted from the petition; and

3           (C) a description of—

4                   (i) any beneficial effects, including an  
5                   identification of persons likely to benefit,  
6                   from rejecting the petition;

7                   (ii) any potential costs, including an  
8                   identification of persons likely to bear the  
9                   costs, of rejecting the petition; and

10                   (iii) the baseline used by the agency to  
11                   measure the likely economic consequences  
12                   of rejecting the petition.

13           (2) RESUBMITTAL.—Receipt of a notice of dis-  
14           approval of a petition under this subsection shall not  
15           preclude a covered person from revising and resub-  
16           mitting such petition to the agency under section 6.

17           (d) JUDICIAL REVIEW.—A covered person may seek  
18           judicial review of an agency’s determination on a petition  
19           in accordance with subchapter II of chapter 5 of title 5,  
20           United States Code, and chapter 7 of such title (commonly  
21           known as the “Administrative Procedure Act”).

22   **SEC. 8. ENFORCEABLE COMPLIANCE AGREEMENT.**

23           (a) IN GENERAL.—If an agency approves a petition  
24           under section 7, the covered person shall enter into an

1 enforceable compliance agreement with the agency, which  
2 shall include—

3 (1) the terms under which the approved finan-  
4 cial innovation may be developed or offered to the  
5 public; and

6 (2) any requirements of the covered person and  
7 any agency with respect to the financial innovation.

8 (b) REQUIREMENTS.—Each agency, by rule, shall es-  
9 tablish requirements relating to enforceable compliance  
10 agreements that include—

11 (1) procedures for modifying the terms of the  
12 agreement;

13 (2) consequences for failure to comply with the  
14 terms of the agreement;

15 (3) a compliance examination process that—

16 (A) solicits feedback from other agencies  
17 on the agreement; and

18 (B) occurs not less frequently than annu-  
19 ally;

20 (4) a termination date for the agreement that  
21 is at least 1 year and not more than 3 years after  
22 the date on which the agreement is entered into;

23 (5) procedures and standards for extending the  
24 termination date, including procedures and stand-

1       ards for evaluating the effectiveness of the agree-  
2       ment;

3           (6) procedures for judicial review of another  
4       agency's or State's challenge to the agreement in ac-  
5       cordance with subchapter II of chapter 5 of title 5,  
6       United States Code, and chapter 7 of such title  
7       (commonly known as the "Administrative Procedure  
8       Act"); and

9           (7) procedures for maintaining the confiden-  
10      tiality of any information disclosed to the agency  
11      during the process of drafting and entering into  
12      agreement.

13      (c) MULTIPARTY AGREEMENTS.—With respect to a  
14      financial innovation that is the subject of an enforceable  
15      compliance agreement entered into under this section, an  
16      agency that did not enter into such enforceable compliance  
17      agreement may join as a party to the enforceable compli-  
18      ance agreement entered into pursuant to this section.

19      (d) LIMITATION ON ENFORCEMENT ACTIONS.—

20           (1) IN GENERAL.—If a covered person and an  
21      agency enter into an enforceable compliance agree-  
22      ment—

23           (A) another agency that is not party to the  
24      multiparty agreement described in subsection

25      (c) may not commence an enforcement action

1           against the covered person with respect to the  
2           financial innovation that is the subject of the  
3           enforceable compliance agreement; and

4                   (B) a State may not commence an enforce-  
5           ment action against the covered person with re-  
6           spect to the financial innovation that is the sub-  
7           ject of the enforceable compliance agreement, if  
8           the covered person provides the State with—

9                           (i) the enforcement compliance agree-  
10                           ment; and

11                           (ii) a statement of policies and proce-  
12                           dures the covered person has in place to  
13                           comply with State laws that are applicable  
14                           to the financial innovation.

15           (2) STATE EXCEPTION FOR CONSUMER  
16           HARM.—Notwithstanding paragraph (1)(B), a State  
17           may commence an enforcement action against a cov-  
18           ered person with respect to a financial innovation  
19           that is the subject of an enforceable compliance  
20           agreement if, in an action brought by the State in  
21           a court of competent jurisdiction, the court deter-  
22           mines that the agency’s action was arbitrary and ca-  
23           pricious and the financial innovation has substan-  
24           tially harmed consumers within such State.



1 (e) ARBITRATION.—A covered person may elect to ar-  
2 bitrate any action initiated by another person relating to  
3 a financial innovation that is the subject of the enforceable  
4 compliance agreement.

5 (f) RULE OF CONSTRUCTION.—Nothing in this Act  
6 shall be construed to limit the ability of an agency to en-  
7 force the requirements of an enforceable compliance agree-  
8 ment entered into under this Act.

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

10 Not later than 1 year after the date of the enactment  
11 of this Act, and annually thereafter, the Financial Sta-  
12 bility Oversight Council shall submit to Congress a report  
13 on the aggregate impact of enforceable compliance agree-  
14 ments entered into under this Act, which shall include—

15 (1) the number and characteristics of the agree-  
16 ments;

17 (2) the most innovative and least burdensome  
18 tools that the agency's FSIO has implemented to  
19 allow a financial innovation that is the subject of an  
20 enforceable compliance agreement to be offered;

21 (3) strategies implemented to coordinate and  
22 facilitate cooperation among FSIOs;

23 (4) the existing Federal and State laws, regula-  
24 tions, or practices (including guidance materials, ex-  
25 aminations, and enforcement proceedings and settle-

1       ments) that the Financial Stability Oversight Coun-  
2       cil identifies as the most burdensome to innovation  
3       that adversely affect competition in the financial  
4       services industry, or that restrict improvements for  
5       consumers of financial products or services; and  
6               (5) an identification of the overlap or frag-  
7       mentation of agency regulations of financial prod-  
8       ucts or services and recommendations for reducing,  
9       consolidating, or eliminating such overlap or frag-  
10      mentation.

