



## The Latest Development On Fintechs

by [Steve Brown](#) Topics: [technology](#), [fintech](#), [digital banking](#)

**Summary:** The new fast-track bank charters for fintechs just got pushed into the slow lane by a federal judge. Should this change your strategy?

Chapman University research finds the top things Americans are afraid of include: corrupt government officials (74%), pollution of oceans, rivers and lakes (62%); pollution of drinking water (61%); not having enough money for the future (57%) and loved ones becoming seriously ill (57%). No matter your fears, one that you see in banking is certainly financial technology firms (fintechs).

The new fast-track bank charters for fintechs just got pushed into the slow lane by a federal judge, whose ruling provides breathing room to community banks worried about new fintechs gaining a competitive advantage.

The OCC had established a new fast-track national banking charter--a sort of "banking lite" charter--that fintechs could obtain. The fast-track charters are simpler and have fewer regulatory burdens than regular banking charters. They also allow fintechs to quickly obtain permission to provide limited banking services across state lines.

Banks cried foul, arguing that these fast-track charters allowed startup tech firms to compete directly with banks in offering banking services like lending and payment products, but without being subject to the same requirements as banks. States were particularly upset at being pushed to the sidelines by the OCC and also cried foul.

The judge in question ruled that the OCC overstepped its authority in deciding to issue these charters. The ruling means fintechs that want to offer traditional banking services will have to seek regular banking charters and go through all the hoops that traditional banks must navigate.

As bankers know, obtaining a regular bank charter is a lengthy and costly process that can take up to 2Ys to complete. In the fast-moving digital world, 2Ys can seem like an eternity.

Lots of money is being bet on fintechs ultimately succeeding. Last year, fintechs raised \$46B, nearly double the previous year's total, according to a research firm. In the second quarter of 2019, fintechs raised another \$8.3B.

While the court ruling should come as welcome news to community banks, it is not the final word on the subject. The OCC said it plans to appeal.

Although nothing is final yet, you may want to think about the options. If you are looking to beat them, you may want to ensure that your IT team and business units work together for speedier and impactful results. As always, check in with your customers to be sure you choose the best direction.

If you happen to choose to join forces with fintechs, be sure you have done all the vetting and double checking necessary. Also, some may be better suited for your institution than others. Not only that, the regulations are always there, so do your work up front and bring in experts as needed along the way. If you would like to learn more about partnering with fintechs, read our previous BID, [The Bank Customer Experience and Fintechs](#).

Either way you go, we wish you good luck out there!

## BANK NEWS

### M&A

**1)** Cambridge Trust Co. (\$2.8B, MA) will acquire Wellesley Bank (\$986mm, MA) for \$122mm in stock (100%) or 1.59x tangible book. **2)** William Penn Bank (\$418mm, PA) will acquire Washington Savings Bank (\$159mm, PA) for an undisclosed sum. **3)** In a second transaction, William Penn Bank (\$418mm, PA) will also acquire Fidelity Savings and Loan Association of Bucks Co (\$86mm, PA) for an undisclosed sum. **4)** Bridgewater Savings Bank (\$623mm, MA) will merge with Mansfield Co-operative Bank (\$527mm, MA) and form a new mutual ownership entity. **5)** First Bank and Trust Co (\$54mm, OK) will acquire The First National Bank of Pawnee (\$58mm, OK) for an undisclosed sum.

### 30 GSIBs

The Financial Stability Board has added Toronto Dominion Bank in Canada to the list of the world's most systemically important banks, which will add to its capital and regulatory requirements.

### CB Threat

Community banks should note that so many overseas markets with negative or low yields are driving larger banks into the commercial real estate and small business lending sectors in an effort to find yield. If this were to happen here, the negative impact on community banks over time could be a big one.

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