Simpson Thacher

Memorandum

OCC Signals Heightened Focus on De Novo Charter Application Quality

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Recent actions by the Office of the Comptroller of the Currency (the "OCC") reinforce a familiar and consequential message for applicants pursuing a national bank or special purpose charter: application quality, credibility of the business plan and readiness for supervisory scrutiny matter.

Since the start of the Trump Administration, the OCC has demonstrated its willingness to review and approve applications for new charters, including for innovative business plans, at a pace not seen in recent history. However, the OCC in June issued a bulletin reminding potential applicants about the importance of application quality and completeness. The June Bulletin, together with the OCC's subsequent denial of a national trust bank application by Wise, underscores the importance of a well-developed application package supported by qualified management and a detailed understanding of the legal requirements and compliance obligations of a bank.

The June Bulletin notes that the OCC may return a filing without decision if it is materially deficient. The Bulletin states that such an action could occur prior to "engaging in any meaningful processing of the filing" or if responses to information requests are not sufficient. The OCC also states that it may publicly deny filings that present significant supervisory, CRA or compliance concerns, where approval would be inconsistent with law, regulation or policy, or where the filer fails to provide requested information.

Although the OCC has demonstrated its willingness to approve de novo applications and charter acquisitions, prospective applicants should not underestimate the level of scrutiny given to these proposals. As highlighted by the June Bulletin, the OCC expects applicants to submit a substantially mature application package that does not rely on post-filing iterations to cure foundational weaknesses. The June Bulletin specifically states that filings should include a clear discussion of all proposed products and services (which should be "defined with particularity") and how they will be operationalized, including planned governance, risk management, and compliance management infrastructure. That is particularly relevant for fintech and other nontraditional applicants whose proposed activities, governance structures or risk frameworks may require the agency to become comfortable not only with legal permissibility but also with operational readiness, managerial depth and long-term viability.

These recent actions highlight a few clear takeaways that are applicable regardless of which federal or state banking agency is involved in an application:

- Treat the application as a comprehensive supervisory submission, not merely as a strategic outline;
- Invest thoughtfully in pre-filing engagement with the appropriate agencies, regulatory counsel and consultants;
- Ensure that governance, management, compliance and risk frameworks are bank-level in quality and substantially developed before filing; and
- Expect close review of capital, liquidity, business plan details and contingency planning, past compliance or operational break-downs, and long-term operating viability.

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