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FDIC PROPOSES CERTIFICATION PROGRAM FOR FINTECHS

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On July 20, 2020, the Federal Deposit Insurance Corporation (FDIC), as part of its FDiTech initiative, released information regarding a proposed public/private standard-setting partnership and a voluntary certification program. The proposed partnership would be intended to promote the adoption of new technologies to further innovation across the banking sector. Using the program, FDIC-supervised financial institutions could standardize their due diligence and oversight practices to achieve enhanced compliance and reduce associated costs. The standards for assessing models and the voluntary certification or assessment program would allow financial institutions to have more confidence in the models, technology and other services provided by fintechs and aid in their ability to fulfill their management responsibilities for significant third-party relationships.

The FDIC acknowledges that the banking sector is constantly evolving and functions that once were performed in house are now being accomplished through third-party models and technologies. The program aims to facilitate the continuing efforts of banks to become more efficient through the adoption of new technologies and the use of third party services. Financial institutions, particularly smaller community banking institutions, have indicated that the costs associated with acquiring and managing innovative third party resources can be prohibitive.

The FDIC issued 26 questions for feedback. The FDIC is seeking public input on different models and technology services developed and provided by fintechs and banks' efforts to implement models and conduct due diligence on third-party providers. The FDIC is particularly interested in understanding due diligence elements associated with third-party providers that support deposit-taking, lending and payment functions and various corporate activities including payroll and human resources activities.

Comments are due within 60 days. Even as the Office of the Comptroller of the Currency and the FDIC have taken steps to facilitate bank-fintech partnerships in the lending space, more can be done to facilitate innovation more broadly. See, e.g., our Alerts of June 26, 2020, and February 26, 2020. We routinely advise on bank-fintech partnerships, bank oversight responsibilities and the development of fintech products and services. Let us help you! ☐

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