

**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, the Office of the Comptroller of the
4 Currency, and the Securities and Exchange Commis-
5 sion.

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) BANK SECRECY ACT.—The term “Bank Se-
16 crecy Act” means—

17 (A) section 21 of the Federal Deposit In-
18 surance Act (12 U.S.C. 1829b);

19 (B) chapter 2 of title I of Public Law 91–
20 508 (12 U.S.C. 1951 et seq.); and

21 (C) subchapter II of chapter 53 of title 31,
22 United States Code.

23 (4) ENFORCEABLE COMPLIANCE AGREE-
24 MENT.—The term “enforceable compliance agree-

1 ment” means an agreement described under section
2 8.

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

7 (A) the delivery of which is enabled by
8 technology; and

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

11 (6) FSIO.—The term “FSIO” means a Finan-
12 cial Services Innovation Office established pursuant
13 to section 4.

14 (7) PERSON.—The term “person” means an in-
15 dividual, partnership, company, corporation, associa-
16 tion, trust, estate, cooperative organization, or other
17 entity.

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

19 Not later than 60 days after the date of the enact-
20 ment of this Act, and biannually thereafter, each agency
21 shall publish in the Federal Register a nonexclusive list
22 that identifies 3 or more areas of existing agency regula-
23 tion—

24 (1) that apply or may apply to a financial inno-
25 vation; and

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

4 **SEC. 4. ESTABLISHMENT OR DESIGNATION OF FSIO AT**
5 **AGENCIES.**

6 (a) **IN GENERAL.**—Each agency shall establish or
7 designate an office within the agency to be known as the
8 “Financial Services Innovation Office”. Each such Finan-
9 cial Services Innovation Office shall promote financial in-
10 novations and assist persons whose petitions are approved
11 under section 7.

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

14 (c) **DUTIES.**—

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

17 (A) support the development of financial
18 innovations;

19 (B) coordinate with FSIOs at other agen-
20 cies to share information and data about finan-
21 cial innovations;

22 (C) upon request, coordinate with relevant
23 State regulatory entities to provide information
24 to the public with respect to financial innova-

1 tions and agency regulations related to such fi-
2 nancial innovations; and

3 (D) establish procedures to reduce the reg-
4 ulatory burden of offering a financial innovation
5 to the public and enable greater access to finan-
6 cial innovations.

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

10 (A) work with the person to address issues
11 of how existing regulatory frameworks of the
12 agency apply to the financial innovation that is
13 the subject of the petition;

14 (B) assist the person in complying with
15 any requirements of the agency with respect to
16 the financial innovation; and

17 (C) assist the person in responding to any
18 challenges to a modification or a waiver granted
19 under subsection (d).

20 (d) WAIVER AUTHORITY.—The head of each agency,
21 acting through the agency’s FSIO, may modify or waive
22 the application of an agency regulation of the agency or
23 a Federal statute under which the agency has rulemaking
24 authority if—

1 (1) a petition has been approved under section
2 7; and

3 (2) the agency determines that compliance with
4 such agency regulation or Federal statute would im-
5 pede the ability of a person to offer the financial in-
6 novation that is the subject of the petition.

7 (e) TERMINATION OF OTHER PROGRAMS; TRANSFER
8 OF AUTHORITY.—

9 (1) IN GENERAL.—Not later than 90 days after
10 the establishment or designation of a FSIO at an
11 agency, the agency shall modify any offices or pro-
12 grams at the agency that promote financial innova-
13 tions or assist persons in offering financial innova-
14 tions, and merge or transfer the operations of such
15 offices or programs into the FSIO.

16 (2) TRANSFER OF AUTHORITY.—On the date
17 that is 90 days after the establishment or designa-
18 tion of a FSIO at an agency, the administration of
19 any rule, policy, or prior agency determinations re-
20 lating to promoting financial innovations or assisting
21 persons in offering financial innovations, including
22 no-action letters and staff advisory opinions, shall be
23 transferred to the FSIO of that agency.

24 (f) REPORT.—Not later than 6 months after the date
25 of the enactment of this Act, and annually thereafter, each

1 agency shall present testimony to the Congress and submit
2 a report to the Congress and to the Financial Stability
3 Oversight Council on the activities of the FSIO of such
4 agency, including a description of the petitions considered,
5 the rationale for acceptance or rejection of petitions, and
6 the efforts of the FSIO to encourage financial innovations.

