

FOR EMBARGO UNTIL TUESDAY, OCTOBER 29, at 6 AM PST / 9 AM EST



New Alliance Launches to Help Regulators Deploy Tech and Build Smarter Financial Regulation

Backed by Fintech Entrepreneurs and VCs, [Alliance for Innovative Regulation](#) (AIR) Launches at Money20/20

Washington DC – Tuesday, October 29, 2019 – To help regulators embrace technology and integrate innovation into their organizational DNA, Jo Ann Barefoot, former Deputy Comptroller of the Currency, and David Ehrich, co-founder of fintech credit card startup Petal, announced today the launch of [The Alliance for Innovative Regulation](#) (AIR). The organization connects fintech leaders, financial institutions, regulatory agencies—and their innovation teams—to work together on modernizing the financial regulatory system. [Thomas Curry](#), former Comptroller of the Currency and partner at Nutter, McClennen & Fish, will serve on the organization’s board of directors.

“Facebook’s Libra announcement is the latest recognition that fintech innovations are outpacing the tech-readiness of our system,” says [Jo Ann Barefoot](#), AIR’s co-founder and CEO. “To keep up with the exponential change of technology, regulators have to radically decrease innovation cycle-time and adapt quickly to new technologies.”

“Regulation-Innovation cannot be an oxymoron,” says [David Ehrich](#), AIR co-founder. “AIR’s mission is to help regulators understand new technologies and migrate from a mostly analog model to a system of digitally-native design.”

AIR is building on efforts in the UK—[including tech sprints](#)—to advance a more reliable, secure, and transparent financial system. AIR has already raised \$2 million in funding from leading fintech entrepreneurs and venture capitalists, including a 3-year seed grant from [Flourish](#), a venture of The Omidyar Group.

“We are excited to be part of this unprecedented alliance,” says [Kabir Kumar](#), director at Flourish. “We all want to build a fair financial system and that requires

informed regulators and strong institutions. The Alliance for Innovative Regulation is uniquely positioned to deliver on that vision.”

The funding collaborative for AIR is still expanding but is made up of key leaders from the fintech community, including founders, CEOs, and VCs, such as Chris Larsen, Ripple; Raul Vazquez, Oportun; Colin Walsh, Varo Money; Shamir Karkal, Simple; Josh Reich, Simple; and VC funders Arjan Schütte, Core Innovation Capital; Dan Kimerling, Deciens Capital; John Beccia, FS Vector; and Jeremiah Buckley, Buckley LLP.

The Problem:

The annual cost of regulation compliance is estimated at more than [\\$270 billion worldwide](#) (roughly 10% of bank operating costs), and US bank compliance spending has increased 60% since the 2007 financial crisis. Compliance expense drives up the cost, increases the barrier for new entrants, and creates a regulatory infrastructure that often precludes technological innovation—all at the expense of financial inclusion. In contrast, fintech companies are leveraging new technologies to drive better outcomes for more people at lower cost.

Regulators are unsure about how to modernize the regulatory system, but some international markets, such as Singapore and the United Kingdom, are leading the field of regulation innovation.

“In recent years there has been a growing enthusiasm on the part of US Regulators to embrace new technologies and collaborate internationally,” says [Nick Cook](#), director of innovation at the Financial Conduct Authority (FCA) in the UK. “By joining the Global Financial Innovation Network (GFIN) and playing an integral role in international events such as TechSprints, US regulators are recognizing the importance of cross-border collaboration in driving digital transformation across global regulatory system.”

Driving Collaboration:

One example is the first-ever [TechSprint on Financial Crime](#) in Washington, DC, for US regulators, produced this year by AIR in collaboration with the FCA. The TechSprint uses a “hackathon” format to help regulators source new technological solutions to age-old intractable problems.

“The goal is to create new models of collaboration between a complex network of regulatory agencies, and between regulators and industry,” says [Chris Larsen](#), executive chairman of Ripple’s Board of Directors, and one of the founding members of the AIR’s funding collaborative.

AIR's TechSprint earlier this year gathered 65 regulators from 16 agencies, which resulted in AIR providing technical assistance to six regulatory agencies on tech sprints.

"New and emerging technologies are poised to transform financial regulation, and AIR is a needed bridge between innovators and financial regulators," says [Thomas Curry](#). "The magic is when you sit an industry technologist side-by-side with a regulator to solve a mutual pain point. Diverse teams working in an intense problem-solving session can deliver results that are supercharged."

AIR Cofounders:

[Jo Ann Barefoot](#) is a former deputy comptroller of the Currency and staff member at the US Senate Banking Committee. A senior fellow emerita at the Harvard Kennedy School, she is publishing a series of papers on [regulatory innovation](#). Jo Ann is a member of the Fintech Advisory Committee for FINRA, a member of the Milken Institute US Fintech Advisory Committee, and chairs the board of the FinRegLab. She is co-founder of the regtech firm [Hummingbird](#) and hosts the podcast show [Barefoot Innovation](#).

[David Ehrich](#) has led innovation at American Express Prepaid and at JPMorgan Chase, where he was the head of credit card strategy and the head of strategic partnerships for the company's big data initiative. David was the national lead for Bank On and the architect of the [Bank On National Account Standards](#). David is also co-founder of [Petal](#), a credit card pioneering the use of cash flow analysis to expand credit access with safe and affordable credit to consumers with no credit history.

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About the Alliance for Innovative Regulation (AIR): *The Alliance for Innovative Regulation (AIR) focuses on accelerating the digital transformation of financial regulation. We generate thought leadership, connect and educate innovators, and run a policy accelerator to test and implement new regulatory technologies. For more information, visit www.regulationinnovation.org or join our community through [Twitter](#) or [LinkedIn](#).*