

September 21, 2020

VIA email

Ref: RIN 3064-ZA18

RE: Request for Information on Standard Setting and Voluntary Certification for Models and Third-Party Providers of Technology and Other Services

On behalf of the EPCOR Board of Directors, members and staff, thank you for the opportunity to provide input on the Federal Deposit Insurance Corporation (FDIC)'s Request for Information on Standard Setting and Voluntary Certification for Models and Third-Party Providers of Technology and Other Services.

EPCOR, a not-for-profit trade association providing payments education and advocacy for approximately 1,900-member community financial institutions in 12 states supports the FDIC's efforts to encourage responsible innovation through its new FDiTech initiative. Third party providers play an increasingly integral role in modern payment processing by providing software and related support services to help community banks with vital functions, such as fraud monitoring or complying with OFAC requirements. Partnerships between third parties and community banks can lead to greater efficiencies in daily operational tasks, cost savings, and enhanced products or services for account holders. However, these relationships also bring challenges, costs, and risks with which community banks must contend.

As the FDIC acknowledges in the Request for Information, the growing sophistication of algorithms and other models can hinder an adequate risk assessment if a community bank does not have sufficient expertise to evaluate the model's efficacy or shortcomings. These difficulties often contribute to lengthy and costly on-boarding processes that impact community banks' ability to compete with larger peers with more resources.

To address these concerns, EPCOR members believe there may be some value in exploring a standard setting organization and voluntary certification process. For example, a voluntary certification process may help shed more light on derogatory information about a vendor that might otherwise remain unknown or obscured to potential partners. Also, the development of such a process and program, in combination with the FDIC's overall interest and investment in financial technology, may serve as a catalyst for enhanced collaboration between community banks and their technology partners.

However, if the FDIC elects to pursue this venture, then our member community banks implore the FDIC to develop a process and organization that is open and inclusive to all third parties and community banks that wish to participate. Moreover, our community bank members encourage the FDIC to be mindful of the expenses and time required to attain certification. A costly and lengthy certification process may discourage participation and thereby undermine the goals of expanding access, lowering expenses, and managing risks. Also, there are important, outstanding questions to examine such as how the standards setting organization and voluntary certification process would interact or align with similar existing efforts in the marketplace today, such as Nacha's Third-Party Sender Certification program or a Service Organization Control (SOC) 2 report from an independent auditor.

In closing, EPCOR would like to thank you again for the opportunity to comment on the FDIC's Request for Information on Standard Setting and Voluntary Certification for Models and Third-Party Providers of Technology and Other Services. We look forward to more opportunities to work with the FDIC to support initiatives, regulations, and supervisory activities that encourage responsible innovation in banking and reinforce the role of community banks as integral contributors to the 21st century American economy.

Sincerely,



Susan Doyle
President & CEO

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