KASASA

October 15, 2021

Ms. Ann E. Misback,
Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551

Mr. James P. Sheesley,
Assistant Executive Secretary
Attention: Comments-RIN 3064-ZA26
Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW
Suite 3E-218
Washington, DC 20219

**Re: Proposed Interagency Guidance on Third-Party Relationships: Risk Management (Federal Reserve Docket No. OP-1752; FDIC RIN 3064-ZA26; OCC Docket No. OCC-2021-0011)**

Dear Agency Leaders:

By the Board of Governors of the Federal Reserve System ("**Board**"), the Office of the Comptroller of the Currency ("**OCC**") and the Federal Deposit Insurance Corporation ("**FDIC**") (collectively, the "**Agencies**"), issuing its request for comments ("**Request**") on the proposed interagency guidance on managing risks associated with third-party relationships ("**Guidance**"), the Agencies have raised an important issue that impacts community financial institutions and the third-party service providers who support them.

My company, Kasasa, Ltd. ("**Kasasa**") is a third-party service provider whose primary mission is to help community banks and credit unions (collectively, community financial institutions, or "CFIs") serve their communities and compete with large banks and financial technology providers ("**fintechs**"). We support more than 900 CFIs across all 50 states, providing CFIs with professional banking services; digital enablement platforms; and innovative retail offerings. We help CFIs reduce their operational expenses, increase executional efficiencies, enhance user experiences, and establish direct relationships, controlled by the CFI, with individual consumers and businesses who live and work within their communities. (See Appendix A for a full list of Kasasa products, services, technologies, and capabilities.)

We applaud the Agencies' acknowledgement of the important role third parties play in assisting CFIs perform vital business functions; lower operational costs; develop and deploy new products and services; and deliver enhanced user experiences to support their customers and the communities they serve. We appreciate the Agencies' desire to harmonize and modernize their collective Guidance regarding the management by insured depository institutions ("**IDIs**") of the inherent operational, legal, compliance, technology, data privacy, cybersecurity, and business unit risks associated with the use of third-party service providers.

We thank the Agencies for the opportunity to comment on this important initiative, as we see it as a meaningful step toward fulfilling the goal that FDIC Chairman Jelena McWilliams established in her October 1, 2019 "The Future of Banking" speech:

> *It is my goal that the FDIC lays the foundation for the next chapter of banking by encouraging innovation that meets consumer demand, promotes community banking, reduces compliance burdens, and modernizes our supervision.*
>
> *This is not optional for the FDIC. We must lay this foundation because the survival of our community banks depends on it. These small banks face challenges from industry consolidation, economies of scale, and competition from their community bank peers, larger banks, credit unions, fintechs, and a plethora of other non-banks lenders.*
>
> *While the FDIC has limited ability to address the direct cost of developing and deploying technology at any one institution, there are things that we can do to foster innovation across all community banks and to reduce the regulatory cost of innovation. We cannot sit on that proverbial regulatory perch and observe the change from above. We have to get on the ground, roll up our sleeves, and get to work on supporting and advancing scalable technological change that works for community banks.*

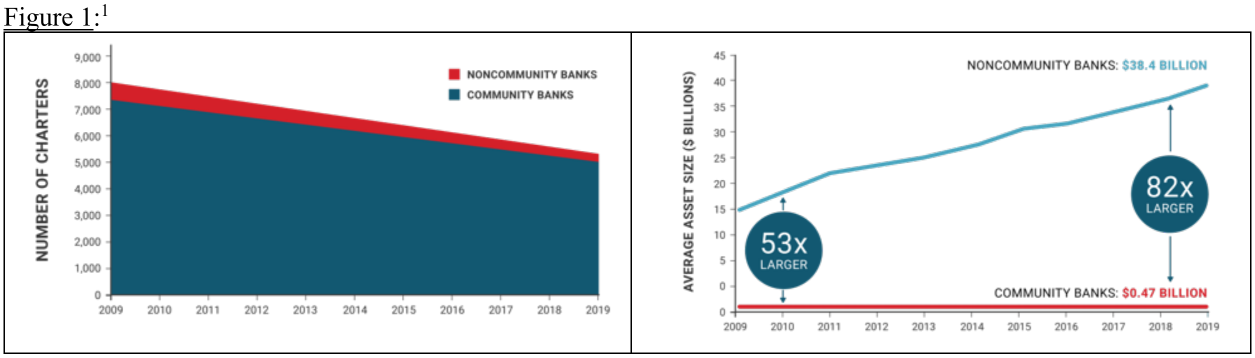
With targeted revisions, we are confident that any finalized guidance can help to establish such a supervisory framework, enabling CFIs to responsibly partner with third parties to help them offer modern banking products and services; aid them in supporting their communities; and enhance their ability to successfully compete with fintechs and larger financial institutions in a digitally transformed banking industry.

## CFIs Are Vital to Our Nation's Banking System & Economy

CFIs banks play a vital role in the financial industry and in our nation's economy more broadly. Serving markets that are often neglected by larger financial institutions and holding approximately half of all small business and farm loans in the United States, CFIs operate as America's "economic engines" that fuel the financial wellbeing of thousands of small cities, towns, and rural areas all across our country – localities whose survival is critical to our nation's recovery from the economic ravages of the COVID-19 pandemic.

Leveraging their deep understanding of their local areas and the close relationships they have established with individuals living in the communities they serve and with the small businesses that operate within their local markets, CFIs are uniquely positioned to provide tailored financial products and services to support the financial needs of their local communities and businesses. Unfortunately, as Figure 1 shows, community banks are struggling to survive.

Figure 1:[1]




According to the FDIC Community Banking Study, published in December 2020, between year-end 2011 and year-end 2019, the number of community banks fell from 6,802 to 4,750, a decline of 30%. A

[1] FDIC Community Banking Study, December 2020

comparison of the FDIC's Minority Depository Institutions List over the same timeframe shows a decrease in minority depository institutions from 187 to 142, a 24% decline.