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

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

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

17 (c) DUTIES.—The FSIO Liaison Committee shall—

18 (1) consult on the administration, coordination,
19 and oversight with the FSIO of each agency;

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

23 (3) monitor proposals for agency regulation and
24 developments related to financial innovations;

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

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

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

9 (e) CHAIR.—

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

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

21 (f) TESTIMONY.—Not later than 6 months after the
22 date of the enactment of this Act, and annually thereafter,
23 the Chair of the FSIO Liaison Committee shall present
24 testimony to the Congress on the activities of the FSIO
25 Liaison Committee.

1 (g) FUNDING.—

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

7 (2) GENERAL EXPENSES.—The costs and ex-
8 penses of the FSIO Liaison Committee, including
9 the salaries of employees, shall be split equally be-
10 tween, and paid by, each agency.

11 **SEC. 6. PETITION TO AGENCY.**

12 (a) IN GENERAL.—A person may submit a petition
13 to an agency, through the agency's FSIO, in such form
14 and in such manner as the agency's FSIO may require,
15 to request to enter into an enforceable compliance agree-
16 ment containing a modification or waiver of an agency reg-
17 ulation of the agency or the Federal statute under which
18 the agency has rulemaking authority with respect to—

19 (1) the person; or

20 (2) a financial innovation the person offers or
21 intends to offer.

22 (b) CONTENTS.—In a petition submitted under this
23 section, the person shall—

24 (1) identify any requirement under which the
25 agency has rulemaking authority or the agency regu-

1 lation of the agency for which the person is request-
2 ing a modification or waiver;

3 (2) explain why such modification or waiver is
4 essential to the operation of the person;

5 (3) submit an alternative compliance strategy
6 that proposes a method to comply with such require-
7 ment or agency regulation;

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

10 (A) would serve the public interest;

11 (B) improves consumer access to a finan-
12 cial product or service;

13 (C) continues to meet the purposes of anti-
14 money laundering and countering the financing
15 of terrorism obligations under the Bank Secrecy
16 Act;

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

19 (E) would promote consumer protection;

20 (5) provide a detailed business plan; and

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

1 (c) MULTIPARTY PETITIONS.—One or more persons
2 that offer or intend to offer similar financial innovations
3 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 person submitting the petition is similarly situated
15 to another person that has been granted approval of
16 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 person in the
23 petition submitted under this section.

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 90 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 person who submitted the
8 petition, in writing, of the agency’s determination of the
9 petition.

10 (b) APPROVAL OF PETITION.—

11 (1) IN GENERAL.—An agency shall approve a
12 petition if the agency has determined that—

13 (A) the alternative compliance strategy
14 proposed by the person in the petition satisfies
15 the requirements described in section 6(b)(4);
16 and

17 (B) the person who submitted the petition
18 has, with respect to the financial innovation the
19 person offers or intends to offer, sufficiently
20 identified—

21 (i) the regulations and Federal stat-
22 utes of which the person is seeking waiver
23 or modification; and

24 (ii) other applicable regulations and
25 Federal statutes with which the person in-
26 tends to comply.

1 (2) NOTIFICATION TO STATE REGULATORY
2 AGENCIES.—If an agency approves a petition, the
3 agency shall, with respect to each State regulatory
4 agency with jurisdiction over the person who sub-
5 mitted the petition or the financial innovation about
6 which the person submitted the petition—

7 (A) notify such State regulatory agency
8 that the agency has approved the petition; and

9 (B) provide such State regulatory agency
10 information about the terms of the enforceable
11 compliance agreement entered into between the
12 person and the agency.

13 (c) DISAPPROVAL OF PETITION.—

14 (1) IN GENERAL.—An agency may disapprove a
15 petition if the agency has determined that—

16 (A) the alternative compliance strategy
17 proposed by the person in the petition does not
18 satisfy the requirements described in section
19 6(b)(4); or

20 (B) the person who submitted the petition
21 has not, with respect to the financial innovation
22 the person offers or intends to offer, sufficiently
23 identified—

1 (i) the regulations and Federal stat-
2 utes of which the person is seeking waiver
3 or modification; and

4 (ii) other applicable regulations and
5 Federal statutes with which the person in-
6 tends to comply.

