The FDIC Podcast – Banking on Innovation

SULTAN MEGHJI: So, welcome to the FDIC podcast. My name is Sultan Meghji. I'm the Chief Innovation Officer and I have stolen the podcast today from your usual host, Brian Sullivan, to launch what will be a new series of special event podcasts that we're going to release over the coming months and years on innovation. For those who don't know, I'm about 45 days into this job at the FDIC. And I'm very fortunate, so early on, that we can launch this and to introduce our first guest, the Chairman of the FDIC Jelena McWilliams. Chairman, thank you for joining us today.

CHAIRMAN McWILLIAMS: Thank you so much Sultan. And I have to tell you, it may have been 45 days, but we're equally excited as on day one and as we're going to be for the next 45 days and so on.

SULTAN MEGHJI: That's great. I am I've been drinking from a bit of a fire hose and it's been a heck of an introduction to government service. And that's actually where I wanted to start. For those who are used to the FDIC Podcast, this is going to be a little more informal, a little bit of an inside look as to how we do things. But one of the first questions I wanted to have for the chairman was, you know, you started looking for the job that I'm currently in *years* ago. And I wanted to talk about what the genesis of that was. Why did this become such an anchor for you very early on in your tenure?

CHAIRMAN McWILLIAMS: So, from day one at the FDIC, I realized that regulators are generally hesitant to embrace innovation. Why? Because anything new and novel brings risk to the system. And our job as regulators and bank supervisors, and folks responsible for financial stability of the United States, is to minimize risk in the system. But there is a trade-off. If you want to minimize risk in the system, you basically have to go with the safest option available. And quite often in the past, on the regulatory side, we have interpreted 'the safest option possible' to be the status quo…things that we know how to do…things that we've been doing for decades…things that have been done the same way over the years.

And so, from my perspective, I sat here at this at this venerable position as the chairman of a very prestigious agency and I looked at the landscape of community banks in the United

States. And at the end of my first year in the office, we lost about 220 banks to mergers and acquisitions. And this was during the exceptionally good economic time when we had basically zero bank failures.

So, I've been thinking a lot about how can we ensure that community banks in particular in the United States have an opportunity to remain in the business of banking and competing with their bigger brethren, and as well as the technology companies that are coming into the banking space? And this is where the issue of innovation became not a question of shall we, shall we not? But how can we do it? Because we *must* do it in order to enable community banks to survive and also to allow banks to offer banking channels, products, and services, to millions of Americans that are currently not banked. Basically, we have to allow innovation to prosper in the banking sector in order for us to democratize finance and reach what I've learned from you, Sultan, is basically that 'last mile,' the seven million unbanked Americans.

SULTAN MEGHJI: Let's talk about these themes of innovation. But I, I will disclose, and I will agree, there is no script to this podcast. This is the chairman, and myself, just having a conversation. And I'm, I'm quite honored that we can do this because I think it's going to be a lot of fun as we, as we dig into this.

But let's talk about these themes of innovation. So, the first theme, and it came up very quickly in our discussion already, is inclusion. And how do we think about building diverse, equitable, and inclusive banking products and services in this market? And then how do we, as a regulator, push ourselves to be more inclusive, to build more equitability. And, I would highlight our recent report that Nikita Pearson and her team have just put out. And I'd wonder if you'd care to comment about the linkage between inclusivity and innovation in your mind.

CHAIRMAN McWILLIAMS: So, the connection and the juxtaposition and the, I would say, a 'bridging' of those two themes, is something that we as regulators have not really thought about in the past. But one of the highest priorities to me as the chairman is to expand financial inclusion in the United States. And, you know, I have a personal story there that I occasionally share with people. And since we're not scripted, I'm just going to say it again.

I basically…you notice a little bit of an accent. I wasn't born and raised in the United States. And I came here by myself on my 18th birthday as an exchange student with $500. And pretty quickly after I arrived…actually on day two, my first *full* day, really, but day two as I arrived in the United States, I opened up a checking account because I knew I had to put my $500 in a safe place and I trusted that a bank in the United States would be safe. And back then, I didn't even know about the FDIC and the deposit insurance that it provides.

