January 27, 2026

The Honorable Jonathan V. Gould
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

Re: Response to Request for Information on Community Banks' Engagement with Core and Essential Third-Party Service Providers—OCC-2025-0537

Dear Comptroller Gould,

On behalf of the American Fintech Council (AFC)[1], I am submitting this comment letter in response to the Office of the Comptroller of the Currency's (OCC) Request for Information on Community Banks' Engagement with Core and Essential Third-Party Service Providers (RFI). AFC appreciates the OCC's decision to solicit stakeholder input on these issues and welcomes the opportunity to provide perspectives grounded in the operational experience of institutions that work closely with community banks and the technology providers that support them.

A standards-based organization, the American Fintech Council is the largest and most diverse trade association representing financial technology companies and innovative banks. On behalf of more than 150 member companies and partners, AFC promotes a transparent, inclusive, and customer-centric financial system by supporting responsible innovation in financial services and encouraging sound public policy. AFC members foster competition in consumer and small business finance and pioneer products and services designed to better serve underserved consumers, small businesses, and local communities across the United States.

AFC's membership includes a broad range of innovative banks—particularly community banks— and fintech companies (i.e. technology providers, that engage directly with community banks across payments, core processing, digital banking, data, compliance, and other mission-essential functions). As a result, AFC's members have first-hand insight into how market concentration, contractual practices, and supervisory expectations shape banks' technology choices, risk management responsibilities, and ability to compete effectively.

Innovative banks play a critical role in improving the financial services industry by, providing new options for consumers through their partnerships with fintech companies, extending credit to consumers and small businesses, and maintaining access to financial services in rural and underserved markets. Their ability to fulfill that role increasingly depends on access to reliable, adaptable, and competitively priced third-party technology and infrastructure. Where those

[1] American Fintech Council's (AFC) membership spans banks, non-bank lenders, payments providers, EWA providers, loan servicers, credit bureaus, and personal financial management companies.

markets are characterized by limited choice, high switching costs, and structural dependency, the resulting constraints can affect not only individual institutions, but also broader competition, resilience, and innovation within the banking system.

The OCC's RFI appropriately recognizes that reliance on a small number of dominant service providers may raise competitive, operational, and supervisory considerations that merit closer examination. AFC submits this letter to help inform that examination by describing how current market dynamics affect both our innovative bank and fintech members in practice and how targeted efforts could improve outcomes without undermining safety and soundness. The discussion that follows is intended to support the OCC's efforts to ensure that community banks remain resilient, competitive, and well positioned to serve their customers in an evolving financial services landscape.

I. AFC Supports Regulatory Efforts Which May Materially Mitigate the Concentration of Core Service Providers and Increase Optionality for Innovative Banks

Consolidation among core banking service providers has produced structural market conditions that systematically and persistently disadvantage banks engaging in innovative activities. The proceeding discussion explains how these conditions arise and why they materially constrain community banks' competitiveness, especially those seeking to operate in an innovative manner. Section A) describes the high level of market concentration among core service providers and explains why this concentration materially limits meaningful choice for community banks; B) examines the structural barriers to entry and exit that entrench incumbent providers and reinforces long-term dependency, even in the face of declining service quality or rising costs; and C) then explains how these dynamics place community banks in persistent price-taker and service-taker positions, weakening incentives for responsiveness, customization, and innovation. Together, these conditions demonstrate why concentration in the core service provider market is not merely a background feature of the industry, but a central constraint on community banks' competitiveness, resilience, and strategic flexibility.

A. Market Concentration Among Core Service Providers Exemplifies the Need for Efforts to Encourage Competition in the Space

The market for core banking systems is highly concentrated, with a small number of dominant providers controlling the vast majority of relationships with U.S. depository institutions.[2] For community banks in particular, this concentration translates into a practical absence of meaningful choice. While multiple vendors may exist in theory, only a narrow subset possess the scale, functionality, regulatory familiarity, and institutional track record necessary to serve as a bank's primary core processor. As a result, banks, particularly those seeking to pursue innovative activities or business models, operate within a market that does not properly meet their needs. In addition to limiting choice, concentration among legacy core providers has coincided with relatively limited modernization of core banking technology as it relates to how banking services

[2] Julian Alcazar, Sam Baird, Emma Cronenweth, Fumiko Hayashi, and Ken Isaacson, Market Structure of Core Banking Services Providers, Payments System Research Briefing (Federal Reserve Bank of Kansas City, March 27, 2024), accessed January 26, 2026, https://www.kansascityfed.org/documents/10072/PaymentsSystemResearchBriefing24AlcazarBairdCronenwethHayashiIsaacson0327.pdf.

are delivered, integrated, and consumed, further constraining community banks' ability to adapt to evolving customer expectations and business models.

