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MEMORANDUM

August 30, 2021

To Our Clients and Friends

Re: Agencies Issue Guidance for Community Banks on Conducting Due Diligence on Fintech Companies

The FDIC, the Federal Reserve Board, and the Comptroller of the Currency have issued guidance to help community banks assess risks when considering relationships with fintech companies. Although drafted with community banks in mind, the guidance offers basic due diligence concepts which may be useful for larger banks. The guidance is not intended to serve as a comprehensive due diligence framework for community banks, and banks are encouraged to consider their unique circumstances when formulating a due diligence policy.

The guidance encourages banks to assess the following when evaluating a prospective relationship with a fintech company:

- The fintech's business experience, strategic goals, and overall qualifications and its ability to meet the bank's needs
- The fintech's financial condition and its ability to remain in business and fulfill any obligations created by the relationship
- The fintech's legal standing and knowledge of the legal and regulatory requirements applicable to the proposed activity
- The effectiveness of the fintech's risk management policies and controls
- The fintech's information security policies
- The fintech's business continuity plan, incident response plan, and related documents

A copy of the agencies' guidance is available on our website at <http://schwartzandballen.com/news.html>.

For more information, please call Gilbert Schwartz, Robert Ballen, Heidi Wicker, or Eric Knight at (202) 776-0700.