So then on day three, I realized, well, everybody has a credit card in America so I should have a credit card in America! You know, you just want to belong somehow and I thought maybe the credit card would make me look more like the other people in the grocery store. And so, I applied for a credit card and I got very promptly declined because I was what we now call a perfect ninja—no income, no job, no assets, and certainly no credit score in America on day three.

And so, I applied for what the bank offered me, which was a secured credit card. So, I sent I believe it was about $300, maybe $350 of the $500, to the bank and the bank issued me a secured credit card in that amount. And so, I had to explain to my father back in the former Yugoslavia, where the banking system had collapsed that, "you know the $500 you gave me?" And he basically borrowed that money to send me to the United States with. "…well, I sent $350 to a bank so the bank is holding on to that money. But I can borrow against that money." And *that* concept made *no* sense to somebody who has not been born and raised and understood the banking system in the United States.

But in the United States, it *did* make sense because that unsecured…I'm sorry, I'm sorry..the *secured* credit card led to an unsecured credit card and that unsecured credit card led to a good credit score, because I was making my monthly payments on time, and the expanded credit limit from time-to-time, which then allowed me to apply for student loans and finance my education and later on, purchase my vehicle, my first car, as well as a home.

So, the dream of American homeownership became available to me through that building of the credit. And so when we talk about democratizing finance, when we talk about financial inclusion, we must not underestimate that for the seven million Americans that we know don't have a checking or savings account, do not have a relationship with a bank…

A. it becomes prohibitively expensive to be unbanked because everything you have to do, there are fees that are actually in many cases, much higher than what the bank would charge you, if at all, for the same services. And…

B. they never get to the point of building their credit history in the United States and they never get to the point of being able to finance their education or purchase their first home on credit.

And so, when you think about belonging in the United States, and you know, this theme of diversity and inclusion and equity has been really pervasive in the last few years in the regulatory circles, as well as in broader government and national discussion as well. When we talk about belonging and having folks from all backgrounds feel like they are part of the United States fabric, we talk about those that have, and those that have-not. And those that have-not will not become a part of the system, they will not feel like they belong so as long as we don't have the emphasis on including them in the system.

So, you mentioned [our Diversity, Equity, and Inclusion report] that we just issued. And it's our internal dynamic, it's our own internal agenda to basically increase that sense of belonging into the agency, but it has an outward facing component, which is how can we help our financial institutions, the banks that we regulate, become more inclusive and offer products and services to their customers? And this is where innovation is, I believe, a key component.

SULTAN MEGHJI: It's an amazing story Chairman and I have heard you tell at least part of that story once or twice. And actually, I'll tell you the very first time I heard that story, I was reminded of the fact that my father basically was a refugee from Africa. He was living in Tanzania and the government decided that certain racial and ethnic groups should not own property. They just said, okay, you don't get to own property, we're seizing the land, but then they also seize the bank accounts.

And so, when my father left Tanzania for the United States, he basically had the money that was in his wallet. And it took even with a high degree of education, great skills, everything, everything, it still took him eight years from the day he landed to the day he could get a mortgage and that's the world I grew up in…was not having access to that. And so this, this notion that we have an entire segment of our population that do not have the full opportunities that the rest of our population do because of lack of access to the right banking system in a way that brings them in really bothers me. And I hope you can tell that it really bothers me. It's one of the reasons I do this kind of work.

But when we get to that last mile question, one of the things that I'm struck by is that we have some amazing banks in the system, doing some really great work and others that really could learn from them. And we see a real challenge in communication between the banks that are doing really amazing things to get that last mile solved and those that don't and we're going from a traditional have and have-not environment that you just described to one where we're in a digital have and have-not environment and there are a lot of banks that aren't able to leverage technology for inclusion. As we think about that, what do you think are some of the things that you would hope for us to achieve in inclusion from an innovation perspective over the next few years?