7 (2) WRITTEN NOTICE REQUIRED.—If an agency
8 disapproves a petition the agency shall provide the
9 person who submitted the petition with a written no-
10 tice explaining the reason for such disapproval and
11 such written notice shall include a description of—

12 (A) any benefits of disapproving the peti-
13 tion, including an identification of persons likely
14 to benefit from the disapproval of the petition;

15 (B) any costs, including potential costs, of
16 disapproving the petition, including an identi-
17 fication of persons likely to bear the costs asso-
18 ciated with the disapproval of the petition; and

19 (C) the baseline used by the agency to de-
20 termine the likely economic consequences of dis-
21 approving the petition.

22 (d) RESUBMITTAL.—Receipt of a notice of dis-
23 approval of a petition under this subsection shall not pre-
24 clude a person from revising and resubmitting such peti-
25 tion to the agency under section 6.

1 (e) JUDICIAL REVIEW.—A person may seek judicial
2 review of an agency’s determination on a petition in ac-
3 cordance with subchapter II of chapter 5 of title 5, United
4 States Code, and chapter 7 of such title (commonly known
5 as the “Administrative Procedure Act”).

6 **SEC. 8. ENFORCEABLE COMPLIANCE AGREEMENT.**

7 (a) IN GENERAL.—If an agency approves a petition
8 under section 7, the person who submitted such petition
9 shall enter into an enforceable compliance agreement with
10 such agency, which shall include—

11 (1) the terms under which the approved finan-
12 cial innovation may be developed or offered to the
13 public; and

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

16 (b) REQUIREMENTS.—Each agency, by rule, shall es-
17 tablish requirements relating to enforceable compliance
18 agreements that include—

19 (1) procedures for modifying the terms of the
20 agreement;

21 (2) consequences for failure to comply with the
22 terms of the agreement;

23 (3) a compliance examination process that—

24 (A) solicits feedback from other agencies
25 on the agreement; and

1 (B) occurs not less frequently than annu-
2 ally;

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

6 (5) procedures and standards for extending the
7 termination date, including procedures and stand-
8 ards for evaluating the effectiveness of the agree-
9 ment; and

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

14 (c) JOINING OF AGREEMENT BY ADDITIONAL AGEN-
15 CIES.—With respect to a financial innovation that is the
16 subject of an enforceable compliance agreement entered
17 into under this section, an agency that did not enter into
18 such enforceable compliance agreement may join as a
19 party to the enforceable compliance agreement entered
20 into pursuant to this section.

21 (d) ENFORCEMENT ACTIONS BY NON-PARTY AGEN-
22 CIES.—An agency that is not a party to an enforceable
23 compliance agreement entered into under this section—

24 (1) may not attempt to enforce, against the
25 person who is party to the enforceable compliance

1 agreement, any regulation or Federal statute modi-
2 fied or waived by the enforceable compliance agree-
3 ment; and

4 (2) may continue to enforce, against the person
5 who is party to the enforceable compliance agree-
6 ment, any regulation or Federal law over which the
7 agency has enforcement authority that has not been
8 modified or waived by the enforceable compliance
9 agreement.

10 (e) ARBITRATION.—A person who is party to the en-
11 forceable compliance agreement may elect to arbitrate any
12 action initiated by another person relating to a financial
13 innovation that is the subject of the enforceable compli-
14 ance agreement.

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

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

20 Not later than 1 year after the date of the enactment
21 of this Act, and annually thereafter, the Financial Sta-
22 bility Oversight Council shall submit to the Congress a
23 report on the aggregate impact of enforceable compliance
24 agreements entered into under this Act, which shall in-
25 clude—

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

3 (2) the most innovative and least burdensome
4 tools that the agencies' FSIOs have implemented to
5 allow a financial innovation that is the subject of an
6 enforceable compliance agreement to be offered;

7 (3) strategies implemented to coordinate and
8 facilitate cooperation among FSIOs;

9 (4) the existing Federal laws, regulations, or
10 practices that the Financial Stability Oversight
11 Council identifies as the most burdensome to innova-
12 tion that adversely affect competition in the financial
13 services industry, or that restrict improvements for
14 consumers of financial products or services; and

15 (5) an identification of the overlap or frag-
16 mentation of agency regulations of financial prod-
17 ucts or services and recommendations for reducing,
18 consolidating, or eliminating such overlap or frag-
19 mentation.

