



Dear OCC Office of Innovation,

Abrigo is enthusiastic about the opportunity to engage with OCC regulated financial institutions to participate in pilot programs. We are exploring opportunities to pilot artificial intelligence in transaction monitoring, loan decisioning, and the monetization and utilization of big data for community banks. We are pleased to take this opportunity to comment on the Agency's proposal for the Innovation Pilot Program.

Abrigo offers risk management solutions for community financial institutions including anti-money laundering and fraudulent transaction monitoring, loan origination and decisioning tools, loan grading, ALLL & CECL modeling, interest rate risk modeling, and other solutions for asset and liability management. Abrigo also offers a wide array of advisory services around financial crimes, financial risk and credit risk management.

Abrigo operates from the perspective of a third-party vendor to national banks. Our main challenges in serving the industry include the absence of a training mechanism for examiners and disparate levels of knowledge and expertise at the field office level. We continue to see a growing trend in customer feedback related to examiner criticism of software solutions. We believe this is partly due to lack of exposure and training for field examiners on the bank's software solutions.

As stated in the proposal, one of the main objectives of this program is to: *"Further the OCC's understanding of, and ability to supervise innovative activities and their relative risks."*

We believe the OCC would benefit from allowing hands on training for examiners by various RegTech firms serving the industry. This would enable field examiners to request the right reports and ask the right questions. As a result, examiners can make a more accurate assessment as to whether the governance of the system is appropriate and the relevant risks are being properly managed.

Outside of the above general feedback, Abrigo would like to specifically address the OCC's targeted feedback points of interest:

**1. As a supplement to existing agency processes, will the program provide additional value?**

This program adds immense value to non-bank entities operating within the banking industry. RegTech business seek to serve banks by assisting with compliance, risk management and growth needs. Historically, there has been a disconnect between non-bank business and the regulatory agencies. Examiner opinions of RegTech business are derived from conversations with bankers and not directly with the RegTech businesses themselves.

We believe it is a step in the right direction for all involved parties - regulatory agencies, rulemaking authorities, banks and technology firms - that the Agencies are forming dedicated offices for technology and innovation.

As highlighted in the Agencies Joint Statement on Innovative Industry Approaches, institutions have been historically apprehensive to adopt new technologies in fear of regulatory scrutiny.



This is especially true for community banks who need the efficiencies gained from innovative technology to continue to grow, thrive, and serve their communities in a safe and sound manner. Bringing down the walls between innovation and regulators will bring clarity and confidence that will in-turn bring better risk management practices in banks of all sizes. Direct feedback from the Agency on matters concerning consumer protection, anti-money laundering, and risk management will allow the banking industry to catch up from a technological perspective with the country's private sector businesses.

**2. Are the eligibility criteria and evaluation process appropriate for an effective program? Why or why not?**

The eligibility criteria appears to be appropriate for an effective pilot program. We believe it makes sense for the bank to engage directly with the OCC to submit an Expression of Interest on behalf of their partnership with a third-party once they are prepared to begin a formal pilot program.

Under eligibility criteria, it states that the OCC will entertain pilots at the proof of concept stage. For Abrigo, a proof of concept may not warrant engaging a bank for a pilot program. It would be beneficial if the Agency engaged directly with third-parties at the proof of concept stage. Feedback in this stage saves time and money by addressing potential compliance or legal concerns before full development and deployment into a test or sandbox environment.

We assume most third parties will seek to formally engage with a bank after the proof of concept phase once they are prepared for actual testing in a test or sandbox environment. This would trigger formal Expression of Interest to the Agency by the bank.

Additionally, under the evaluation process, it does not seem clear as to whether individual field offices or the Office of Innovation will have supervisory control over the program and related feedback loop. Examiner experience can vary widely from region to region which raises concerns over the quality of oversight and consistency of feedback.

For example, a pilot program focused on machine learning in anti-money laundering transaction monitoring facilitated by a bank in Miami would ensure access to field examiners with AML/BSA expertise based on the high-risk nature of that jurisdiction. However, the same pilot program facilitated out of a more rural region may not benefit from access to field examiners with the appropriate level of expertise required to get meaningful feedback out of the program. Additionally, if a third-party engaged with multiple banks across the country, de-centralization to the regional or field offices raises concerns over consistency.

We believe oversight and feedback should be centralized through the Office of Innovation. Alternatively, the agency may benefit from creating groups to facilitate horizontal reviews for the oversight based on subject matter expertise or desired examiner career paths.

**3. Are the general program parameters appropriate? Why or why not?**

The general program parameters appear to be appropriate. Abrigo sees the need for tailored



regulatory tools, including formal feedback letters. Additionally, we recognize that programs of this nature require appropriate controls and safeguards.

As stated above in our response to question two, the industry may benefit from more guidance around when it is appropriate to receive approval from a field office ADC versus the Office of Innovation. For example, the proposal states that entities may withdraw at any time with notice to the Office of Innovation or their supervisory office. We understand that these communication paths may be outlined in more detail for each unique pilot depending the scope and risk profile of the engagement. However, more detailed guidance on who has ultimate supervisory responsibility would be beneficial.

**4. What would be the preferred nature of regulatory engagement through this program?**

Abrigo believes that centralized oversight over pilot programs is preferred. De-centralized oversight at the field office level may lead to inconsistent feedback.

Abrigo also prefers access to early-stage agency engagement before full-scale implementation to a test server or sandbox environment as mentioned in our responses above.

In conclusion, Abrigo welcomes the opportunity to formally engage with OCC regulated banks to pilot innovative technologies. We believe that, by working together, the Agencies and RegTech firms can better enable financial institutions to exceed Agency expectations around sound risk management and safe and sound operations while succeeding financially and serving the communities in which they operate. Abrigo looks forward to the release of the final program.

Thanks

David McCann