Supervisory Guidance – Tabletop 5

Background
While community banks can develop in-house solutions to access and use novel technology, many community banks find it more efficient to partner with a fintech that specializes in the field. However, banks are still responsible for managing risks that arise from third-party relationships, ensuring that the third-party’s activities are performed in a safe-and-sound manner and in compliance with laws and regulations. Agencies will examine whether banks adequately conduct due diligence and ongoing monitoring of each of the bank’s third-party relationships.

Discussion Questions
1. What are the factors that inhibit the adoption of technological innovations, or on-boarding of third parties that provide technology and other services by community banks?
2. Are the current requirements reasonable and is agency guidance sufficient to guide bank-fintech partnerships?
3. Is current guidance “harmonized” across the different agencies?
4. Would shared due diligence assist and ease the due diligence burden?
5. What are the specific challenges related to due diligence and ongoing monitoring of such third-party providers?
6. What are the specific challenges related to the review and validation of models provided by such third parties?
7. How can the regulatory agency make the due diligence process more efficient for community banks?

Reading Material
- 5 policy hurdles thwarting federal regulators’ fintech ambitions
- Agencies formally propose rule to weaken role of guidance
- Direction of Supervision: Impact of Payment System Innovation on Community Banks
- Conducting Business with Banks – A Guide for Fintechs and Third Parties