And community banks are being dwarfed by larger financial institutions, as banks with assets greater than $10 billion hold 85% of the banking industry's assets. The four largest banks alone hold approximately 50% of large bank assets.[2]

While some market consolidation has naturally occurred, the ongoing COVID-19 pandemic has exposed a collective Achilles Heel for community banks – the inability of individual institutions to successfully develop, deploy, enhance, and maintain end-to-end digital banking products, services, and mobile delivery capabilities on their own. Sadly, well-funded fintechs and large regional and national banks have capitalized on this disadvantage – often at the expense of CFIs.

Unlike most CFIs, large banks and fintechs have the balance sheet strength, operational scale, technical expertise, human resources, and technology "stacks" to develop and deploy a wide array of end-to-end digital financial products and services that meet the needs of local, in-branch customers, as well as the rapidly growing number of "digital first" consumers.

## Digital Transformation Cannot Occur Without Third Parties

To remain relevant and competitive in the digital transformation of the banking industry, CFIs must leverage their limited resources by partnering with third-party service providers to deliver innovative financial products and services; digital banking capabilities; and intuitive user experiences that will attract new consumers to their institutions and help them maintain their current customers.

Absent such partnerships, CFIs are destined to lag behind the ever-expanding and rapidly accelerating "digital divide" rendering their customers and communities' hostage to the dispassionate business practices of large banks and fintechs.

Innovative third parties, however, can offer CFIs significant advantages, including: (1) quicker and more efficient access to new technologies; (2) experienced and skilled personnel; (3) expanded delivery mechanisms; (4) innovative financial products and services; (5) marketing expertise; (6) end-to-end digital banking capabilities; (7) operational efficiencies; (8) cost savings; and (9) market expansion opportunities. Innovations in technologies, digital banking services and end-user experiences, such as those facilitated by third parties, can transform the way in which consumers interact with their financial institutions. Partnerships with industry innovators can help CFIs provide customer-first, community-focused financial products, and services.

These benefits, however, do not eliminate the need for appropriate safety and soundness precautions. On the contrary, the use of third parties may actually increase operational complexities and raise regulatory, consumer protection, and information security risks. Accordingly, CFIs must manage their third-party relationships prudently so data privacy, information security, business operations and reputational risks are minimized and remain proportionate to the benefits their third parties provide their institution and their customers.

## Common-Sense Guidelines Will Fuel Innovation, Minimize Risks, & Reduce Regulatory Burden

Kasasa supports a simplified, interagency risk management framework. We applaud the Agencies' goal of providing principles useful to IDIs of any size or complexity, as CFIs typically have fewer resources than

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[2] Bank Strategist, June 2021.

their larger counterparts. Thus, CFIs' adherence to extensive supervisory requirements can be challenging as vendor, security, and risk management activities are often complex, confusing, duplicative, tedious, and, without the use of automated platforms, are difficult to execute on a consistent basis.

We also embrace the Agencies' concept of identifying "critical activities" to help institutions scale the nature and scope of their risk management activities and we appreciate the emphasis the Agencies have placed on data security and cybersecurity controls and risk mitigation strategies.

We are encouraged by the specificity the Agencies have provided within the proposed Guidance as it programmatically identifies sound business practices and risk management principles that address each stage of a community bank's engagement with a third party including: (1) developing a plan that (a) outlines the CFI's business strategies, (b) identifies potential third party risks, and (c) details how the CFI will identify, assess, select, and oversee the third-party's activities; (2) performing proper due diligence; (3) negotiating formal agreements that document the roles, responsibilities and the rights of all parties; (4) having appropriate senior management and board of director's oversight; (5) ongoing management of the third-party's relationships, activities and performance; and (6) developing contingency plans for ending a third-party relationship in an efficient and cost effective manner.

This specificity, in large part, establishes a scalable, principle-based industry standard by which IDIs can confidently and efficiently evaluate, engage, and manage third parties and the risks introduced by the services they provide. It also aids third parties by creating a concise "blueprint" for disclosing due diligence information; negotiating contractual agreements; delivering performance reports; developing and testing business continuity plans and delineating appropriate transition activities should a business relationship end.

## We Believe There Is Still More Work to Be Done & Respectfully Submit Four Recommendations

We appreciate the work the Agencies have done on this important topic, but we believe there is still more work to be done. As such, we respectfully offer the following four perspectives for your consideration as the final guidance is being developed.

### 1. Third Party Contracts Cannot Be Negotiated Via a "One-Size-Fits All" Model

While we appreciate the Agencies' perspectives regarding CFIs collaborating together on vendor due diligence and contract negotiations, it is important to note, that unless managed by a single holding company, each institution's banking strategies; resources; budgets; timeframes; operational capacities; and business objectives; among many other things, are unique. As such, the services third parties provide, how they are implemented, and how they are managed will be equally unique and distinct for each institution. Consequently, a "one-size-fits-all mentality" regarding the negotiation of contracts and compensation for services rendered is not a realistic expectation nor an outcome that industry third parties will find appropriate or acceptable.

At the same time, the Agencies could provide additional Guidance on collaboration by IDIs and certification of third-party service providers, in light of CFIs limited resources to oversee these relationships. Incorporation by the Guidance of aspects of the OCC's 2020 Frequently Asked Questions (FAQs) on Third-Party Relationships could foster efficiencies by CFIs consistent with the risk-based approach suggested below by the "Risk Mitigation Matrix." For instance, OCC Bulletin 2013-29 rightly describes more intensive oversight and management of third-party relationships involving critical activities. Reliance on third-party certifications for these relationships may not be consistent with such risk tailoring. Yet greater reliance on certifications for relationships servicing less critical activities would permit the adoption of common standards across the industry, while freeing resources at CFIs to scrutinize more intensively third-party relationships involving critical activities.

