

118TH CONGRESS  
2D SESSION

# H. R. 7440

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

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 23, 2024

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

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## 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  
5 “Financial 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.

1 **SEC. 2. DEFINITIONS.**

2 In this Act, the following definitions shall apply:

3 (1) AGENCY REGULATION.—The term “agency  
4 regulation” means—

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

8 (B) guidance issued by an agency; or

9 (C) a published proposed or interim rule,  
10 policy statement, directive, adjudication, or in-  
11 terpretation of an agency.

12 (2) AGENCY.—The term “agency” means each  
13 of the Board of Governors of the Federal Reserve  
14 System, the Bureau of Consumer Financial Protec-  
15 tion, the Department of Housing and Urban Devel-  
16 opment, the Department of the Treasury, the Fed-  
17 eral Deposit Insurance Corporation, the Federal  
18 Housing Finance Agency, the National Credit Union  
19 Administration Board, the Office of the Comptroller  
20 of the Currency, and the Securities and Exchange  
21 Commission.

22 (3) COVERED PERSON.—The term “covered  
23 person” means a person that offers or intends to  
24 offer a financial innovation by submitting a petition

1 to a Financial Services Innovation Office at one or  
2 more agencies.

3 (4) ENFORCEABLE COMPLIANCE AGREEMENT.—The term “enforceable compliance agree-  
4 ment” means an agreement described under section  
5 8.  
6

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

11 (A) the delivery of which is enabled by  
12 technology; and

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

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

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

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

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

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

6 **SEC. 4. ESTABLISHMENT OR DESIGNATION OF FSIO AT**  
7 **AGENCIES.**

8           (a) **IN GENERAL.**—Each agency shall establish or  
9 designate an office within the agency to be known as the  
10 “Financial Services Innovation Office” of the “FSIO”.  
11 Each such Financial Services Innovation Office shall to  
12 promote financial innovations and to assist a covered per-  
13 son with an approved petition under section 7.

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

16           (c) **DUTIES.**—

17               (1) **GENERAL DUTIES.**—Each agency, acting  
18 through the agency’s FSIO, shall—

19                       (A) support the development of financial  
20 innovations;

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

24                       (C) upon request, coordinate with relevant  
25 State regulatory entities to provide information

1 to the public with respect to financial innova-  
2 tions and agency regulations related to such fi-  
3 nancial innovations; and

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

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

11 (A) work with the covered person to ad-  
12 dress issues of how existing regulatory frame-  
13 works apply to the financial innovation that is  
14 the subject of the petition;

15 (B) assist the covered person in complying  
16 with the requirements of Federal regulators of  
17 the financial innovation; and

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

21 (d) WAIVER AUTHORITY.—An agency, acting  
22 through the agency’s FSIO, may modify or waive the ap-  
23 plication of an agency regulation of the agency or the Fed-  
24 eral statute under which the agency has rulemaking au-  
25 thority if—

1           (1) a petition of the covered person has been  
2 approved under section 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 covered person to offer the fi-  
6 nancial innovation 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 covered persons in offering financial  
14 innovations, and merge or transfer the operations of  
15 such offices or programs into the FSIO.

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

1 (f) REPORT.—Not later than 6 months after the date  
2 of the enactment of this Act, and annually thereafter, each  
3 agency shall present testimony to Congress and submit a  
4 report to Congress and to the Financial Stability Over-  
5 sight Council on the activities of the FSIO of such agency,  
6 including a description of the petitions considered, the ra-  
7 tionale for acceptance or rejection of petitions, and the ef-  
8 forts of the FSIO to encourage financial innovations.

9 (g) ELIMINATION OF FSIO.—If an agency has not  
10 received a petition described in section 6 within 5 years  
11 of the date of the establishment of the FSIO of such agen-  
12 cy, the agency shall eliminate the FSIO. Such agency shall  
13 continue to comply with the requirements of any  
14 multiparty agreement entered into pursuant to section  
15 8(c) on or before the date of such elimination.