CHAIRMAN McWILLIAMS: That's a great question. And frankly, the question behind my desire to hire somebody with your background and your profile, and I would like to touch upon that in this podcast a little bit, because there's, there's a unique perspective to you that was really attractive to us.

We had been looking for an Innovation Officer for a long time. In fact, we spent more than two years and multiple, multiple, postings for this job. And at some point, I think people just assume I'm being exceptionally difficult, because we looked at hundreds, and I believe well over a thousand, if not a couple of thousand resumes in this process. And you stood out because you have been able to in your career focus on not just technology and what technology can do to challenge the status quo and make our banking system better both from security…cybersecurity, national security, et cetera points…but also you have spent some time in what we call, not the developed world, *developing* financial services and banking channels in certain countries.

So, I would say that the component of innovation in its ability, the capacity of innovation, to make these channels and services available to more people and bring more people into the fold. People like your father, who even though highly educated had to spend some time, almost a decade, building a credit history worthy of a mortgage in the United States. And people like me who come from immigrant background and from countries, frankly, where the banking systems have collapsed. And the level of trusting the banking system is just not there.

But I would like for you to maybe briefly discuss, I'm going to flip this on you, I'm going to run this podcast for the next 35 seconds. So, I was curious if maybe you can give us a little bit of an overview of what you have done in Africa, in particular, on financial inclusion and your goals when you were on the continent just trying to make the banking services and financial services available to the masses.

SULTAN MEGHJI: Thank you for bringing it up. It's an area of my background I'm quite proud of. And I'm a very lucky person in so many ways. I've had the opportunity to live in multiple countries outside of the United States and work in a variety of different ways. And a few years ago, I had the opportunity working with a couple of global NGOs to go on the ground in Africa and actually visit where my father was from for the first time. And it was specifically to look at bringing financial inclusion especially to women and especially to women-owned businesses in Tanzania, Kenya, and Uganda.

And it was an absolutely fantastic program in a very robust FinTech ecosystem, but they were a little bit ahead of the curve because the FinTech ecosystem, the banks, the telecommunications companies, and the central bank regulators were all working together. And they were all meeting often and they had a very free flowing dialogue. And it was a great opportunity. And there wasn't a big divide between those communities. They all saw this need. They saw a massive under-banked population, especially in women, who were in many cases, the primary breadwinners of their households. And there was no way for them to enter the banking system.

And so, we created a number of different channels for them. One is we extended…it would look a lot like a traditional branch extension environment here in the United States but it was very focused. It was almost like little bodegas, you know, little stands where you buy groceries or soda or something like that, far out. And all it was, was an older smartphone and someone trained to communicate with that person, usually also a woman, who would say, “okay, here's how you create your account. And here's how you plug it into your prepaid cell phone.” Because, as I'm sure many people know, over 80 percent of cell phones globally are actually *prepaid*, not postpaid…the U.S. is a bit of an exception in that.

And so that was one avenue. The second was finding ways to take older, refurbished, previously used devices and put them in the hands of children and young people…again, especially women…so that they could get access to the banking system and that allowed them to then have access, because they now had the smartphone in their hand, to go off and get educated, or log on to Khan Academy, or a variety of other situations like that. And what we did is, by just providing those avenues, hundreds of thousands of people in the first year entered the banking system. And that's actually the genesis of why I'm in the banking system today and why I came back to the U.S. and said, “Okay, if they can do that in Africa with frankly, quite little money, what can we do here?”

CHAIRMAN McWILLIAMS: And, you know, at one point when I served in the Senate on the Senate Banking Committee, I remember doing a survey of how many financial education programs the United States government was funding. And I recall this was about seven, eight years ago. I recall there being over 50 different financial education programs. And then yet I recalled when I was at the Federal Reserve in 2007, ’08, ’09, ’10 doing consumer testing and basically asking consumers, “Do you understand these terms?” And almost universally, people were struggling to understand the difference between certain financial terms, especially in mortgage disclosures, such as the difference between the interest rate and the Annual Percentage Rate, et cetera.