This concentration has concrete implications. Core banking systems are not ancillary services that can be swapped easily or casually replaced. They sit at the center of a bank's operational, compliance, and customer-facing infrastructure. Decisions about core providers therefore involve long time horizons, deep integration, and high switching risk. In a market dominated by a few incumbents, these characteristics amplify the effects of concentration by limiting the practical ability of banks to improve the competitive dynamics of the market through traditional consumer choice mechanisms.

For community banks, especially those seeking to pursue innovative services or business models, the effects of limited choice are particularly acute and exemplify the importance of the need for additional optionality. Unlike large national institutions, community banks generally lack the internal resources to build proprietary systems or to absorb the costs and operational disruption associated with frequent platform changes. They must rely on third-party core providers not only for transaction processing and account management, but also for regulatory reporting, payments, digital banking interfaces, and increasingly, data analytics and security tools. When these essential functions are controlled by a small number of providers, community banks are left with little leverage to negotiate terms, influence product development, or demand service levels aligned with their business models.

The resulting imbalance of power is not episodic or transactional. It is structural. Concentration among core service providers means that dissatisfaction with pricing, service quality, or innovation does not readily translate into competitive pressure. Thus, AFC believes that the OCC should find ways to encourage additional competition in the core processor space, in order to help encourage responsible innovation across the financial services industry.

B. Structural Barriers to Entry and Exit Entrench Incumbent Providers and Reinforce Long-Term Dependency

High levels of concentration in the core service provider market are reinforced by formidable barriers to both entry and exit. These barriers entrench incumbent providers and make it exceedingly difficult for new entrants to discipline incumbent behavior or for banks to respond effectively to deteriorating service quality.

From an entry perspective, the development of a viable core banking platform requires immense upfront investment, deep regulatory expertise, and the ability to operate systems that support deposit accounting, transaction processing, payments, and regulatory reporting with near-zero tolerance for failure. Core systems must be secure, resilient, and capable of supporting complex regulatory and operational requirements across a diverse customer base. Achieving this scale is capital intensive and time consuming, and it confers significant advantages on established providers that have grown through decades of operation and successive mergers and acquisitions. While some innovative community banks have opted to build their own cores in order to avoid the difficulties in relying on a third-party core provider, these decisions require significant resources and a unique underlying strategy to accomplish effectively.

Incumbent providers further reinforce these advantages through vertically integrated, one-stop-shop business models.[3] Over time, the dominant core providers have expanded beyond basic account processing into payments, card services, digital banking, fraud prevention, and data management. While this integration can offer convenience, it also raises the competitive bar for new entrants. A specialized or best-in-class provider may be able to outperform incumbents in a discrete function, but competing across the full spectrum of bundled services required by most community banks is often impractical.

In addition to contractual and technical barriers, market entry for alternative core and account systems is constrained by widespread industry perceptions that incumbent core providers hold an implicit or *de facto* "approval" from prudential regulators. As previously noted, core providers are not ancillary services that can be swapped easily or casually replaced. Further, given the critical importance of a core service provider on the continuance of a community bank's activities, examiners are naturally disincentivized from encouraging increased competition in the market. Thus, a de facto "approval" of incumbent core service providers by regulators pervades the perspectives of regulated community banks in the market.

The perception regulator "approval" diminishes competition and inhibits the growth of alternative core providers in the market. Incumbent providers are able to leverage perceived regulatory endorsement to deter banks from considering alternative architectures, including modern account and ledgering platforms that operate "off-core", mirror the bank's general ledger, and reconcile to legacy systems on a periodic basis. These models can support new channels or partnerships while preserving bank control over customer accounts and balances and reducing reliance on unregulated third-party ledgers. Uncertainty regarding supervisory expectations—and the absence of clear guidance on minimum core system requirements—thus operates as a structural barrier to competition, limiting banks' ability to adopt more flexible alternatives. In turn, both banks and consumers are less well served.

To diminish the perception of regulatory approval associated with large incumbent core providers that currently exists in the community bank space, AFC respectfully requests that the OCC pursue clear guidance regarding core providers' functional requirements and ensure that examiners, through word or action, do not inadvertently hinder or disincentive the use of alternative core providers in the market.

