

Congress of the United States
Washington, DC 20515

May 24, 2016

The Honorable Gene L. Dodaro
Comptroller General of the United States
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Dodaro:

The convergence of the financial and technological industries is reshaping the way American consumers access and manage their personal finances. Commonly known as “fintech,” this evolution shows tremendous promise to expand the reach of regulated financial products and services into underserved and underbanked populations, help address the credit needs of consumers and small businesses, and transform the way Americans shop and move money. It is rare for a heavily regulated industry like financial services to move at the “speed of the Internet,” but that’s exactly what’s happening with the rapid change brought about by fintech innovators.

While this change is exciting and presents great benefits for consumers, Congress and federal regulators have an obligation to be educated and aware of how the transformation of financial services comports with established rules and regulations. This will provide policy makers with the opportunity to determine how innovation and competition can thrive in the existing framework.

As you noted in a recent GAO report on financial regulation, “[f]ragmentation and overlap have created inefficiencies in regulatory processes, inconsistencies in how regulators oversee similar types of institutions, and differences in the levels of protection afforded to consumers.”¹ We agree with your assessment, and are committed to ensuring innovation, partnership and collaboration in the financial

¹ Government Accountability Office, “Complex and Fragmented Structure Could Be Streamlined to Improve Effectiveness,” GAO-16-175 (Feb. 25, 2016), *available at* <http://www.gao.gov/assets/680/675400.pdf>.

marketplace can continue. As such, we are requesting GAO provide information on the following questions:

1. Expanding on your findings in the GAO report, how has fragmentation and overlap in financial regulation slowed or otherwise harmed innovation, and restricted the ability of financial firms of all sizes and charter types from pursuing new technological ventures?
2. Further, how has collaboration between financial firms and fintech innovators helped financial firms streamline processes and become more efficient in delivering products and services?
3. What type of challenges do both financial institutions and fintech companies have with the existing regulatory structure?
4. Not all companies – either financial firm or technology entrepreneur – have the resources or capacity to bring an innovative product or service to scale. Partnership and collaboration – which can expand markets of potential consumer and small business customers, enhance efficiencies, and help non-financial firms begin to navigate the regulatory landscape – is therefore critical to ensure success of many fintech ventures. How can federal regulators streamline the process for firms to engage in this sort of collaboration? Moreover, given the work by regulators in other countries – for example, the U.K.’s Financial Conduct Authority launched Project Innovate to foster collaboration and innovation in a safe “regulatory sandbox”² – what best practices can U.S. regulators look to in order to foster a similar culture of collaboration?

Sincerely,



Patrick McHenry
Member of Congress



Randy Hultgren
Member of Congress

² Financial Conduct Authority, “Regulatory sandbox” (Oct. 11, 2015), *available at* <https://www.fca.org.uk/news/regulatory-sandbox>.



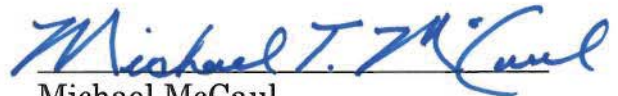
Earl L. "Buddy" Carter
Member of Congress



Lynn Westmoreland
Member of Congress



Scott Tipton
Member of Congress



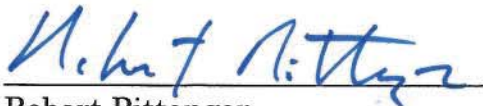
Michael McCaul
Member of Congress



Randy Neugebauer
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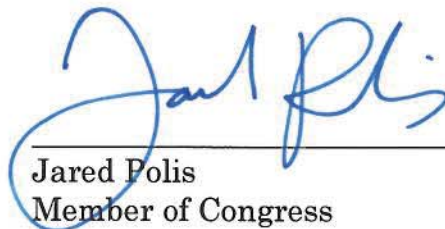
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