In other words, as the risk in any third-party relationship rises, a matrix approach would suggest a corresponding decrease in reliance on any certification regime, with the least amount of reliance on certifications for third-party service providers of critical services.

## 2. "Remote-First" Business Models Necessitate Stronger Risk Mitigation Controls

When COVID-19 first reared its ugly head, we didn't truly understand its long-term implications. Now, as variants of the virus infect our fellow citizens, it is clear the pandemic has not only changed the way we currently live our lives, but it has also fundamentally changed the way businesses operate.

While CFIs remain heavily reliant on their brick-and-mortar branches, many third-party service providers within the financial services industry have become "remote-first" businesses with employees working from home rather than within the company's main office(s).

This "new normal" has introduced a host of risk management issues that must be addressed. It is highly unlikely that agreements between IDIs and third parties prior to March 2020 fully contemplated the extent to which services would be provided by a third-party workforce working from home.

As such, where existing contracts and controls may be inadequate to the new risk environment, IDIs should develop standards and negotiate contractual amendments to strengthen controls and close gaps. At a relationship level, these may include:

- **Personnel**: IDIs should require third parties to:
  - Maintain and share accurate organization chart(s) of relevant third-party employees
  - Distribute appropriate business contact information and available hours
  - Ensure adequate staffing is in place for daily operations with "back-up" personnel identified
  - Publish service level agreements ("**SLAs**") and performance expectations per service provided
  - Show evidence of employee compliance with code of conduct; privacy; confidentiality; travel; data access, use, retention, and destruction; and security policies and training
  - Deploy centralized communication portals to inform employees of corporate initiatives and updates regarding disruptive events and business continuity

- **Security Controls**: IDIs should incorporate specific work from home security controls into third party agreements including but not limited to:
  - Use of company-owned devices versus bring your own device (preferred)
  - Limitations on "last mile" connectivity: not by hot spot or cellular phone
  - Always on secure VPN connection
  - Password protection and multi-factor authentication
  - Full-disk encryption
  - Installation of Data Loss Prevention (DLP) agents
  - Disabling of USB and portable devices
  - Installation and enablement of endpoint agents
  - Disabling of booting from active devices like CD-ROM
  - Processes for updates and patches
  - No local administration rights
  - Disabling of printing/screen snipping/local storage by group policy
  - Password/idle timeout requirements
  - Virtual desktop infrastructure (VDI) connections

- Authorized only access to non-public personal information (NPPI)
- Data / security reach reporting requirements

- **Self-Service Capabilities**: IDIs should require third parties to create, maintain and enhance portals to enable IDIs to:

    - Enter requests, receive status updates, and engage directly with technical and support resources
    - Research and secure answers to common product and services questions
    - Schedule and execute essential services
    - View and download relevant performance reports
    - Comply with regulatory requirements

- **Business Continuity:** COVID-19 exposed inadequacies in many IDI and third-parties' business resilience capabilities. As such, IDIs should:

    - Review definitions for critical and high-risk third-party relationships
    - Maintain an inventory of all third-party relationships. Information should include: (1) primary points of contact; (2) a summary of service provided including subcontractor responsibilities; (3) a business impact analysis; (4) an identification of any risk concentration concerns; and (5) a list of all locations, including primary and backup data centers
    - Appoint designated personnel to oversee each individual third-party relationship
    - Document recovery time and recover point objectives and confirm institution's position in the third party's recovery priorities
    - Validate and periodically test each third party's BCM / DRP plans.
    - Anticipate future disruption scenarios through joint planning with critical providers
    - Host annual risk discussions with key providers
    - Build expedited pathing and processes that improve awareness, issue escalation, and coordinated responses to disruptive events
    - Evaluate third-party pandemic planning, preparedness and anticipated outcomes are documented and periodically tested
    - Employ tools to identify and anticipate potential disruptive events

## 3. Incorporating A "Risk Mitigation Matrix" Would Improve the Critical Risk Guidance

By issuing the proposed Guidance, the Agencies acknowledge that enterprise-wide vendor and risk management programs vary widely among IDIs. Large financial institutions' programs are likely to be more extensive and sophisticated than those of CFIs, partly because individuals within smaller institutions often wear multiple hats and are unable to dedicate their complete attention to the myriad of requisite vendor management and risk mitigation tasks.

To help CFIs formalize, develop, accelerate, and expand their vendor and risk management programs, we believe it would be helpful for the Guidance, as finalized, on Critical Risk to adopt two concepts that are successfully utilized within the FFIEC's current Cybersecurity Assessment Tool ("**CAT**") – specifically, the concepts of "risk profiles" and "risk maturity."

We encourage the finalized Guidance to describe a specific "risk level ranking" (e.g., least, minimal, moderate, significant, highest) ("**Rankings**") for each of the third-party services / activities / categories the Agencies deem to be "critical." This would create a "critical risk profile" for each institution to utilize and manage.

As with the CAT, we encourage the Agencies to clearly define each risk level and include descriptions of activities that would fall into each level of risk across the Agencies' critical activities categories. This matrix would help management identify and determine the severity of risks associated with the institution's and its third parties' activities, services, and products.

