



JANUARY 24, 2022 (NO. 1)

FDIC and FinCEN Announce Digital Identity Proofing Tech Sprint

The Federal Deposit Insurance Corporation (“FDIC”) and the Financial Crimes Enforcement Network (“FinCEN”) earlier this month announced a Tech Sprint to develop solutions for financial institutions and regulators to help measure the effectiveness of digital identity proofing—the process used to collect, validate, and verify information about a person. Through the Tech Sprint, FDIC’s tech lab (“FDITECH”) and FinCEN seek to increase efficiency and account security; reduce fraud and other forms of identity-related crime, money laundering, and terrorist financing; and foster customer confidence in the digital banking environment.

Digital identity proofing is a foundational element to enable digital financial services to function properly. Identity proofing is challenged particularly by the proliferation of compromised personally identifiable information (“PII”), the increasing use of synthetic identities, and the presence of multiple, varied approaches for identity proofing. The FDIC and FinCEN will ask Tech Sprint participants to answer: “What is a scalable, cost-efficient, risk-based solution to measure the effectiveness of digital identity proofing to ensure that individuals who remotely (*i.e.*, not in person) present themselves for financial activities are who they claim to be?”

In the coming weeks, FDIC and FinCEN will open registration for this Tech Sprint. Interested organizations will have approximately two weeks to submit applications. The Tech Sprint will encompass a review of applications, grouping into teams that will work together over approximately three weeks to develop solutions to this challenge question, and invitations to participate in a virtual “Demo Day” of short team presentations to a panel of experts for evaluation. At the conclusion of the Tech Sprint, the FDIC will publish all team presentations and recognize teams based on several criteria detailed in the forthcoming prize notice.

As innovation and digitization of services across the financial services industry continues, from FinTech lending platforms to digital banking, this undertaking by the FDIC and FinCEN provides further insight into the efforts of federal regulators to better understand and regulate participants in this constantly evolving landscape. (See also [“Community Bank Access to Innovation through Partnerships,”](#) Board of Governors of the Federal Reserve System, September 2021.) As federal regulators are seeing, for every friction-reducing innovation that makes the financial services customer experience less cumbersome and quicker, there is a countervailing risk of abuse by bad actors

who see reduced friction and ease of transaction as an opportunity to defraud financial institutions or steal the identities of consumers. Naturally, the technology industry continues to innovate and improve prevention and detection methods as these institutions and their regulators struggle to keep their red flags and identity theft prevention programs up to best practices in order to best protect their institutions and their customers.

The Tech Sprint initiative is an opportunity for companies that are developing and improving more robust digital identity verification methods to showcase their solutions to an expert panel and encourage the FDIC, FinCEN, and other regulators to support and promote the adoption of these new technologies by supervised institutions, particularly small and community banks that are driving much of the innovation in FinTech.

For assistance with submitting an application to the Tech Sprint, or for more information on bank regulation and FinTech-related issues, please contact [Scott D. Samlin](#) or [R. Andrew Arculin](#) in the firm’s [Financial Institutions Litigation and Regulatory Compliance \(“FILARC”\) practice.](#)

Scott D. Samlin
212.885.5208 | scott.samlin@blankrome.com

R. Andrew Arculin
202.420.2720 | randrew.arculin@blankrome.com