AMOUNT

September 22, 2020

VIA ELECTRONIC SUBMISSION

Robert E. Feldman
Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Comments Regarding Request for Information on Standard Setting and Voluntary Certification for Models and Third-Party Providers of Technology and Other Services (RIN 2064-ZA18)

Dear Mr. Feldman,

On behalf of Amount, Inc. ("Amount" or "we"), we appreciate the opportunity to provide responses to the Federal Deposit Insurance Corporation ("FDIC") regarding its Request for Information on Standard Setting and Voluntary Certification for Models and Third-Party Providers of Technology and Other Services (the "RFI"). As a technology service provider to large financial institutions, Amount is supportive of the FDIC's efforts in evaluating onboarding and oversight solutions which can help support innovative and responsible technologies, models and other services for financial institutions. Below please find our comments and responses to the questions posed in the FDIC's RFI.

Question 1: Are there currently operational, economic, marketplace, technological, regulatory, supervisory, or other factors that inhibit the adoption of technological innovations, or onboarding of third parties that provide technology and other services, by insured depository institutions (IDIs), particularly by community banks?

Amount Response *– We believe that all of the factors presented above can have the effect of inhibiting the adoption of technological innovations and the onboarding of third parties by financial institutions. On the operational side, financial institutions need to hire technical resources, regardless of whether they are building solutions in-house or onboarding a third party. The management and oversight of third parties which financial institutions require under their vendor management programs is significant. These resources inherently lead to economic factors, including costs both in terms of time and money. As technology advances, a financial institution's ability to continually develop its internal technological capabilities and keep up with changes becomes more challenging. There are significant costs associated with maintenance*

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and improvement of technology that can make it difficult for a financial institution to stay current. Engaging third-parties with technological expertise can help a financial institution develop and continually maintain technologies needed to remain competitive without the costly and time-consuming burden of creating an internal solution.

In many situations, regulatory requirements may slow or prevent financial institutions from implementing new technologies which would otherwise be beneficial. Regulatory restrictions can be deterrents for prompt adoption by financial institutions of new technologies. On the other hand, as noted above, if these technologies are built internally, a financial institution likely would incur significant costs and be subject to other regulatory hurdles that it might not be able to handle as efficiently as a third-party. These competing forces may have the consequence of encouraging financial institutions to maintain status quo and not innovate.

Question 2: What are the advantages and disadvantages of establishing standard-setting and voluntary certification processes for either models or third-party providers?

Amount Response *– Establishing a voluntary certification process for models or third-party providers could enable financial institutions to onboard models or third-parties quickly with the confidence that the onboarded models or third-parties meet a set of standards needed to be maintained by the institution and provide confidence that the service purchased by that financial institution will operate as expected. This process should allow financial institutions to spend less resources to remain competitive by keeping up with industry standards.*

The main disadvantage of establishing a standard setting process would be the initial time, effort and cost. However, once the standards or certification process is established, the disadvantages would be minimal if the program is voluntary.

Question 3: What are the advantages and disadvantages to providers of models of participating in the standard setting and voluntary certification process? What are the advantages and disadvantages to providers of technology and other services that support the IDIs financial and banking activities of participating in the standard-setting and voluntary certification process?

Amount Response *– For providers of models and technologies, participating in a standard setting and voluntary certification process presents an opportunity to broadly engage with a large number of interested parties while demonstrating expertise in areas that are important to financial institutions. It would also allow those providers to focus on the priorities of their potential customers by having a set of standards that are known to be accepted within the industry. It would also create a minimum expected standard for vendors to meet, potentially creating efficiencies on the vendors' side through a streamlined process.*

For vendors who are already providing services to regulated financial institutions, there appear to be few disadvantages. Such vendors are likely already satisfying the high standards required to be a third party service provider to a financial institution. Any standard setting or voluntary certification process would present an opportunity for efficiencies on the diligence and oversight fronts, which should allow such vendors to focus on providing even better and more advanced services to their bank customers.

Question 4: What are the advantages and disadvantages to an IDI, particularly a community bank, of participating in the standard-setting and voluntary certification process?

Amount Response *– By participating in a standard-setting and voluntary certification process, an IDI should have confidence that the participating vendor meets at least the minimum expectations of the IDIs regulators. This process could have multiple benefits. A standard-setting and voluntary certification process should lead to faster onboarding of the vendor for the IDI, which may allow IDIs to more quickly adapt to rapidly changing expectations of banking consumers. Such a process would also have the benefit of being more efficient, both in terms of time and money, which should allow the IDI to manage its vendor oversight program with less overhead. Such savings can in turn be used to allow the bank to dedicate more resources to its core initiatives and, in turn, its customers.*

One disadvantage is the initial effort of the IDI to familiarize itself with any standard-setting and voluntary certification process. An IDI is likely to expend resources to participate in this process.

