



# Developing a Fintech Compliance Roadmap

Utah Bankers Association

October 27, 2020



# Agenda



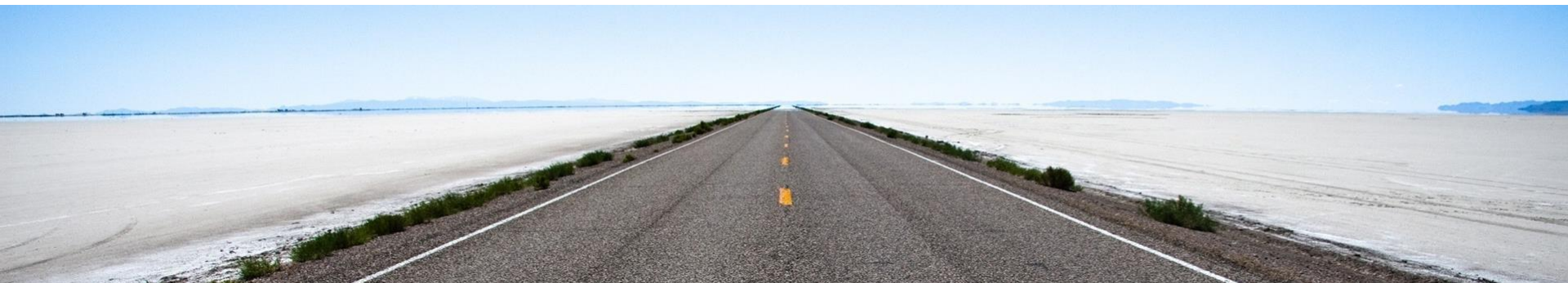
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- A Comfortable Ride / Choosing a Fintech Lending Partner
  - Are we there yet? CMS Overview
  - Building the Infrastructure
  - Roadwork Ahead
  - The End of the Road – or is it a Roundabout?

# A Comfortable Ride



## Choosing a Fintech Lending Partner

- Choosing a compatible fintech partner to meet the bank's needs is first and foremost.
- Rely on your vendor management program's general criteria to begin the selection process:
  - Does the product 'fit' within the bank's culture and customer expectations?
  - Can the product parameters be modified to meet the bank's expectations?
  - Is the system compatible with the bank's current operations?
  - Is the product adaptable as conditions change over time?
  - Does the fintech guarantee minimum service levels and provide for disaster recovery and business continuity?



# A Comfortable Ride



- As you begin to narrow down the field, focus on parameters more specific to the fintech lending partnership:
  - Lending experience and expertise
  - Security and privacy
  - Regulatory compliance considerations





# Are We There Yet?



An effective Compliance Management System (CMS) has two interdependent control components:

1. Board and Management Oversight
2. Compliance Program, which includes:
  - Policies and procedures
  - Training
  - Monitoring and/or audit
  - Consumer complaint response
  - (Vendor Management)



# Building the Infrastructure

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## GOVERNANCE and OVERSIGHT

- Bank Board of Directors vs Fintech Board of Directors
- Is a substitute governance body necessary?
- Operating charter
- Designated Compliance Officer/Specialist
- Periodic reporting



# Building the Infrastructure

## POLICIES and PROCEDURES

- Overarching CMS Policy
- Product Definitions
- Regulatory Applicability Matrix
- Policy Template
- Policies based on the Applicability Matrix
- Operational Procedures





# Roadwork Ahead



## COMPLIANCE TRAINING

- Off-the-shelf or customized?
- Recording and Reporting
- Capture it all!