So, when I came to this job, I was thinking, so we have 50-something, federally financed financial education programs. And yet we have seven million people who are unbanked, and we have many, many more millions who probably don't have the full extent of the banking services available to them, or who don't know how to avail themselves of the benefits of the financial system.

And so, the question then became, well, what can we do to bridge that gap? And as you mentioned, if countries that don't have the resources… of what is essentially the wealthiest country in the history of mankind…to educate, to expand financial services, to include more people into the banking fold. And if you can do that in Africa, why can't you do that in the United States? Why hasn't it been it been done? And so, you were hired to do exactly that! So, I know it's day 45, 46, but you know the Chairman also has a favorite saying, “what have you done for me today?” And, and all joking aside, we are looking forward to the utilization of the FDIC brand…the recognition that we have as a federal agency that's been around since 1933…the trust that the American people have put into the Federal Deposit Insurance Corporation over the decades…to leverage that and to use our resources to expand financial services in the United States.

And so, you talked about the four main streams of what we're trying to accomplish. So, I'll give it back to you now to maybe expand on, one-by-one of those four. Because I just loved the way you have structured the thinking and the execution around the four main streams where we're engaged on.

SULTAN MEGHJI: Okay, great. So, let's talk about resilience, because we've talked and talked about the safety and soundness of the system and you and I think both have very personal stories that talk about why the banking system in the United States is just so attractive and so meaningful and so impactful. And, you know, we, unlike almost every other country in the world, have anchored our success as a nation on an economic system…on the most robust, most secure, most straightforward banking system in the world. It might not seem like it's others, but it's incredibly straightforward because of how our government operates, because of how the different agencies operate.

We do not have single points of failure like a lot of other countries do. We do not have the structural limitations that non democracies have. And so, we have this amazing opportunity to leverage that as a broader discussion about American competitiveness, which we'll get to, but from a resilience perspective for the last 75 years, we've had this amazing banking system that pushed and pulled on each other, the market had tremendous competition. At one point, we had tens of thousands of banks. Now we have just thousands of banks and we have lots of FinTechs and we have other players, we have tech companies…as we talk about the resilience of the system, as we look in the face of global competition and banks from Europe and FinTechs from Europe coming here, you know, would you mind spending a few minutes talking about why you think we've had such a robust system, but then also talk about where you think we could do more?

CHAIRMAN McWILLIAMS: Absolutely. So, I would say that for years in the United States, it really was the competition among the banks themselves that drove the innovation and technology developments within the banking system. And, you know, when I talked to people about banks and innovation, some folks think it's like a new concept. It really is not a new concept. You know, it, banks have been innovating since the Medici brothers created the banking system in what was then feudal Italy and created a double-sided ledger.

And so, when we think about innovation, it can be anything from banks offering credit cards…you know, credit cards were such a novel idea when it first came out…and so over the years and over the decades, you saw that competition being driven by banks themselves and the consumer demand. And really, when I think of the United States and I, you know, a lot of people have the privilege of birth, what I call being born in the United States. I have the privilege of seeing the United States from the outside-in and wanting to become a part of the system, in large part because of the entrepreneurship component that is probably, and I would say quite visibly, more pervasive in the United States than almost any other culture.

You know, in a lot of cultures, when we talk about entrepreneurship, there's a necessity to be an entrepreneur because there's no other way for you to succeed or to create something that's not there. In the United States, you don't become an entrepreneur because you *have* to, you become an entrepreneur because you're looking at a system that's functioning rather well, and you actually have a *better* idea how to do something. And that's really how innovation has prospered in the United States banking system over the years.

And, and over the years, I think also people on the outside, sometimes bad actors, have looked at our system and wanted to take advantage of the technology, of the trade secrets, of the mechanisms through which we move money and we safeguard our system.

