From: Natalie Haag <NHaag@capfed.com>
Sent: Monday, October 18, 2021 10:04 AM
To: Comments
Subject: [EXTERNAL MESSAGE] July 19, 2021 - Proposed Interagency Guidance on Third-Party Relationships: Risk Management (RIN 3064-ZA26)

The following response is filed on behalf of a community bank in a primarily rural state.

Thank you for continuing to make duties within the guidance risk based. Our concern is increasing the layers of due diligence and monitoring responsibilities on community banks. At this point these expanded requirements are likely to force many of these institutions out of business. Some options to partially address this concern is to: (1) expand the number of vendors subject to the interagency technology service provider reports of examination (TSP); (2) expand the scope of the review to cover subcontractors of each vendor and include within the scope of the TSP examination all criteria required by the guidance for due diligence and monitoring; (3) implement legislation authorizing banks to access the TSP examination reports prior to the bank signing a contract with the vendor, and; (4) automatically provide the TSP reports and updates to the bank throughout the life of the service contract. Only the largest institutions have sufficient staff and the influential power to require third party vendor cooperation with efforts to assess the vendor's change management processes and subcontractors. Conducting some of the assessments set forth in this proposal, such as evaluating the effectiveness of the vendor's internal audit function's review of the testing and reporting on the third party's controls is not feasible. If the regulatory agencies believe this is a significant risk the agencies should conduct these assessments as part of the TSP examination. Expanding the scope of the TSP examinations and increasing the accessibility of this information to community banks is the best, most cost effective and efficient way to facilitate the safety and soundness of the financial institutions.

As drafted the proposal requires the bank to interfere in the customer's business relationship with a data aggregator. Interference with a business relationship could result in legal action against the bank. In addition, banks will not have the authority or standing to engage a data aggregator in due diligence unless there is a direct contractual relationship. The proposal should be modified to allow the bank to warn the customer of the risk of using a data aggregator rather than require due diligence or other actions that might interfere with the customer's personal decisions.

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