Question 5: Are there specific challenges related to an IDIs relationships with third-party providers of models or providers of technology and other services that could be addressed through standard-setting and voluntary certification processes for such third parties? (1) Are there specific challenges related to due diligence and ongoing monitoring of such third-party providers? (2) Are there specific challenges related to the review and validation of models provided by such third parties? (3) Are there specific challenges related to information sharing or data protection?

Amount Response *– A number of challenges faced by IDIs in relation to third-parties could be addressed through the standard-setting and voluntary certification process. A primary one would be that by being part of this process, an IDI would likely avoid significant due diligence requirements that would otherwise slow its onboarding of a model or third-party.*

Questions 6: Would a voluntary certification process for certain model technologies or third-party providers of technology and other services meaningfully reduce the cost of due diligence and on-boarding for: (1) The certified third-party provider? (2) the certified technology? (3) potential IDI technology users, particularly community banks?

Amount Response *– A voluntary certification process could meaningfully reduce the cost of due diligence and on-boarding for all parties involved. For a third-party vendor, such a process could allow the vendor to minimize the volume of due diligence it must complete by standardizing across its customer base. The vendor would be able to focus on developing products that meet the requirements created under a certification process instead of devoting time to demonstrating the same to each IDI through separate processes. For IDI users, onboarding a technology that has already passed a certification process developed by an organization with oversight should reduce the due diligence and oversight requirements required to be performed by the IDI and its employees before engaging a third-party.*

Question 7: What are the challenges, costs, and benefits of a voluntary certification program or other standardized approach to due diligence for third-party providers of technology and other services? How should the costs of operating the SSO and any associated COs be allocated (e.g., member fees for SSO participation, certification fees)?

Amount Response *– While going through a standardized due diligence with a certifying organization might initially be a high barrier to entry for a third-party, completing this initial process would create significant savings of time and resources in the long run. By successfully completing a standardized due diligence, a third-party could get access to potential customers without necessarily having to complete a similarly onerous process for each such customer. Additionally, completing annual requirements with a certifying entity will make the annual assessments for the third-party less onerous.*

There are a number of ways to distribute the operating costs of an SSO. While the SSO could charge IDIs for the opportunity to participate in the SSO, third-parties providing services or being certified could also be charged for participation in the program and improved accessibility to the IDIs that are part of this organization. Once an SSO reaches sufficient scale with service provider participants, the costs to operate the SSO should be able to be covered by any annual or participation fees paid by such service providers.

Question 8: Would a voluntary certification process undermine innovation by effectively limiting an IDIs discretion regarding models or third-party providers of technology and other services, even if the use of certified third parties or models was not required? Would IDIs feel constrained to enter into relationships for the provision of models or services with only those third parties that are certified, even if the IDIs retained the flexibility to use third parties or models that were not certified?

Amount Response – From a third-party perspective, a voluntary certification process should not have a material impact on innovation. While IDIs might have an interest in utilizing a certified third-party or model given the lower threshold for onboarding, if a technology that better suits the IDI is available outside of the certification process, the IDI has discretion to determine whether the cost of the alternative technology would be more beneficial. Such a process would merely put the IDI in the same situation it is in today in that it must conduct its diligence through its own internal process in a manner which it believes will satisfy applicable law and its regulators.

Question 9: What supervisory changes in the process of examining IDIs for safety and soundness or consumer protection would be necessary to encourage or facilitate the development of a certification program for models or third-party providers and an IDIs use of such a program? Are there alternative approaches that would encourage or facilitate IDIs to use such programs?

Amount Response *– One potential change that could benefit all parties is to ensure the requisite certification materials required to be provided by the third-party provider cover the baseline of what would be required by the IDI as part of its ongoing vendor management. Allowing vendors to submit uniform information across all of its potential IDI customers should help to streamline supervisory oversight and provide IDIs confidence going into an examination.*

Question 10: What other supervisory, regulatory, or outreach efforts could the FDIC undertake to support the financial services industry's development and usage of a standardized approach to the assessment of models or the due diligence of third-party providers of technology and other services?

Amount Response *– One significant step the FDIC can take would be to recognize review or oversight work done across IDIs. To the extent a third-party provider is reviewed as part of an audit or examination of an IDI, the FDIC could mandate or encourage other FDIC examiners to recognize similar findings across other audits or examinations.*

Question 11: For which types of models, if any, should standards be established and a voluntary certification process be developed? For example, is the greatest interest or need with respect to: (1) Traditional quantitative models? (2) anti-money laundering (AML) transaction monitoring models? (3) customer service models? (4) business development models? (5) underwriting models? (6) fraud models? (7) other models?