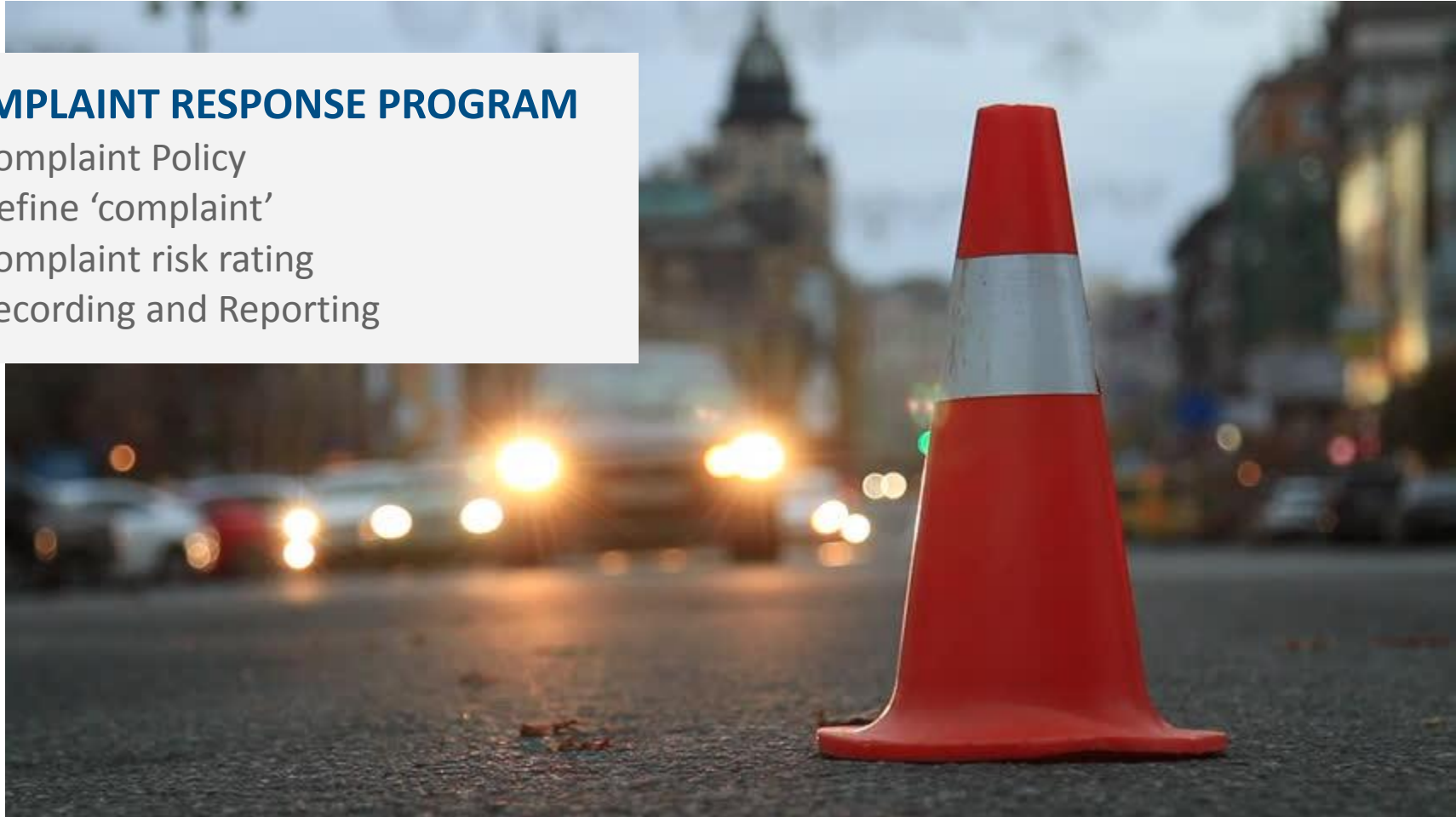


# Roadwork Ahead



## COMPLAINT RESPONSE PROGRAM

- Complaint Policy
- Define 'complaint'
- Complaint risk rating
- Recording and Reporting





# Roadwork Ahead



## COMPLIANCE RISK ASSESSMENT

- Intersection: Regulatory Applicability Matrix
- Intersection: Monitoring/Testing/Audit

# Roadwork Ahead



## MONITORING/TESTING/AUDIT

- Intersection: Regulatory Applicability Matrix
- Intersection: Risk Assessment
- Lines of Defense – Who's doing what?!?
- Testing schedules
- Testing scripts
- Issues tracking
- Audit – is it necessary?