These entry constraints are reinforced by equally formidable exit barriers. Many community banks continue to operate on legacy core systems that were implemented decades ago and have been modified repeatedly to accommodate new products, regulatory requirements, and technological workarounds.[4] Over time, these systems have become deeply embedded within banks' operations, with layers of integrations that make disentanglement costly and risky. Core conversions are widely understood within the industry as among the most complex and

[3] Alcazar et al., Market Structure of Core Banking Services Providers (describing the "one-stop shop" effect created by vertically integrated core providers offering payments, card processing, and account management services, which raises barriers to entry for specialized competitors).
[4] Julian Alcazar, Sam Baird, Emma Cronenweth, Fumiko Hayashi, and Ken Isaacson, Core Banking Systems and Options for Modernization, Payments System Research Briefing (Federal Reserve Bank of Kansas City, February 28, 2024), accessed January 26, 2026, https://www.kansascityfed.org/documents/10016/PaymentsSystemResearchBriefing24AlcazarBairdCronenwethHayashiIsaacson0228.pdf.

disruptive initiatives a bank can undertake, requiring years of planning, extensive staff retraining, and significant financial investment.[5]

Even incremental modernization options carry substantial burden. Component-based replacements or parallel system architectures may reduce some risks relative to full conversions, but they still require coordination with incumbent core providers, ongoing integration costs, and the maintenance of multiple systems over time. For many community banks, these options are financially or operationally impractical. The result is a form of technological lock-in, where theoretical alternatives exist but are not realistically attainable.

These structural barriers blunt the disciplining force of competition. Incumbent providers face limited risk of customer exit, even when performance declines or costs increase. New entrants, in turn, struggle to gain traction, not because their products lack merit, but because the path to adoption runs through entrenched platforms and long-term contractual relationships. The market thus reinforces dependency rather than choice. Thus, there is a clear need to find additional ways to encourage competition and innovation in the core provider market.

C. These Market Conditions Place Community Banks in Persistent Price-Taker and Service-Taker Positions

The combined effect of concentration and structural lock-in is that innovative community banks are routinely placed in price-taker and service-taker positions vis-à-vis their core service providers. Reduced competitive pressure weakens incentives for providers to offer transparent pricing, responsive support, or timely innovation, while banks lack practical mechanisms to compel improvement.

In this environment, pricing outcomes are largely dictated by provider policies rather than by market forces. Innovative community banks often face opaque pricing structures, bundled service arrangements, and complex billing practices that are difficult to audit or challenge. Negotiation leverage is limited, particularly at renewal, when the costs and risks of switching loom largest. Even where bundled pricing offers nominal discounts, those discounts can function as penalties for adopting unaffiliated, best-in-class solutions, further constraining banks' strategic options.

Service quality and innovation are similarly affected. When customer attrition is unlikely, providers have diminished incentives to tailor solutions to the specific needs of community banks or to accelerate development timelines for new technologies. Banks may wait extended periods for functionality that is critical to meeting customer expectations or responding to competitive threats, while larger institutions with greater scale or bargaining power are better positioned to influence provider roadmaps or pursue alternative solutions.

The consequences extend beyond cost and convenience. Limited responsiveness and delayed innovation can expose community banks to operational, compliance, and reputational risk, particularly as consumer expectations evolve and regulatory requirements become more

[5] Deloitte, various publications on core banking modernization and transformation (2016–2018) (discussing the operational risk, cost, and organizational disruption associated with full core conversions and incremental modernization strategies).

complex. Yet responsibility for managing these risks remains squarely with the bank, even when the underlying constraints originate with dominant service providers.

Absent regulatory attention, these dynamics are likely to intensify.[6] Consolidation among providers continues, switching costs remain prohibitive, and dependency deepens over time. Without intervention to promote competition, transparency, and interoperability, community banks will remain constrained by market conditions they did not create and cannot readily escape. This erosion of competitive capacity is not only a challenge for individual institutions, but a broader concern for the diversity, resilience, and vitality of the U.S. banking system. Given these issues, AFC believes that the OCC should pursue efforts to encourage competition and innovation in the core service provider space, in order to create a more robust market that improves the financial services industry and its ability to serve consumers.