And this is really where your component of resiliency comes into place. So, the system has to be resilient in order for you to be trusted. And for the FDIC, *nothing* is more important than the system to be trusted so that consumers have trust in their banks and have trust that the FDIC stands behind those banks should the bank fail. But we have national security, frankly, concerns with some of the cybersecurity breaches and the theft of that technology. And so, we are constantly thinking about, you know, certain legislation…certain laws that are *called Bank Secrecy Act* and *Anti-Money Laundering Act*…and how can we allow our banks to move money without violating laws and enabling bad actors to prosper. So, this is where some of *your* expertise…and I think you have really interesting background in this space, not just financial inclusion…comes in very handy. So, I will, again, flip it on you and ask you to tell us a little bit about the national security component of your prior work.

SULTAN MEGHJI: Sure, when the original technologies of the internet were being developed, one of the things that was very much part of those conversations was resilience. And so, when we designed the actual network technologies that we all rely on to make the internet work, there was a very clear notion that said, we don't know where this is going, but we have to build a system that is resilient enough to adapt to what is coming. And so, the way your computer talks to another computer…the way the software the Chairman and I are using right now to record this and send that data over the internet to other locations…that was all designed not even thinking about what we were going to do with it today. And this was 30, 40 years ago. And one of the things that I'm *really* concerned about…and it's something that I think is we can't make too much of a topic of conversation…is making sure that we aren't just designing point solutions for the problems of today and we have to think about broader spectrum problems.

And so, as we think about designing and banking technologies and incentivizing the right kind of development of banking technologies, I really hope…and it's something that you and I've spoken about and we'll continue to talk about…is how to engineer for resilience. How to make sure that people are building things that are open, extensible, that have standard interfaces, that are secured so the data is encrypted as it flows between systems, as well as while it's resting in systems…that we use multifactor authentications. These are all critically important things and I do worry that there are a lot of institutions out there that have a lot of work to do to come up to spec and kind of design themselves for the future. So, that's the first part of me trying to answer your question, Chairman.

The second piece on the national security side…and I'm incredibly fortunate to be a scholar at the Carnegie Endowment for International Peace where we've been working on something called the *FinCyber Project*. And that's designed to build this discussion into the global discussions around the security of the financial system. You know, we looked at things like the Bangladesh incident that happened a few years ago. We look at things like *SolarWinds,* and we really try to create the right dialogue so people can build systems moving forward that are more secure.

I would also say that, you know, one area that we can't be too thoughtful about is looking at bad actors or nation states that might not necessarily be our closest allies, investing in companies in the United States in order to get access to their source code. And people should be very thoughtful about that. And there's obviously there's *CFIUS (Committee on Foreign Investment in the United States),* and there are other mechanisms inside of the U.S. government that allow us to observe that. But as we think about this, we are in a situation where federal funding for primary research, especially on the technology side, has decreased quite a bit over the last few decades and private sector investment has gone up but not necessarily enough to match it. And so, we're in a situation where maybe the wrong actors are funding investment and maybe now we have a little bit of catch up to do.

I will highlight quantum computing just as one example where I think we are playing a little bit of catch up and you know, the *National Quantum Informatics Act* that was passed, I believe last summer, is a good step in the right direction but it is not a place necessarily where the U.S. is a leader. And we look at 5G as an example of where we abdicate our leadership and technology a little bit there as well. And I think for us, or should I say for me, one of the challenges at the banking system-level is it was engineered for a certain way of operating a while ago. You know, maybe the ’80s or the ’90s, and we're in a slightly different environment now. You know, digital payments activity, you know, more offensive technical capabilities by the bad guys. And we need to start coming up to speed on that. You know, we call that broadly speaking ‘cyber debt’ and just like debt is, in many cases, not a great thing to have, but cyber debt is especially not a great thing to have.

Okay. So, our third theme is amplification. Our theme around amplification is really about letting people be the experts that they actually are and not manhandling a process or having to manhandle a piece of technology to get there.

You know, I think we've all seen situations both inside the FDIC, as well as across the system, where people spend a lot of time on process and less time on actual progress. And so, you know, as you look at this organization and you look at how we operate…not just FDIC, but how we examine the banks and how the banks themselves operate…are there some specific areas where you are especially interested in us being able to amplify our people? And by our people, I mean the entire banking system.