Amount Response *– Standards can and should be established for voluntary certification for each of the model types noted above. The actual requirements may differ for each of the categories, but the concepts remain consistent across all of them. Some benefits of a standard setting process are encouragement for the IDIs to utilize* *third party providers and efficiency gained through streamlined processes. These benefits apply to all of the models noted in clauses 1 through 7.*

Question 12: Which technical and operational aspects of a model would be most appropriate for evaluation in a voluntary certification program?

Amount Response *– Depending on the specific model being offered by the third-party provider, the company's operating history, model purpose, model validation, and data storage and protection could be key focus areas of any voluntary certification program.*

Question 13: What are the potential challenges or benefits to a voluntary certification program with respect to models that rely on artificial intelligence, machine learning, or big data processing?

Amount Response *– As noted in Question 12, structure and thoroughness of any independent model validation exercise could potentially be one of the challenges of any voluntary certification program. Standardization of such process would be a benefit for all parties. For machine learning, big data or other similar service providers creating a voluntary certification program may have the added benefit of creating a mechanism for IDIs to easily receive and digest information from vendors in a consistent manner, which could lead to greater adoption of beneficial technologies.*

Question 14: How can the FDIC identify those types of technology or other services, or those aspects of the third-party provider's condition, that are best suited for a voluntary certification program or other standardized approach to due diligence? For example, should such a certification program include an assessment of financial condition, cyber security, operational resilience, or some other aspect of a third-party provider?

Amount Response *– A voluntary certification program or standardized due diligence approach should consider factors that are most important to, and most similar between, the IDIs that would be participating. Areas such as financial condition, cyber security, business continuity, data storage and vendor management are often heavily scrutinized by financial institutions and their regulators and should be part of any certification process. Cloud-based technologies are very suitable for a certification program of this nature given a third-party provider's ability to standardize such technologies across IDIs and to provide access to such technologies with limited impact on the normal operations of an IDI.*

Question 15: If the FDIC partnered with an SSO to set standards for due diligence and assessments of models or third-party providers of technology and other services, what considerations should be made in choosing the SSO? What benefits or challenges would the introduction of an SSO into the standard-setting process provide to IDIs, third-party providers, or consumers?

Amount Response *– An SSO utilized for these purposes should be familiar with the due diligence requirements at IDIs and the onboarding processes that are important to those IDIs and within the financial industry generally. Additionally, the SSO should have a reasonable understanding of the technology that might be utilized at an IDI and the requirements that most IDIs require prior to onboarding a model or a new technology. The SSO should also be familiar with vendor management and due diligence processes necessary in financial services. SSO knowledge in technology and financial services would be a universal benefit to IDIs and third-parties as it would bridge the gap between expectations and requirements that are faced by both sides.*

Question 16: To what extent would a standards-based approach for models or third-party providers of technology and other services be effective in an environment with rapidly developing technology systems, products, and platforms, especially given the potential need to reassess and reevaluate such systems, products, and platforms as technologies or circumstances change?

Amount Response *– A standards-based approach would be effective in this environment because it would reduce the resources IDIs need to implement new models or technologies and give IDIs access to the more advanced technology with a lower resource threshold for access. The question of effectiveness in product offering is something the marketplace will ultimately determine. Ineffective offerings will fail to attract IDI customers not because of the standards but because of the underlying offerings.*

Question 17: What current or draft industry standards or frameworks could serve as a basis for a standard-setting and voluntary certification program? What are the advantages and disadvantages of such standards or frameworks? Do standards and voluntary certifications already exist for use as described herein?

Amount Response *– Given the breadth of the services and models referenced by the FDIC throughout this RFI, it is difficult to identify specific responses to Question 17 at this time.*

Question 18: Given that adherence to SSO standards would be voluntary for third parties and for IDIs, what is the likelihood that third-party providers of models or services would acknowledge, support, and cooperate with an SSO in developing the standards necessary for the program? What challenges would hinder participation in that process? What method or approaches could be used to address those challenges?

Amount Response *– We expect third-parties would be willing to work with an SSO since the standards developed by the SSO should allow third-parties to expedite the process for getting their technologies into an IDI. If IDIs have given guidance on expectations and standards, this would likely provide significant incentive for third-party participation as well. Only those service providers who can meet the high* *standards expected by the FDIC and other similar regulators should qualify under an SSO program. Third-party providers who perceive IDIs as their customers should be amenable to these high standards, as they are already expected to meet them in their provision of services to each IDI. The mere fact that the FDIC is considering a standardization process to help efficiency should be viewed as a benefit to service providers.*

Question 19: What is the best way to structure an SSO (e.g., board, management, membership)? Alternatively, are there currently established SSOs with the expertise to set standards for models and third parties as described herein?