II. AFC Supports Efforts to Address Contractual, Technical, and Commercial Practices That Constrain Community Bank Operations

Market concentration alone does not fully explain the extent to which community banks are constrained by their relationships with dominant core service providers. That concentration is translated into day-to-day operational, financial, and strategic limitations through a set of contractual, technical, and commercial practices that function collectively to entrench dependency and restrict bank autonomy. The discussion below explains how these practices operate in practice. Section A) examines how long-term contracts and restrictive renewal provisions materially limit banks' strategic flexibility; B) addresses how high termination, conversion, and implementation costs discourage switching even where services are deficient; C) explains how bundled service models and technical architecture prevent banks from adopting best-in-class or modular solutions; and D) then examines how data access restrictions, vendor-controlled development timelines, and pricing opacity reinforce dependency and introduce avoidable operational and governance risk.

A. Long-Term Contracts and Restrictive Renewal Provisions Materially Limit Community Banks' Strategic Flexibility

Community banks' relationships with core service providers are typically governed by long-term contracts that extend for many years and include renewal provisions that further entrench incumbent providers. These agreements are not limited to discrete services but often govern a broad suite of operationally essential functions, making the contractual relationship itself a central determinant of the bank's technology posture. Extended contract terms, automatic renewal provisions, and restrictive termination clauses substantially limit a bank's practical ability to respond when services no longer meet operational, risk management, or customer needs. In many cases, the timing of renewal windows and notice requirements is misaligned with banks' strategic planning cycles, effectively forcing institutions to recommit to providers before alternatives can be meaningfully evaluated.[7]The consequences of these arrangements are particularly acute for community banks, which often lack the bargaining leverage to negotiate bespoke contractual terms or meaningful exit rights. Even where dissatisfaction is widespread, banks frequently conclude that renewal is the least disruptive option available, not because

[6] Financial Stability Oversight Council, 2024 Annual Report (Washington, D.C.: U.S. Department of the Treasury, December 6, 2024), accessed January 26, 2026, https://home.treasury.gov/system/files/261/FSOC2024AnnualReport.pdf.
[7] Ibid., (observing that extended renewal cycles, notice provisions, and termination penalties often discourage banks from evaluating alternative providers even where dissatisfaction exists).

performance has improved, but because contractual structures leave no realistic alternative. This dynamic transforms contracts from instruments of commercial exchange into mechanisms of structural lock-in.

B. High Termination, Conversion, and Implementation Costs Discourage Provider Switching in Practice

Contractual rigidity is compounded by the substantial financial and operational costs associated with terminating a core provider relationship and migrating to a new system. Core conversions require extensive data migration, system testing, staff retraining, and coordination across business, compliance, and technology functions, often over multi-year timelines.[8]These costs are not theoretical. For community banks operating with limited margins and staffing resources, the prospect of a prolonged conversion process can outweigh the expected benefits of improved service or pricing, even where existing arrangements are suboptimal. The result is a powerful deterrent effect. High switching costs effectively insulate incumbent providers from competitive discipline by making exit economically irrational in many circumstances. Banks remain bound to providers not because those providers represent the best available option, but because the cost of change is prohibitive. Over time, this dynamic erodes incentives for providers to improve service quality, pricing transparency, or responsiveness to bank needs.

C. Bundled Service Models and Legacy Technical Architecture Prevent Modular, Best-in-Class Adoption

Dominant core service providers frequently market their offerings as integrated, end-to-end platforms that bundle core processing with payments, digital banking, card services, fraud tools, and data products. While bundling may offer administrative simplicity, it also restricts banks' ability to select best-in-class solutions on a modular basis.[9] In practice, tightly coupled system architectures make it difficult for banks to replace individual components without disrupting the broader platform. Legacy cores were not designed with interoperability or modularity as core principles, and integration with third-party tools often requires custom development, extended timelines, and additional fees.[10] This technical rigidity creates what many banks experience as an all-or-nothing choice: remain within the provider's ecosystem or undertake a full-scale conversion. Bundled pricing structures further reinforce this constraint. Providers frequently offer discounts contingent on adopting a broad suite of affiliated services, while imposing penalties or higher costs when banks seek to integrate unaffiliated vendors. These arrangements distort economic decision making by making specialized or superior tools financially unattractive, even where they would otherwise improve efficiency, security, or customer experience.

D. Provider Control Over Data, Development Timelines, and Pricing Reinforces Dependency and Introduces Operational Risk

Control over data access and interoperability represents another critical mechanism through which market power is exercised. Community banks often face restrictions on accessing,

---

[8] Alcazar et al., Core Banking Systems and Options for Modernization (describing the extensive planning, data migration, testing, and organizational coordination required for core conversions, often spanning multiple years).

[9] Alcazar et al., Market Structure of Core Banking Services Providers (explaining how dominant core providers have expanded through mergers and acquisitions to offer vertically integrated, bundled services across payments, card processing, and digital banking).