CHAIRMAN McWILLIAMS: Sure. No, absolutely. Absolutely. And I'll start by truly our people, which is the FDIC employees. And for folks who actually understand bank regulatory regime in the United States, there are three prudential banking regulators: the Federal Reserve, the Office of the Currency Controller, and the Federal Deposit Insurance Corporation. And so, we're known, the FDIC is known, as the agency of examiners. And so, it's truly the majority of our workforce are actually bank examiners. And over the years, we've kind of had our examiners specialize in certain disciplines, you know, safety and soundness or consumer protection, anti-money laundering that we talked about earlier and IT, et cetera. So, they go through an extensive training. This training takes about four years. We spend a lot of time and a lot of resources educating, training and commissioning our examiners. And so, for a number of years, we have been thinking about what is the right concept of an examiner with respect to information technology.

Our examiners now have to go into these banks that are becoming more technologically advanced and understand the technology behind the banking channels and services and compliance framework in order for them to understand, is there a safety and soundness or consumer protection issue here? And so, we are beginning to grapple with this. We have been grappling with this decision for some time, but we're beginning to think about amplification that you talk about differently, even by virtue of how we train our examiners and understanding that almost every examiner we hire and we commission and we train, we will have to train to be an IT specialist instead of having this just separate group of IT specialists, et cetera. So, it's something that, as an agency we're thinking about, but also leveraging, you know, speaking more broadly, leveraging the expertise of technology and the channels we have available to us as a regulatory body to make our banks be able to amplify through different channels, the technology that they have, the channels that they have, to create partnerships that actually make the system better.

I'll give you an example of where we found an opportunity for really meaningful partnerships. There was a concept that is called Minority Depository Institutions in the United States. We call them MDIs, abbreviated. And these are banks that generally have 50 percent plus minority ownership at the bank. And they serve low- and moderate-income areas that are quite often populated by minorities in the United States. And so, these banks are really focused on, you know, Asian community, African American community, Hispanic community, Native American community, et cetera. Some serve of immigrants and that's, that's the component they have, that's common to them, but generally they're called Minority Depository Institutions.

And so, for a number of years, we have had our MDIs struggle to attract capital to their banks. You know, they're much smaller in scale and asset size than some of their competitors that are generally community banks or larger banks. You know, the banks whose branches you see on every street corner. And so, we have thought about, how can we help these MDIs, how can we utilize and amplify what's available in the system for this MDIs to be able to avail themselves and amplify what they have at their disposal to create even more progress in their communities with respect to homeownership, access to credit, et cetera.?

So, we have created you know, we call them a speed dating events. I labeled them speed dating…our lawyers are upset about my speed dating reference because we're, you know, the serious agency. But nonetheless, they're still speed dating. We basically get MDIs and non-MDIs, basically all other banks. We get them in the room at these events. And we basically asked them to sit around a table and talk to each other, to see if are there opportunities to exchange technical knowledge, to invest capital so that the non-MDIs, non-minority banks, would invest capital into the Minority Depository Institutions…that that institution could then use and create lending opportunities for their community, et cetera. So, we have done that.

We have also looked into ways in which some of the expertise that the larger banks have developed can become available to the smaller bank so that they don't have to invest money and resources into developing new technology, but they can avail themselves of the technology developed by larger banks that have more resources and easier efficiencies of scale, et cetera.

So, I think there's an opportunity to think about amplification through so many different facets and through so many different lenses that would not only make our system safer… going back to your point of resiliency and financially more inclusive, going back to the first point about inclusion…but also for the sake of just system itself and how we build that infrastructure for the next century of banking.

But I think all, you know…this, this will bring us to our last point on our four points…making sure that the American banking system remains competitive. And I often joke that I didn't come to the United States for the United States to be number two. You know, there's something when you're born and raised outside, you look at the United States and it's this shining light, you know, the star in the sky. And you're like, well, if I could just make it to that star. And you look at the United States as setting an example in so many different fields from technology to entrepreneurship, as I mentioned, to prosperity, to thinking about opportunities for people who maybe, you know, don't come from the right class or don't come from the right background…and in a lot of other systems, you're just locked in your class and your background. And so, when we think about that, we want to create all of this with a view that it should enable American financial system to remain utmost competitive and not just utmost competitive, but the number one financial system in the world.

