

THE CHANGING VENDOR MANAGEMENT EXPECTATIONS

for Fintechs



It's important that you, a fintech, meet vendor management expectations to satisfy client expectations, so that an incident or audit doesn't stop you in your tracks. In third-party risk management, there are new regulations, laws, standards and best practices that come up on a regular basis. You must stay on your toes to win points with your clients.

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4 Top of Mind Vendor Management Expectations for Fintechs

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1

Uphold candid transparency on your operations and security

Uncertainty caused by COVID-19 leads to an increase in due diligence expectations. You, as a fintech, offer an array of solutions that are valuable, and your clients want to add that value to their organization. Because of that, you'll be expected to maintain transparency regarding your business continuity, financial stability, integrity, security and availability.

In addition to transparency and assuring the viability of ongoing partnerships, you should stay cognizant of new and trending security risks. Digital and remote offices mean that the playing field for hackers is getting bigger, and they're ramping up their tactics.

2

Stay abreast of charters, certifications and regulatory updates

The Office of the Comptroller of the Currency (OCC) continues to weed out challenges with their fintech charter, and the Federal Deposit Insurance Corporation (FDIC) is also looking for a way to assist with fintech adaptation. Regulatory awareness and an adaptive compliance program aren't just advantageous, but are likely a deal breaker in the next few years.

Knowing what's coming, fintechs should be fully aware of the regulatory universe surrounding their clients. This includes, but is not limited to, FDIC guidance such as the following:

- FIL-26-2004: Unfair or Deceptive Acts and Practices Under Section 5 of the Federal Trade Commission Act
- FIL-44-2008: Guidance for Managing Third-Party Risk
- FIL-3-2012: Payment Processor Relationships Guidance

For financial institutions, it will be a lot easier to onboard a fintech who has a bank charter or an FDIC-approved certification, and will save a lot of time and money which would be spent on conducting due diligence and risk assessments themselves. While it seems like much is still "up in the air," it's safe to say that we're not far from seeing a closer relationship between regulators and fintechs.

3

Have a business plan that includes risk management systems and controls to support your client's Model Risk Management (MRM) program

The FDIC is looking at requiring organizations to have an MRM framework, which shows risk posed and how that risk may be mitigated. Because industries are turning to fintechs to outsource products and services, you should assist and be proactive by having a detailed business plan. It's also highly recommended that fintechs have a formalized MRM framework themselves, depending on the complexity and materiality of the prospective models and corresponding operations.

4

Continue your own vendor due diligence and ongoing monitoring

While there are some new things to consider, it's important for you to maintain the status quo of due diligence and ongoing monitoring of your own third parties, and generally upholding third-party risk management standards.

Here's a reminder of some due diligence requirements:

- Tax ID, Secretary of State Check, Articles of Incorporation, BBB validation
- Certificates of Insurance
- Financial Reports
- Compliance Certifications
- SOC and other Audit Reports
- Business Continuity and Disaster Recovery Plans and Test Results
- Policies and Procedures
- Vulnerability Scanning and Penetration Testing Information

It's good to not only continue what we know is right, but also look towards improvements in the future. This can be done by staying abreast of industry and regulatory changes and maintaining sound business practices to keep yourself safe and clients happy.



Download free sample assessments of vendor controls and see how Venminder can help you reduce your third-party risk management workload.

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