

September 22, 2020

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

Subject: Comments on FDIC's Request for Information - RIN 3064-ZA18

Dear Mr. Feldman:

Thank you for the opportunity to respond to the FDIC's *Request for Information on Standard Setting and Voluntary Certification for Models and Third-Party Providers of Technology and Other Services*. Beyond the Arc is a customer experience and data science firm located in the San Francisco Bay Area. We work with both financial institutions and fintech companies and are familiar with the needs, goals and challenges of organizations in the ecosystem.

We support the development and application of voluntary standards and a voluntary certification process to assist financial institutions as they seek to implement innovative financial models, products and services developed by third party fintechs. Our reasons are summarized below.

### Supporting digital transformation of the financial services industry

Digital transformation of financial services is solidly underway, enhancing the products and services people and companies receive and the way they receive them. Digital innovations have made it easier to open accounts, monitor and manage them, and gain added benefits, such as setting savings goals and achieving them through automatic transfers to a savings account and easily sending payments to friends, family and businesses. Digital banking also provides access to those who do not have a branch nearby or transportation to banking facilities that are further away. Additionally, the risk of COVID-19 amplifies the need for digital access.

However, even though these changes are occurring, many banks are struggling with how to accelerate their progress. They are increasingly interested in how they might partner with a fintech, but some may be holding back because they seek additional guidance on compliance and risk. Standards and training would help these banks better assess how to adapt their compliance frameworks and programs to appropriately manage new fintech capabilities.

Additionally, some financial institutions may be unaware of the twin pillars of fintech:

- **Being customer centric** – decisions you make are focused on the customer and an enhanced experience.
- **Being data centric** – to deliver on being customer-centric, you need data flowing into insights and the ability to evaluate how you're doing, which leads to doing things better.

In other words, they may not recognize that implementing fintech solutions is an iterative process which leads to ongoing improvements that collectively provide greater opportunities for success.

### Leveling the playing field

Standards and a certification curriculum will especially benefit community banks and smaller financial institutions, enabling them to remain competitive by innovating more quickly. Instead of time spent pursuing a steep learning curve, voluntarily adopted standards and certification will enable smaller financial institutions to better understand the partnering journey and where and how to allocate their time and resources. Fintechs too will benefit from standardization as they will be more familiar and prepared for what diverse financial institutions require.

### Building on a strong risk management foundation with RegTech

Financial institutions are currently addressing many areas of risk and compliance that will also affect potential partnership with fintechs, such as data security, fraud prevention and anti-money laundering. They can build upon their current policies and practices in these areas to address potential new risks rather than starting from scratch. They can also leverage RegTech, such as AI-driven databases and compliance tools to detect fraud, manage new regulations and address customers' data rights and consent.

### Strong Fintech-FI partnerships are about more than risk and compliance

Certification could cover more than risk and compliance, which would make for more robust and stronger partnerships. For example, an important aspect of partnering for financial institutions is providing coaching and mentoring to their fintech partners. Otherwise, if institutions go into these partnerships with little patience for fintech's necessary learning curve, they will be limiting their chances for growth and success. Additionally, financial institutions could benefit from understanding how to assess readiness for partnering and choose a fintech partner.

### Role of small consultancies and diverse voices

Organizations like Beyond the Arc help bring innovation and strategic thinking to financial services. We feel that a robust certification should include a role for small business consultancies as agile, multidisciplinary organizations that can help with problem solving and training development. As independent firms, we offer a broader perspective than that of a financial institution or a fintech alone.

Additionally, there needs to be a place for diverse voices who can identify and promote new areas of innovation, such as building financial literacy and providing personalized financial coaching for underserved individuals and communities. Diversity is also critical in developing analytic models to ensure they don't build-in patterns of past biases.

### Taking advantage of existing resources

There are currently government resources available to help financial institutions incorporate fintech innovations, such as Risk Management Guidance from the OCC on Third-Party Relationships. There's also an April 2020 report by the Congressional Research Service, "Fintech: Overview of Financial Regulators and Recent Policy Approaches." Certification could highlight these and other resources and ensure more institutions take advantage of them.

Financial institutions of all sizes should have support for adopting fintech innovations in a safe and consistent manner. Regulators should have access to tools to support the financial institutions they oversee, and fintechs should have guidance to provide their services in a way that minimizes risk and increases financial opportunities for all Americans. Standards and certification could help achieve these outcomes, which is why we support them.

We'd be happy to discuss our comments, as needed.

Respectfully submitted,



Steven J. Ramirez  
CEO  
Beyond the Arc, Inc.  
Beyondthearc.com