SULTAN MEGHJI: I think if there's a single quote to take from this entire podcast, I think you just gave it because I don't think there's anyone in the banking system who wanted it to be the second-best banking system in the world. We're all here to make sure that it is the first, the best and continues to be that way for our grandkids.

So that's a great quote, and it gets us to the very last point, which is about the future and protecting the future. And I've been quoted a few times talking about Elon Musk of maybe putting a bank on Mars or in his Starlink satellites or whatever but at some point, we have to start really thinking about the future and very strategically about the future and what that means. And it could be quantum computing…we're already talking about artificial intelligence and digital assets. And I want to dig in on two points about this.

Number one is: How can we, as regulators, help guide this and help incentivize the right kind of behavior? And then the second is around: What are some things that bankers who are listening to this conversation today, because I'm sure there'll be a lot of bankers listening to this, what's one thing that you think they should be doing today to prepare for that future?

CHAIRMAN McWILLIAMS: Those are great questions. And I would say your first question, what can we as regulators do? I strongly and firmly believe that we can do a whole lot more than *we* think we can and that *others* think we can. And one of the main things is not to be an obstacle to innovation, not to be the impediment, not to be the roadblock. Right? And to understand that that, yes, we want to be as risk averse as possible. Yes, we want to minimize risk in the financial system. But sometimes we have to understand that in order for us to minimize risk and to have the tools available to us to minimize that risk, we have to be open to introducing new risk to the system and then managing it appropriately.

But this is an opportunity for us to, actually I would say, flip the switch and say, okay, let's be open to introducing some level of risk into system. Let's make sure that we understand what that risk is, how to regulate it, how our regulated entities will manage it, and let's not just turn into an agency of "no," saying, "no, you can't do it"…because we're going to shortchange ourselves and we're going to shortchange American financial system. And by virtue of that, millions of customers and consumers down the road.

And I would say on the second point, what can banks do? Banks can do a lot. And here is where there's the issue of the legacy systems that banks are bogged down. And when you talk about, you know, you mentioned your experience in Africa, being able to develop these new systems in, you know, in countries that are not as developed as the United States. So, having such a long history and profound history vis-a-vis the banking services and channels, and the decades, and, you know, a couple of centuries of the banking system in the United States, is such a plus and historically rich area to talk about.

But it's also a *minus* because we have, you know, I call it when you buy a fixer-upper and you're in your dining room and you realize there are like seven layers of wallpapers, and you're looking at this and you're saying, "what am I going to do with seven layers of wallpapers, or just want to slap another layer of wallpaper on top of that, or do I just really want to peel off all seven and start anew?" And so, what I would urge us to do is be open to peeling off the layers of the wallpapers and for banks to do that as well. And think of new technology not just as the updates to the existing system, but rethinking the system anew, and this will take both the will and financial resources to do that. But in the long term, it will make those banks more resilient. It will allow them to amplify the technology that they have and all of that will allow them to not only remain competitive in the American financial landscape, but also to bring more consumers into the banking fold.

SULTAN MEGHJI: Well, and you've just highlighted another theme to this entire discussion that I hope the audience heard, which was, you know, innovation is very little about technology. It's very little about organizations. It's about culture. It's about will. It's about knowing that we *have* to do these things. It is no longer optional and that if we're going to continue to be number one, this is what we have to do.

So, with that, I wanted to thank Chairman McWilliams for joining us on our inaugural innovation podcast, which I am tempted to now call it "From Medici to Quantum Computers." But let us know what you think! Innovation@FDIC.Gov is our email. We'd love to hear from everyone listening to this. We obviously would love to hear feedback, but also thoughts and ideas about other topics that we should be talking about. So with that Chairman, thank you so much. And we'll talk to you all soon.