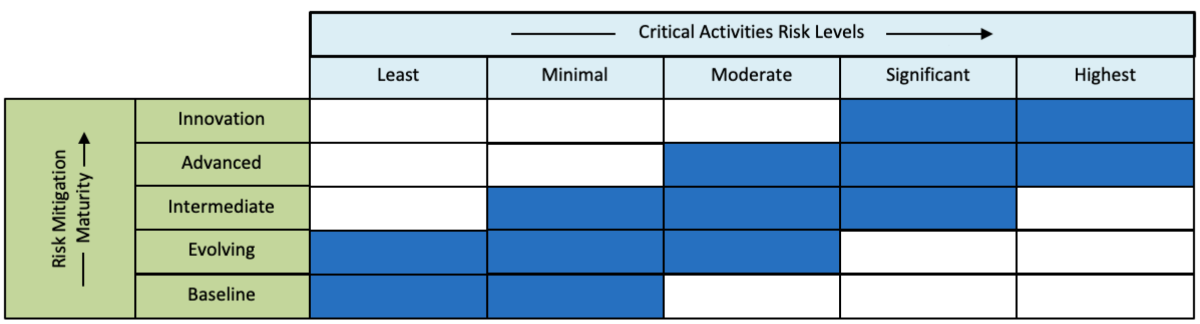
Again, borrowing from the CAT, we encourage the Agencies to establish "mitigation maturity tiers" (e.g., baseline, evolving, intermediate, advanced, innovative) across each critical activity risk level. These tiers would also include declarative statements identifying the types of activities and business practices that would fall into each of the mitigation maturity tiers.

Institutions would inspect the declarative statements, identify which ones best match their current practices and inherently know if the institution's behaviors, practices, and processes adequately support their critical activities as well as easily identify the next steps required to safeguard against their known risk exposures.

Incorporating these two proven CAT techniques would essentially expand the Agencies' scalable, principle-based framework to create a practical "risk mitigation roadmap" that institutions of all sizes could use to systematically build and improve their enterprise-wide risk management capabilities. Importantly, such a matrix would enable institutions of different size, sophistication, consumer base, and business model to adopt a risk-tailored approach to their critical activities, avoiding a one-size-fits all approach.

This would be especially useful to smaller institutions as, per Figure 2, management could periodically review their institution's "risk profile" in relationship to their institution's "mitigation maturity" levels for each critical activities categories identified by the Agencies to see if they are aligned and sufficient.

Figure 2:




Risk profiles and mitigation maturity levels will also change as threats, vulnerabilities, and new concerns arise or when management is considering changes to the business strategy, such as expanding operations, offering new products and services, or entering into new third-party relationships that support additional critical activities.

This matrix would aid in determining whether additional risk management practices or controls are needed to maintain or augment the institution's risk management practices and controls thereby enabling smaller institutions to be more surgical with their limited resources.

**4. Automation is Key to Success**

Adhering to the extensive requirements outlined in the Guidance likely cannot be accomplished without automated systems designed to address each component (and sub-components) of the Guidance's third-party risk management life cycle.

As a practical matter, IDIs of all sizes should be encouraged to automate their vendor management / risk management activities. Automated vendor management systems and platforms can help IDIs:

- **Compile A Comprehensive Inventory of Third Parties**: Many financial institutions have relationships with dozens of third-party vendors, so garnering an exhaustive list of their partners is a big undertaking. So too is "normalizing" the disparate information that each third party provides. IDIs can benefit from vendor management systems ("**VMSs**") that can automatically query business unit leaders across the enterprise to identify vendors utilized, SLA expectations, contract dates, and performance documentation, and confirm that relevant due diligence information is updated and maintained.

- **Establish An Extensive Catalog of Third-Party Risks**: IDIs who implement a VMS can track, assess, and rank risks that are associated with each of their third-party partners. These data points can be periodically updated to maintain and enhance the "risk profile" and "mitigation maturity" articulated in the above "Risk Mitigation Matrix."

- **Implement a Risk-Based Segmentation of Risk Categories**: Not all suppliers are created equal, nor do they carry the same amount of risk. Leveraging the Risk Mitigation Matrix, IDIs can use a VMS to rank third parties to ensure all risk mitigation activities are devoted to prioritized partners and / or their most significant risks.

- **Execute Rules-Based Due Diligence Testing**: Traditional due diligence activities are often uniformly applied to all vendors. Treating every supplier equally doesn't make sense, as the process can be onerous and resource intensive. IDIs implementing a rules-based approach via a VMS can save time, money, and effort as the system can trigger a specific set of diligence activities for the risks identified. For example, even if a third party is deemed high risk, if it does not hold customer personal identifiable information (PII), there is no reason to conduct an information security or data privacy screening. Studies have shown that implementing a rules-based due diligence process can save up to 40 percent in time and labor costs.

- **Facilitate a Disciplined Governance and Escalation Process**: A robust VMS can assist IDIs create an efficient internal governance structure by helping the institution centralize third-party inventories; risk assessments; mitigation strategies, activities, and resolution; commonly formatted policies and procedures; vendor reviews; audit documentation, escalation protocols and communications and validation of employee training and compliance. Institutions can move from collating vendor information to vendor and risk intelligence.

- **Integrate Management Reporting and Workflow Processes**: Clear, actionable management reports and well-designed workflow systems are essential for accountability across the first line of defense (the business units), as well as the second (compliance) and third (audit) lines of defense. To work well, such reporting and processes must track and monitor all the relevant data across each on of an institution's business units, as well as give appropriately senior managers the right information to get a true picture of risk, in near-real time, and recommendations to act upon. Some IDIs have reporting and processes that address one or two of these functional needs but implementing a vendor management system can assist institutions across all three lines of defense.

## The Guidance is a Step in the Right Direction

A diverse banking system where institutions of all sizes can innovate and meet evolving customer needs is essential to ensure access to safe, efficient, and modern banking services for communities across the nation.

The Guidance recognizes that more and more financial institutions are using third-party technologies and services for functions that are either new or previously performed in-house. The Guidance also recognizes the important role that third-party service providers play in assisting IDI to develop, deploy, and support modern banking products and services that consumers desire. Through these offerings, IDIs can increase financial inclusion within the communities they serve. In addition, the Guidance acknowledges that third parties can help IDIs deliver banking products, services, tools, and benefits to consumers more efficiently, more effectively, and at a lower cost.