[10] Ibid., noting that legacy core architectures were not designed for modular interoperability and that integration with third-party fintech tools often requires custom development and additional fees).

extracting, or using their own data in formats compatible with modern systems, limiting their ability to integrate new partners or develop in-house solutions. Proprietary data schemas and constrained application programming interfaces reduce optionality and increase reliance on provider-controlled pathways.

Provider control over technology development timelines further constrains banks' ability to respond to market and regulatory changes. Banks must frequently wait for vendor prioritization, customization approvals, or development cycles before deploying new products or complying with evolving expectations. This vendor-driven pacing slows innovation and can leave community banks at a competitive disadvantage relative to institutions with greater scale or alternative technology options.

Pricing opacity and billing complexity compound these challenges. Community banks routinely report difficulty understanding, auditing, and reconciling vendor invoices, which may include layered fees, bundled charges, and variable pricing structures.[11] These practices consume significant internal resources and introduce avoidable operational and governance risk, particularly where billing errors are difficult to detect or challenge.

Taken together, these contractual, technical, and commercial practices convert market concentration into sustained operational fragility. Lock-in, opacity, and restricted interoperability constrain banks' ability to manage costs, innovate responsibly, and respond to competition. Responsibility for managing the resulting risks remains with the bank, even where the underlying constraints arise from provider behavior that banks cannot meaningfully influence. Absent targeted regulatory attention, these dynamics will continue to accumulate risk at the bank level rather than addressing it at the source.

III. AFC Supports Targeted Efforts to Realign Accountability, Transparency, and Control in Bank–Provider Relationships

The issues described above are not inevitable features of the core service provider market, nor do they require regulators to weaken prudential oversight in order to address them. Targeted efforts can mitigate the adverse effects of concentration, information asymmetry, and contractual lock-in while preserving the framework that governs the financial services ecosystem. The discussion below explains how OCC efforts can recalibrate incentives and responsibilities without displacing risk or weakening supervisory standards. Section A) explains how promoting competition, data portability, and interoperability can restore meaningful bank choice B) addresses how greater pricing transparency and contractual balance can reduce operational and governance risk and C) then explains how aligning supervisory expectations with banks' actual control over dominant providers can improve risk management outcomes and system-wide resilience.

A. Promoting Competition, Data Portability, and Interoperability Can Restore Meaningful Choice for Community Banks

[11] Ibid., Financial Stability Oversight Council, 2024 Annual Report (identifying pricing opacity, billing complexity, and concentration among third-party service providers as contributors to operational and governance risk at regulated financial institutions).

Regulatory attention to competition, data portability, and interoperability can reduce structural dependency without mandating specific technologies or providers. Clear regulatory signals encouraging open standards, reasonable data access, and reduced switching barriers would allow community banks to respond to market forces while maintaining operational stability.[12] AFC has strongly advocated for clear rules of the road regarding the movement of both consumer and enterprise data. Improved data portability and interoperability would enable banks to integrate unaffiliated, best-in-class solutions more readily and to transition between providers with less disruption. When banks can access and transfer their own data in usable formats, they are better positioned to negotiate terms, diversify vendor relationships, and manage third-party risk proactively rather than defensively. Importantly, these measures need not compel immediate conversions or fragment core systems. Rather, they can support incremental modernization and modular adoption that preserves continuity while reducing long-term dependency. By lowering barriers to entry and exit, regulatory encouragement of interoperability can strengthen competitive discipline among providers without introducing instability.

B. Greater Pricing Transparency and Contractual Balance Can Reduce Operational and Governance Risk for Banks and Spur Competition in the Core Provider Market

Enhanced pricing transparency and more balanced contractual practices would address a significant source of operational and governance risk for community banks. Clearer billing structures, standardized fee disclosures, and limits on opaque or difficult-to-audit pricing practices would reduce the resources banks must devote to invoice monitoring and error correction. Similarly, regulatory expectations regarding contract fairness could improve negotiating outcomes without dictating specific terms. Guidance encouraging reasonable notice periods, clearer termination provisions, and proportional exit fees would enhance banks' strategic flexibility while preserving providers' ability to recover legitimate costs. Such measures would shift contracts back toward their intended function as instruments of commercial exchange rather than mechanisms of structural lock-in. These changes would also strengthen governance. When boards and management can more clearly understand vendor costs and contractual obligations, they are better equipped to oversee technology strategy, assess risk trade-offs, and make informed investment decisions consistent with their institutions' size and complexity.