# Roadwork Ahead



## THIRD-PARTY SERVICE PROVIDER MANAGEMENT

(aka Vendor Management Program)

- So to the Bank, so to the Fintech
- Policy should include:
  - Vendor Risk Ratings
  - Initial and Ongoing Due Diligence based on risk
- Include it in Monitoring/Testing





# End of the Road or Roundabout?



## CHANGE MANAGEMENT

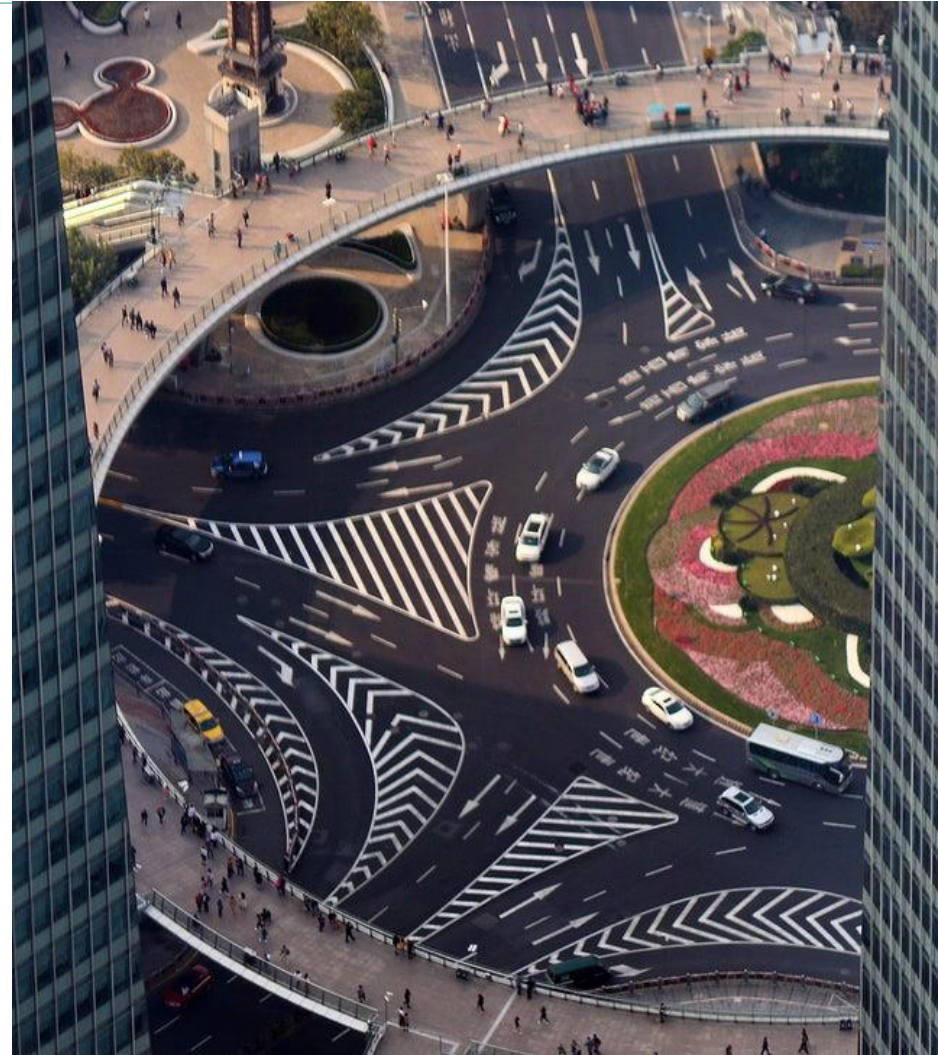
- Policy and procedures
- What are the sources of information?
- Consider all business lines impacted
- Consider the entire product life cycle
- Establish due diligence requirements
- Establish post-implementation reviews

# End of the Road or Roundabout?



## ONGOING CMS EVALUATION AND ADJUSTMENTS

- Continued process improvement
- The CMS as a circular process
- Annual risk assessment refresh
- Annual policy review and approval







# Legal Disclaimer

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This presentation is designed to provide general educational information regarding the subject matter covered as of the date of presentation and is not intended to be legal or regulatory advice for a specific financial institution. Questions regarding how this information applies to your financial institution should be directed to Tracey Levandoski or your legal counsel.



# Contact Information



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Tracey is a regulatory compliance and risk management professional with over 30 years of experience in the financial services industry. Having worked as both a prudential regulator and in banking institutions, she has demonstrated expertise in compliance. Her expertise includes extensive knowledge of lending and deposit regulations, their integration into an overall compliance risk assessment, and execution of related monitoring and auditing. She is also experienced in financial institution accounting and operations.