Innovations in technologies, digital banking services and end-user experiences, such as those facilitated by third parties, can transform the way in which consumers interact with their financial institutions. Partnerships with industry innovators can help community banks provide customer-first, community-focused financial products and services that will enable them to support their customers in the manner that those individuals want to be served.

In our view, the Guidance is a welcome step in the right direction of creating a framework that supports community banking; encourages third party partnerships; and fosters innovation within the banking industry. The Guidance is a shining example of the Agencies, as FDIC Chairman McWilliams communicated, "rolling up our sleeves" to provide the industry with a principles-based foundation, by which IDIs of all sizes and complexity can confidently and efficiently evaluate, engage, and manage third parties and the risks introduced by the services they provide.

We appreciate the opportunity to share our perspectives, and we hope our recommendations will be considered during the final development of the Guidance.

Sincerely,

[redacted]

Patrick J. Laughlin
Executive Vice President

KASASA

**APPENDIX A**
**OVERVIEW OF KASASA PRODUCTS, SERVICES, TECHNOLOGIES & CAPABILITIES**

## INTRODUCTION

Kasasa is a third-party service provider that offers a range of services to community financial institution, including banks and credit unions (collectively, "CFIs"), including (a) innovative retail financial products and services, (b) advisory services, (c) marketing services, and (d) enabling technologies to assist their consumer customers. These services empower CFIs to:

- Drive operational savings.
- Increase executional efficiencies.
- Enhance consumer transparency.
- Develop direct, deeply connected, long-lasting customer relationships.
- Generate consumer-friendly non-interest income ("**NII**").
- Increase accountholder profitability.
- Introduce innovative financial products and services to their market(s).
- Operate in a safe and sound manner.

We partner with CFIs and work under the direction and management of their senior executives. We receive compensation solely for the banking products, services, technologies, and capabilities we provide.

Kasasa has initiated a corporate strategy to promote CFIs to the general public. In support of our clients, Kasasa will host a centralized website (e.g., Kasasa.com) where consumers will be able to search for CFIs by zip code; research each institution's products and services; and directly open an account with their chosen institution utilizing a standardized application and an end-to-end digital account opening process.

We do not build, own, or control any consumer relationships. We do not have any contracts with consumers to place, manage, control, or move any of their deposits. We do not have any ability to influence, facilitate, place, or move any consumer funds with or between IDIs. The community banks and credit unions we support own all customer / member relationships, and all consumer decisions are a function of the interactions and engagements each of our client institutions have with their accountholders and with other consumers who live and work within their local communities and / or markets.

## RETAIL FINANCIAL PRODUCTS & SERVICES

- **Deposit Offerings**: Working in support of our client's strategic initiatives and under the direct supervision of our clients' Executive Management Team, our software and enabling technologies interact with our client's core processor to power an array of checking and savings accounts that reward accountholders for modifying their banking behaviors and for adopting electronic services, so they become more valuable and loyal to their chosen IDI. The following products are identified by their "white label" names, which means the institution may rename the account to whatever they want, and by their Kasasa branded names.

    - **REWARD Checking / Kasasa Cash**: A free checking account with no minimum balance that rewards accountholders with interest and nationwide ATM withdrawal fee refunds when they meet minimum requirements during the account's qualification cycle.

    - **REAL Cash Back / Kasasa Cash Back**: A free checking account with no minimum balance that rewards accountholders with cash back on their debit card purchases and nationwide ATM withdrawal fee refunds when they meet minimum requirements during the account's qualification cycle.

- **REALEats / Kasasa Eats**: A free checking account with no minimum balance that rewards accountholders with cash back on their debit card purchases on select food delivery services and grocery purchases plus nationwide ATM withdrawal fee refunds when they meet minimum requirements during the account's qualification cycle.

- **REALPlay / Kasasa Play**: A free checking account with no minimum balance that rewards accountholders with cash back on their debit card purchases on select movie, video, gaming, and other digital streaming services plus nationwide ATM withdrawal fee refunds when they meet minimum requirements during the account's qualification cycle.

- **REALSaver / Kasasa Saver**: Linked to either a Kasasa Cash or a Kasasa Cash Back account, this is a free account with no minimum balance that rewards accountholders with interest when they meet the minimum requirements associated with their coupled account during that account's qualification cycle. In addition, the (a) interest or cash back dollars and (b) the nationwide ATM withdrawal fee refunds earned through the coupled checking account are transferred into the Kasasa Saver account at the end of the cycle period to help the consumer save.

- **REALTunes / Kasasa Tunes**: A free checking account with no minimum balance that rewards accountholders with iTunes, Google Play and Amazon.com purchase reimbursements and nationwide ATM withdrawal fee refunds when they meet minimum requirements during the account's qualification cycle.

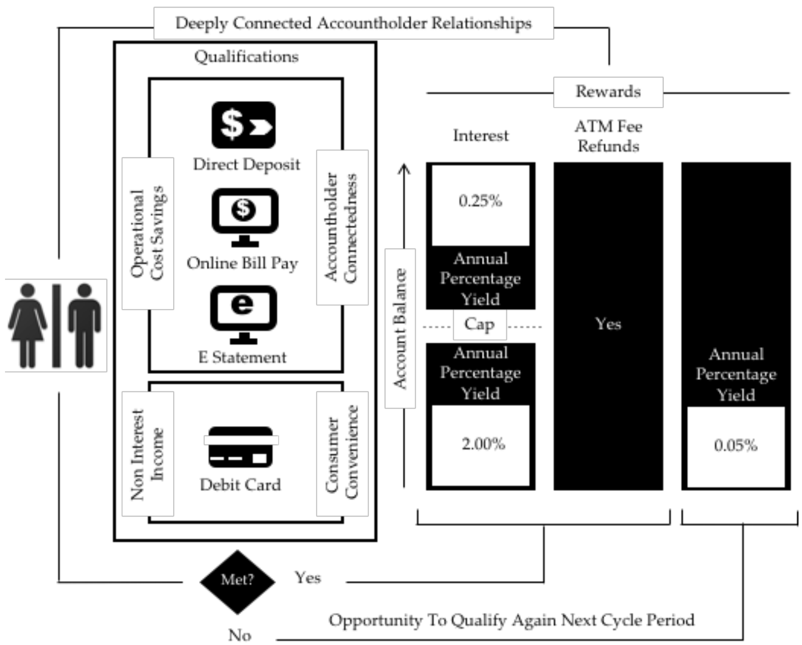
**How Our Deposit Offerings Work**: To earn their account's reward, accountholders simply need to satisfy a brief set of banking activities (called "Qualifications") during a specified period of time (called "Monthly Qualification Cycle").