***Amount Response** – Given the breadth of the services and models referenced by the FDIC throughout this RFI, it is difficult to identify specific responses to Question 19 at this time.*

Question 20: To what extent should the FDIC and other Federal/state regulators play a role, if any, in an SSO? Should the FDIC and other Federal/state regulators provide recommendations to an SSO? Should the FDIC and other Federal/state regulators provide oversight of an SSO, or should another entity provide such oversight?

***Amount Responses** – The FDIC and/or federal/state regulators should have oversight over, or at a minimum interaction with, any SSO creating and managing the certification process. Without involvement from agencies with oversight of IDIs, third-parties would likely be less compelled to participate in the certification or due diligence processes. Both IDIs and third-party service providers may be less inclined to participate if the FDIC and/or other regulators were not involved as there could be a perception that such regulators might still expect different standards when examining IDIs, thus negating some of the perceived benefit of an SSO.*

Question 21: What benefits and risks would COs provide to IDIs, third parties, and consumers?

***Amount Response** – A CO would be beneficial for adding efficiencies to the annual certification process. Having an external organization run the certification process could streamline the review process and add comfort to IDIs and third parties by having a separate, unbiased organization lead the certification process. Using a CO would likely increase costs for IDIs and third parties, however, efficiencies created through establishment of a streamlined process could offset such costs.*

Question 22: To what extent would COs be effective in assessing compliance with applicable standards in an environment with rapidly developing technology systems, products, and platforms, especially given the potential need to reassess and reevaluate such systems, products, and platforms as technologies or circumstances change?

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Amount Response *– A CO could be valuable in assessing compliance with standards around technology development as this would provide IDIs the benefit of a trusted third party review and allow IDIs to avoid the costs of managing such a process separately. CO's operate across a variety of rapidly changing industries, including, for example, information security, and the CO's are not viewed as any less effective.*

Question 23: For model validation and testing, would COs evaluate a model based solely on reports, testing results, and other data provided by the third-party provider of the model? Or would the COs need to test the model and generate their own test results? What steps would the COs need to take to protect the intellectual property or other sensitive business data of the third party that has submitted its model to the validation process?

Amount Response *– The level of testing will depend on a variety of factors, including the level of detail within the validation report, the level of involvement by the Certification Organization, the level of independence of the Certification Organization and the level of certification. Given the proprietary nature of the material, and its importance to the third-party model providers, strong protections would need to be established for CO's to have access to such information. For some providers, the model(s) may be some of the most valuable "crown jewel" assets of the business. A structure which fails to adequately protect such intellectual property would have the countereffect of disincentivizing service providers from participating in the process.*

Question 24: If COs receive derogatory information indicating that a certified third party or certified model or technology no longer meets applicable standards, should the COs develop a process for withdrawing a certification or reassessing the certification? (1) If so, what appeal rights should be available to the affected third party? (2) What notification requirements should COs have for financial institutions that have relied on a certification that was subsequently withdrawn? (3) Should the FDIC or Federal/state regulators enter information sharing agreements with COs to ensure that any derogatory information related to a certified third party or certified model or technology is appropriately shared with the COs?

Amount Response *– A CO should have a process for withdrawing certification or reassessing certification. While specific processes would need to be hashed out, in the event that a CO believes withdrawal or reassessment is necessary, third-parties should have an opportunity to contest the CO's determination. It is important to note that if the CO process is voluntary, the third-party service providers would not be prohibited from providing services to IDIs. While they would not be permitted to rely on a certification from the CO, they could instead provide diligence and oversight responses to IDIs outside of a certification process. While likely less efficient, it would be no worse for the service provider than current circumstances.*

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Question 25: Are there legal impediments, including issues related to liability or indemnification, to the implementation of a voluntary certification program that the FDIC, other Federal/state regulators, third party providers, and IDIs should consider?

Amount Response *– Given the proposed structure as a voluntary certification structure, there should not be significant legal impediments. Both IDIs and service providers have discretion on whether to participate in the process and a relationship between the two would still be able to be established outside of any certification program. These factors should help mitigate legal impediments.*

Question 26: To what extent should the FDIC and other Federal/state regulators play a role, if any, in the identification and oversight of COs, including assessments of ongoing operations? Should the FDIC and other Federal/state regulators provide oversight of COs, or should another entity, such as an SSO, provide such oversight?

Amount Response *– We believe it would be beneficial, if not crucial, for the FDIC or other Federal/state regulators to provide oversight of COs. The failure to do so could be a detriment to participation in the certification program by third parties and/or acceptance of the certification program by IDIs.*

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We applaud the FDIC's initiative regarding these new technologies and fully support the objectives of the RFI. Developing technologies and models can be massively beneficial to financial institutions. Processes which help to eliminate onboarding and oversight burdens can create efficiencies and help further adoption of such technologies. We would be happy to participate in any further conversations should the FDIC have any follow-up questions.

Sincerely,

[redacted]

Ryan McLennan
General Counsel and Chief Administrative Officer