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

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

21 (b) MEMBERS.—The FSIO Liaison Committee shall  
22 be composed of the head of each FSIO described under  
23 section 4 and a State banking supervisor selected by the  
24 Conference of State Bank Supervisors (or a successor or-  
25 ganization).

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

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

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

7 (3) monitor proposals for agency regulation and  
8 developments related to financial innovations;

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

11 (5) facilitate collaboration with relevant State  
12 regulatory entities to provide information to the pub-  
13 lic with respect to financial innovations and agency  
14 regulations related to such financial innovations.

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

17 (e) CHAIR.—

18 (1) ESTABLISHMENT.—The first Chair of the  
19 FSIO Liaison Committee shall be elected by the  
20 members. The Chair shall serve for a term of 2  
21 years and thereafter the chairmanship shall rotate  
22 among the members of the committee.

23 (2) POWERS OF THE CHAIR.—The Chair is au-  
24 thorized to carry out the internal administration of  
25 the FSIO Liaison Committee, including the appoint-



1       ment and supervision of employees and the distribu-  
2       tion of tasks among members, employees, and ad-  
3       ministrative units.

4       (f) TESTIMONY.—Not later than 6 months after the  
5       date of the enactment of this Act, the Chair of the FSIO  
6       Liaison Committee shall present testimony to Congress on  
7       the activities of the FSIO Liaison Committee.

8       (g) FUNDING.—

9               (1) COMPENSATION OF MEMBERS.—Each mem-  
10       ber of the FSIO Liaison Committee shall serve with-  
11       out additional compensation but shall be entitled to  
12       reasonable expenses incurred in carrying out official  
13       duties as such a member.

14              (2) GENERAL EXPENSES.—The costs and ex-  
15       penses of the FSIO Liaison Committee, including  
16       the salaries of employees, shall be split equally be-  
17       tween, and paid by, each agency other than an agen-  
18       cy that has eliminated the agency’s FSIO pursuant  
19       to section 4(g).

20       **SEC. 6. PETITION TO AGENCY.**

21       (a) IN GENERAL.—A covered person may submit a  
22       petition to an agency, through the agency’s FSIO, in such  
23       form and in such manner as the agency’s FSIO may re-  
24       quire, to request to enter into an enforceable compliance  
25       agreement containing a modification or waiver of an agen-

1 cy regulation of the agency or the Federal statute under  
2 which the agency has rulemaking authority with respect  
3 to—

4 (1) the covered person; or

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

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

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

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

14 (A) would serve the public interest;

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

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

19 (D) would promote consumer protection.

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

23 (d) SAFE HARBOR.—

24 (1) IN GENERAL.—During the period after a  
25 covered person submits a petition under this section

1 and before the agency receiving the petition makes  
2 a determination on the petition pursuant to section  
3 7, an agency may not take an enforcement action  
4 against a covered person relating to the financial in-  
5 novation that was the subject of the petition.

6 (2) INJUNCTIVE RELIEF.—If an agency deter-  
7 mines that a financial innovation described under  
8 paragraph (1) presents an immediate danger to con-  
9 sumers or presents systemic risk to the United  
10 States financial system, the agency may apply to a  
11 court of competent jurisdiction for an injunction to  
12 prohibit a covered person from offering such finan-  
13 cial innovation during the period described in para-  
14 graph (1).

15 (3) PRESERVATION OF ANTI-FRAUD AUTHOR-  
16 ITY.—This subsection shall not apply to the author-  
17 ity of an agency to take an enforcement action  
18 against a covered person with respect to fraud relat-  
19 ing to the financial innovation that was the subject  
20 of the petition.

21 (e) NOTICE AND COMMENT.—

22 (1) IN GENERAL.—Not later than 30 days after  
23 receiving a petition, the agency that receives the pe-  
24 tition shall publish the petition in the Federal Reg-

1       ister and provide a 60-day period for public notice  
2       and comment.

