

FDIC Issues Guidance to Member Banks Regarding Fintech Partnerships

April 3, 2019 |

The Federal Deposit Insurance Corporation, the primary federal regulator of the FDIC-insured banks that partner with fintech platforms to offer loan products to borrowers, issued a Financial Institution Letter ("FIL") on April 2, 2019, to remind its member banks with less than \$1 billion in total assets to ensure that they account for risk posed by the use of technology service providers in the event of a cessation of operations or a data breach.

FIL-19-2019 recounts that examiners have noted in recent FDIC reports of examination that some financial institution contracts with technology service providers do not adequately define rights and responsibilities regarding business continuity and incident response or provide sufficient detail to allow financial institutions to manage those processes and risks. The FDIC cautions that such contracts should require the service provider to maintain a business continuity plan, establish recovery standards, and define contractual remedies if the service provider misses a recovery standard. Such agreements with fintech companies should also sufficiently detail the technology service provider's security incident responsibilities such as notifying the financial institution, regulators, or law enforcement. The FDIC also noted that Section 7 of the Bank Service Company Act obligates its member banks to notify it of contracts or relationships with technology service providers that provide certain services, including check and deposit sorting and posting, computation and posting of interest, preparation and mailing of checks or statements, and other clerical, bookkeeping, accounting, statistical, or similar functions such as data processing, Internet banking, or mobile banking services. The FDIC has developed an optional form to allow its member banks to make this notification.

[FIL 19-2019](#)

[Notification of Performance of Bank Services](#)

© 2018 CounselorLibrary.com, LLC. Republished with permission. All rights reserved.

[CounselorLibrary.com](#), LLC, is an entity affiliated with the law firm of Hudson Cook, LLP. [CounselorLibrary.com](#), LLC articles are written by attorneys with Hudson Cook, LLP, and by other authors, including employees of [CounselorLibrary.com](#), LLC. The views and opinions contained in the articles do not constitute the views and opinions of Hudson

Cook, LLP. CounselorLibrary(R) products and services are available directly through and from www.CounselorLibrary.com and are not legal advice.

Hudson Cook, LLP provides articles, webinars and other content on its website from time to time provided both by attorneys with Hudson Cook, LLP, and by other outside authors, for information purposes only. Hudson Cook, LLP does not warrant the accuracy or completeness of the content, and has no duty to correct or update information contained on its website. The views and opinions contained in the content provided on the Hudson Cook, LLP website do not constitute the views and opinion of the firm. Such content does not constitute legal advice from such authors or from Hudson Cook, LLP. For legal advice on a matter, one should seek the advice of counsel.

SUBSCRIBE TO INSIGHTS

HUDSON COOK

Hudson Cook, LLP is a national law firm representing the financial services industry in compliance, privacy, litigation, regulatory and enforcement matters.

7037 Ridge Road, Suite 300, Hanover, Maryland 21076
410.684.3200

hudsoncook.com

© Hudson Cook, LLP. All rights reserved. Privacy Policy | Legal Notice
Attorney Advertising: Prior Results Do Not Guarantee a Similar Outcome