When an accountholder meets their Qualifications during a Monthly Qualification Cycle, the rewards outlined above are automatically credited to their account. If they fail to meet their Qualifications, accountholders face no penalties, and they have an opportunity to earn their account's rewards again during the next cycle period.

Account Qualifications are established by our client institutions to encourage their accountholders to adopt specific banking behaviors that (a) produce operational savings (i.e., accept an e-statement rather than a paper statement); (b) generate consumer-friendly non-interest income (i.e., have 10 or more debit card transactions post and settle to the account); and (c) deepen their relationships with the accountholder (i.e., automatic savings).

Applying the NII and the operational savings that our accounts generate against the interest / incentive expense associated with our account's rewards, our institutions can offer extremely attractive consumer rewards that are not subject to immediate re-pricing pressure as interest rates rise, in an economically safe and sound manner without having to invest in risky assets to fund the account's rewards.

## Kasasa's Reward Based Checking Accounts - Kasasa Cash




As you see below, the "all in" cost associated with the funds residing in the account (the true "all in" Cost of Deposits) is extremely low.

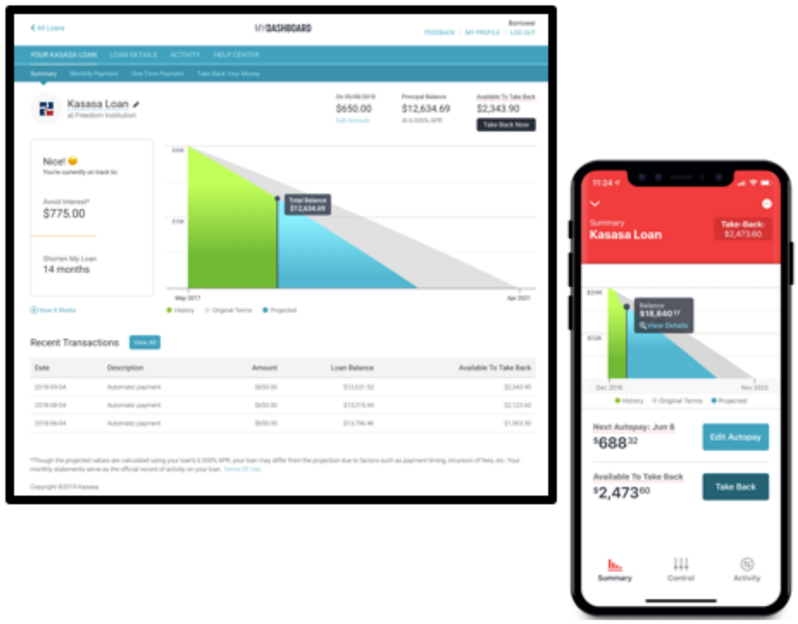
**The True Costs of Deposits – Kasasa Cash Compared to 1- & 5-Year CDs**

| Account Elements | Kasasa Cash | 1 Year CD | 5 Year CD |
|---|---|---|---|
| | | | |
| (A) Avg. Balance of All Accounts | $15,195,733,465 | $15,195,733,465 | $15,195,733,465 |
| (B) Interest Expense | $ 126,749,828 | $ 138,761,776 | $ 227,064,724 |
| (C) Cost of Funds *(Calc: B/A)* | 0.83% | 0.88% | 1.44% |
| (D) Annual Non-Interest Income | $ 298.080,255 | $ 0 | $ 0 |
| (E) Annual Non-Interest Expense | $ 39,220,523 | $ 0 | $ 0 |
| (F) Cost of Deposits *(Calc: (B+E)-D)* | ($ 132,109,904) | $ 61,233,664 | $ 204,223,750 |
| (H) Cost of Deposits % *(Calc: F/A)* | (0.87%) | 0.88% | 1.44% |

- **Definition**: Cost of Deposits serves as a holistic "all in" metric of all marginal "inflows" & "outflows" associated with the account.
- **Formula**: (Annual Interest Expense + Annual Non-Interest Income – Annual Non-Interest Income) / Average Account Balance.

Via accountholder banking behaviors that are driven by the account's qualifications, <u>Kasasa Cash accounts pay for themselves</u> by generating profitable NII and operational cost savings for our institutions <u>before</u> the checking accounts' deposits are ever deployed into loans and/or investments.

- **Loan Offerings**: Recognized as the industry's most consumer-friendly and transparent personal loan, the Kasasa Loan combines the convenience of a schedule monthly payment with the flexibility of an open-end line of credit. As such, borrowers can make additional payments (i.e., above and beyond your scheduled monthly payments) to reduce both the interest they pay and the overall loan term <u>and</u> borrowers can "take-back" those additional funds – with no penalties, additional paperwork, additional approvals, and at the same rate as your primary loan – should an unexpected financial need (e.g., medical bill, car repair, moving expense) arise. Our software simply adjusts the loan's term and principal balance to reflect the funds that have been taken back and the borrower has full use of those dollars.