3               (2) EXCEPTION FOR NOTICE AND COMMENT PE-  
4       RIOD.—The agency that receives the petition may  
5       waive the notice and comment period described in  
6       paragraph (1) if such agency determines that the  
7       covered person submitting the petition is similarly  
8       situated to another covered person that has been  
9       granted approval of a petition pursuant to section 7.

10              (3) CONFIDENTIALITY.—The agency shall  
11       maintain the confidentiality of any nonpublicly avail-  
12       able data or information in any petition submitted  
13       under this section. The agency shall give reasonable  
14       consideration to maintaining the confidentiality of  
15       data or information identified by the covered person  
16       in the petition submitting under this section as non-  
17       publicly available data or information.

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

19       (a) IN GENERAL.—Not later than 30 days after the  
20       end of the comment period described under section 6 (or  
21       if the comment period was waived, not later than 60 days  
22       after receipt of a petition under section 6), the head of  
23       the agency receiving the petition shall complete a review  
24       of the petition and notify the covered person, in writing,  
25       of the agency’s determination of the petition.

1 (b) APPROVAL.—If the covered person submitting the  
2 petition shows that it is more likely than not that the cov-  
3 ered person meets the requirements for establishing an al-  
4 ternative compliance strategy, the agency shall—

5 (1) approve the petition; and

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

9 (c) DISAPPROVAL.—

10 (1) EXPLANATION.—If the agency disapproves  
11 a petition, the agency head shall provide the covered  
12 person with a written notice explaining the reason  
13 for such disapproval, including—

14 (A) evidence that the covered person did  
15 not satisfy the requirements for establishing an  
16 alternative compliance strategy;

17 (B) an identification of any agency regula-  
18 tions or Federal statutes applicable to the cov-  
19 ered person with respect to the financial innova-  
20 tion that were omitted from the petition; and

21 (C) a description of—

22 (i) any beneficial effects, including an  
23 identification of persons likely to benefit,  
24 from rejecting the petition;

1 (ii) any potential costs, including an  
2 identification of persons likely to bear the  
3 costs, of rejecting the petition; and

4 (iii) the baseline used by the agency to  
5 measure the likely economic consequences  
6 of rejecting the petition.

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

11 (d) MORATORIUM.—If an agency disapproves a peti-  
12 tion submitted in good faith under this section, the agency  
13 shall provide the covered person a reasonable amount of  
14 time before the agency takes an enforcement action  
15 against the covered person relating to the financial innova-  
16 tion that was the subject of the petition.

17 (e) 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 after the date on which the agree-  
22 ment is entered into;

23 (5) procedures for extending the termination  
24 date;

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

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

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

17          (d) LIMITATION ON ENFORCEMENT ACTIONS.—

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

21                    (A) another agency that is not party to the  
22                    multiparty agreement described in subsection  
23                    (c) may not commence an enforcement action  
24                    against the covered person with respect to the



1 financial innovation that is the subject of the  
2 enforceable compliance agreement; and

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

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

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

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

24 (e) ARBITRATION.—A covered person may elect to ar-  
25 bitrate any action initiated by another person relating to

1 a financial innovation that is the subject of the enforceable  
2 compliance agreement.

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

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

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

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

15 (3) strategies implemented to coordinate and  
16 facilitate cooperation among FSIOs;

17 (4) the existing Federal and State laws, regula-  
18 tions, or practices (including guidance materials, ex-  
19 aminations, and enforcement proceedings and settle-  
20 ments) that the Financial Stability Oversight Coun-  
21 cil identifies as the most burdensome to innovation  
22 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 frag-  
2           mentation of agency regulations of financial prod-  
3           ucts or services and recommendations for reducing,  
4           consolidating, or eliminating such overlap or frag-  
5           mentation.

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