C. Aligning Supervisory Expectations with Banks' Actual Control Over Providers Can Improve Risk Management and Supervisory Outcomes

Finally, supervisory frameworks should recognize the structural constraints that limit community banks' control over dominant service providers. Aligning supervisory expectations with the degree of influence banks can realistically exercise would reduce unnecessary friction while reinforcing accountability where it can be meaningfully applied.[13] This does not require relieving banks of responsibility for managing third-party risk. Rather, it calls for supervisory clarity that distinguishes between risks within a bank's control and risks that originate with provider design choices, development timelines, or transparency limitations. Where risks are concentrated at the

---

[12] Ibid., Financial Stability Oversight Council, 2024 Annual Report (discussing the role of interoperability, competition, and data access in mitigating risks associated with concentration among third-party service providers).

[13] Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, Joint Statement on Banks' Arrangements with Third Parties to Deliver Bank Deposit Products and Services (Washington, D.C.: Federal Reserve Board, FDIC, and OCC, July 25, 2024), accessed January 26, 2026, https://www.occ.treas.gov/news-issuances/news-releases/2024/nr-ia-2024-85a.pdf.

provider level, regulatory engagement directed at those providers may be more effective than repeated bank-level remediation.

In particular, supervisory approaches should reflect the realities of core system modernization and conversion efforts undertaken by community banks seeking to adopt more open, modular, or interoperable technology architectures. Core conversions and platform modernizations are inherently complex, resource-intensive, and disruptive undertakings that often unfold over multiple examination cycles. Banks that proactively assume the operational and financial risk of transitioning away from legacy systems in favor of more open and competitive infrastructures should not be disadvantaged solely because these efforts require time, generate short-term disruption, or entail significant upfront investment.

Automatic or disproportionate ratings downgrades tied to temporary operational strain, elevated expenses, or implementation challenges risk discouraging precisely the type of responsible innovation that regulators have recognized as essential to long-term safety, soundness, and competitiveness. Banks that fail to modernize face growing operational, cybersecurity, and strategic risks; supervisory frameworks should therefore avoid penalizing institutions that choose to confront those risks directly through investment in new, more open systems. Thus, AFC respectfully requests the OCC and other prudential regulators to exercise supervisory judgment and flexibility in assessing management and earnings performance during good-faith modernization initiatives. A supervisory posture that distinguishes between unmanaged risk and well-governed transformation would better align incentives, support long-term resilience, and reinforce the principle that responsible innovation is not inconsistent with, but rather integral to, safe and sound banking.

Taken together, these considerations underscore the need for supervisory approaches that support responsible bank-led modernization. Targeted efforts from the OCC and other prudential regulators can address the structural constraints affecting community banks' relationships with dominant service providers while preserving the supervisory objectives of operational resilience, risk management, and consumer protection. By recalibrating incentives and improving transparency, regulators can help restore a more appropriate alignment between accountability and control while allowing banks and providers to modernize responsibly. Measures that promote competition, data portability, interoperability, and pricing transparency can reduce dependency and operational risk without mandating specific technologies or business models. At the same time, supervisory approaches that account for the practical limits of banks' influence over dominant providers can improve risk management outcomes and system-wide resilience. Collectively, these steps would address the underlying sources of constraint while reinforcing the prudential objectives that underpin the community banking system. Therefore, AFC respectfully recommends the OCC to collaborate with the other prudential regulators to find opportunities to address the issues discussed above in order to encourage competition and innovation in the core provider market.

* * *

The issues raised in this letter reflect structural conditions in the core service provider market that community banks cannot address through individual negotiation or market participation alone. Concentration among dominant providers, combined with contractual lock-in, information asymmetries, and supervisory expectations that often exceed banks' practical control, has shifted operational, compliance, and strategic risk onto community banks in ways that undermine competition, resilience, and their ability to operate sustainably over time. AFC respectfully requests the Office of the Comptroller of the Currency to pursue efforts focused on promoting competition, transparency, interoperability, and proportional accountability in bank–provider relationships. Targeted supervisory guidance, increased regulatory focus on provider-level practices, and clearer calibration of supervisory expectations to banks' actual control can mitigate these constraints without compromising operational stability or sound risk management. By addressing these issues at their source, the OCC can strengthen the community banking sector, improve system-wide resilience, and ensure that reliance on essential service providers does not become a persistent barrier to competition, innovation, or safe and sound banking.

Sincerely,

Ian P. Moloney
Chief Policy Officer
American Fintech Council