Per the Kasasa Loan web interface and mobile app (collectively the "Dashboard"), borrowers have full control over all aspects of their Kasasa Loan so they can:

- **View**:
  - Tutorial information
  - Current loan balance
  - "Take-Back" Balance
  - Historical payment activity
  - Recent transactions
  - Identify impact of additional payments
  - Amount of interest saved
  - # of months term has been reduced

- **Manage**:
  - Adjust amount of monthly payment
  - Make one-time payments
  - Identify impact of additional payments
  - "Take-Back" additional funds
  - Change profile information

- **Kasasa Mortgage**: Schedule for beta testing in Q4 of 2021 with a limited number of CFIs, our Kasasa Mortgage offering provides our clients with two (2) options: The Dashboard Mortgage and the Take-Back Mortgage. Each provides borrowers a unique digital user experience offering insight, transparency, and education to their mortgage loan. In addition, the Take-Back Mortgage allows borrowers to pay ahead of their amortization schedule and provides the flexibility to access those funds in the form of a "take-back." Kasasa's client institutions have the flexibility to sell or retain the mortgage asset, while always retaining the borrower relationship by remaining the face of the product to their customers and members.

- **Kasasa Care**: An online marketplace that enables our client institutions to partner with third parties to offer their customers / members a popular consumer services that generate non-interest referral income for participating institutions when one of their customers / members subscribes to a service. Current services include:

- Identity Protection & Credit Monitoring
- Asset / Device Protection
- Prescription Savings
- Vision Insurance
- Dental Insurance
- Life Insurance

## KASASA ADVISORY SERVICES

Working as an extension of and under the direction of our clients' Executive Management Team, Kasasa provides the following professional banking services to CFIs.

- **Relationship Management**: Kasasa assigns an entire team of training, implementation, marketing, compliance, and technical resources to support each of our clients. This team, under the supervision of a dedicated Client Success Manager, ensures every financial institution receives the full value and benefits of our services.

- **Consumer Research**: Utilizing internal and third-party consumer research experts, we conduct in-depth quantitative and qualitative market research to learn how consumers feel about (a) the financial services industry, (b) their current banking relationships, (c) the products and services they utilize, (d) their financial goals, desires, and needs and (e) their various seasonal, economical, and lifestyle mindsets. These insights are incorporated into the products, services, and capabilities we develop and deliver to our CFIs.

- **Competitive & Marketplace Analysis**: Conducting comprehensive demographic analysis and detailed studies of our client's competitors, our experts help our financial institutions identify and capitalize on business opportunities that exist within their markets. While our team provides data-driven guidance, each participating CFI establishes their own business and retail strategies and makes all budgetary and marketing decisions.

- **Product Development & Deployment**: Utilizing a disciplined development process, we partner with our financial institution clients to prioritize, develop, test, market, and deploy new financial products, services, and technologies that are delivered as commercial off-the-shelf (COTS) products to our client institutions.

- **Program Implementation & Launch Services**: Utilizing an extensive launch management process, our Technical Engineers work closely with our client's Operations Team to establish core processor interfaces, validate data exchange processes, test software applications, and launch the products and services they select.

- **Frontline Staff Training**: Using online e-learning modules, classroom training, and rigorous role playing, our training experts teach our clients' frontline staff to properly: (a) identify the appropriate checking / savings account that aligns with a consumer's needs, (b) explain the product features, functions, and benefits so the consumer fully understands the account and (c) communicate the account's qualification requirements so the consumer accurately understands what they must do to earn their rewards. An ongoing staff and leadership education curriculum is constantly being updated and is available on demand to all our clients.

- **Mystery Shops**: Our Mystery Shop service provides our financial institution clients with a realistic evaluation of what a typical consumer experiences when calling into an institution's branch office. Our team completes one call per product per quarter for each of our financial institution clients (approximately 50,000 calls/year), and reports are provided at the individual branch and corporate level to provide a comprehensive understanding of frontline staff performance. As an optional no charge feature, with written permission from our financial institution clients, we can also record each call for quality control, coaching, and career development purposes.

- **Rewards Management**: The administration, management, calculation, tracking, integration, and distribution of each institution's applicable reward offerings.

- **Technical Support**: A Technical Engineer is assigned to each client to assist them monitor daily processes, troubleshoot errors, maintain, and upgrade the reward management software that resides on their firewall-protected server.

## KASASA MARKETING SERVICES

Working as an extension of and under the direction of our clients' Marketing Team(s), Kasasa provides the following comprehensive marketing services to CFIs:

- **Data Analytics & Insights**: In order to help clients, reduce marketing costs and improve their marketing activities' effectiveness, Kasasa partnered with MindEcology to analyze data from a wide range of consumers. The characteristics of these consumers were layered onto Nielsen's custom PRIZM segmentation models to create custom consumer segments. Applying these segments to our clients' local markets allows our client institutions to not only target individuals geographically and psychologically, but to do so in a marketing channel that will reach time, with messaging and creative content tailored to them. We also assist our clients analyze their data to discover new insights and to identify pockets of opportunities and/or potential saturation of their local market(s).

- **Planning & Optimization Services**: Working alongside our clients' Marketing personnel, our marketing experts help our clients design, develop, and deploy multi-channel engagement strategies that are specific to their local markets and business objectives. Strategies and program performance are reviewed quarterly with detailed ideas shared to optimize each new customer / member acquisition and lifecycle marketing campaign.

- **Research-Driven Creative**: To ensure our clients' marketing materials and messages resonate with their targeted audiences, Kasasa conducts consumer research to ensure the creative assets we develop will deliver results. We measure our materials' effectiveness by determining if the creative is noticeable, memorable, and compelling to motivate a consumer to act. From this research, we developed hundreds of professional print, in-branch, and digital pieces and six (6) television and twenty (20) radio commercials for clients to customize and use.

- **Campaign Management & Execution**: Mirroring the capabilities of a large, professional advertising / creative agency, our professionally designed marketing materials that can be downloaded, customized, produced, and deployed by our financial institution clients for their own marketing campaigns and promotional events. Materials include templates for television, radio, print, out-of-home, and digital marketing channels. Our clients can also use Kasasa Connect (our marketing automation platform) to schedule and run email and digital marketing campaigns automatically to increase consumer awareness and customer loyalty.

- **Lifecycle Marketing**: This program includes email and optional direct mail campaigns that focus on targeting a financial institution's current customers/members with relationship building messaging and cross-selling the products and offerings that are most relevant to them.

- **Consumer Acquisition Marketing**: This program is focused on attracting consumers who have no current relationship with the institution. Leveraging our Kasasa / Nielsen segmentation and a third-party partner, we can help our client institutions find interested consumers in their local markets.

- **Website Development:** Collaboratively created with our financial institutions, we develop and host responsive websites that drive traffic online and in-branch. Key features include responsive design, design, copywriting, programming and hosting, search engine optimization, robust content management system, and Americans with Disabilities Act (ADA) compliance.

- **Social Presence**: Many CFIs are unprepared for and/or uncomfortable interacting with members of their communities via Facebook, Twitter, Snapchat, etc. Consequently, we help our clients plan, target, and implement campaigns with imagery and design tailored for various social media channels. Included with this offering are custom tracking URLs that align with financial institutions' campaign goals and track the performance of each advertisement.

- **Digital Displays**: Our digital display media offerings include display banners across three major platforms – desktop, mobile, and tablet.

- **Paid Search Marketing**: The Paid Search Marketing program is designed to increase traffic and quality leads to a financial institution's website by advertising to people searching the Internet specifically to find accounts or loans. Ads are displayed to web users at the exact same moment they're searching for offered products. Because ads are targeted only to users searching for offered products, it's one of the most efficient forms of marketing available. And since the three search engines Kasasa targets encompass 98% of all search volume in the U.S., our financial institutions have a good chance of getting in front of the right person at the right time.

- **Kasasa.com:** A hosted site that serves as an informational hub for CFIs and consumers to learn about Kasasa's deposit and loan offerings and to engage in social dialogues with other like-minded individuals. The site enables consumers to research, understand, and validate the financial products and services they are interested in via the "social proof" provided by those who have first-hand experience with the products and services they seek. The site also provides individuals with access to other industry information and resources.

## KASASA ENABLING TECHNOLOGIES

The following enablement platforms interface with our clients' back-office infrastructure and operational processes to: (a) deliver innovative offerings, (b) enhance consumer transparency, (c) reward accountholder behavior, (d) enhance customer satisfaction and loyalty, (e) drive operational savings, (f) increase executional efficiencies, and (g) generate consumer-friendly non-interest income to participating CFIs.

- **Reward Management Services**:

  - **Kasasa Rewards Platform (KRP)**: A proprietary software-as-a-service (SaaS) platform that analyzes specific banking activities, established by each participating institution (i.e., qualifications), to identify individuals who have earned their account's rewards, and provides that information to the institution's core processor for distribution of the rewards.

- **Insight**: A proprietary enterprise business intelligence platform that leverages information collected by Kasasa software, third-party vendors, and publicly available data to deliver industry and product performance dashboards to our clients.

- **Interactive / Digital Services**:

  - **FIRSTBranch**: Custom designed FIRSTBranch websites are search engine optimized, responsive websites that professionally promote each participating financial institution's products, services, and mobile banking offerings. Our designs incorporate Americans With Disabilities Act (ADA) feature functionality and include comprehensive analytics and attribution reporting to document digital activities & performance results.

  - **FIRSTBase**: Fully integrated with FIRSTBranch websites, FIRSTBase is a digital portal that provides self-service capabilities to participating institutions to successfully manage their website's security features, creative content, and digital leads and inquiries.

  - **INMO+**: Integrated with core processors and optimized to be fully responsive on mobile phones, tablets, and desktops, INMO+ is a user-friendly online platform that guides consumers through a secure three-step digital account opening experience where applicants can apply for a checking account, e-sign documents, and open an account in minutes either remotely or in-branch.

  - **Builder**: Interactive online solution that enables consumers to learn about and select specific banking features that match their financial needs, spending behaviors, and banking activities to create the ideal rewards account for their lifestyle.

- **Marketing Services**:

  - **Connect**: A proprietary, data-driven marketing automation platform that enables participating CFIs to leverage data science, advance technologies, and media outlets to attract new customers / members, cross-sell financial products and services, and engage in ongoing communications to create lifelong relationships.

- **Loan Services**:

  - **Kasasa Loan System**: A proprietary loan platform that enables participating CFIs to offer personal, auto, and mortgage loans that enable borrowers to interactively manage payments, pay forward, and initiate "take-backs" of extra funds without any additional paperwork, underwriting, or loan term changes.

  - **Kasasa App**: The Kasasa App is a mobile channel that allows consumers to manage and engage with their Kasasa products (e.g., account opening, checking accounts, loans, mortgages, discount programs, and insurance programs). This ecosystem connects products to help drive more financially rewarding behaviors for both consumers and financial institutions.

- **Compliance Services**:

  - **RegGen**: A proprietary platform that enables participating CFIs to quickly and easily create and customize disclosures for their Truth in Savings Act (TISA) and Truth in Lending Act (TILA) agreements, marketing campaigns, and promotional materials. Upon answering a series of setup questions, users simply answer two questions to generate accountholder disclosures and 10 questions to generate marketing disclaimers for their promotional materials.

- **Client Support Services**:

  - **Support Center**: Built upon the Salesforce platform, the Kasasa Support Center provides clients access to hundreds of helpful knowledge articles; serves as a single place to submit support requests and tracks the status of all operational processes.