



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF SUPERVISION
AND REGULATION

DIVISION OF CONSUMER AND
COMMUNITY AFFAIRS

SR 21-15 / CA 21-11

August 27, 2021

**TO THE OFFICER IN CHARGE OF SUPERVISION AT EACH FEDERAL RESERVE
BANK**

SUBJECT: Guide for Community Banking Organizations Conducting Due Diligence on
Financial Technology Companies

Applicability: Banking organizations with \$10 billion or less in consolidated assets supervised
by the Federal Reserve.

Staff of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency have developed the attached guide, “Conducting Due Diligence on Financial Technology Companies: A Guide for Community Banks.”¹ By providing access to new or innovative technologies, companies specializing in financial technologies (or “fintech companies”) can provide community banking organizations with many benefits, such as enhanced products and services, increased efficiency, and reduced costs. Like other third-party relationships, arrangements with fintech companies can also introduce risks.

The attached guide is a resource for community banks when performing due diligence on prospective relationships with fintech companies. Use of this guide is voluntary and it does not anticipate all types of third-party relationships and risks. Therefore, a community bank can tailor how it uses relevant information in the guide, based on its specific circumstances, the risks posed by each third-party relationship, and the related product, service, or activity (herein, activities) offered by the fintech company. While the guide is written from a community bank perspective, the fundamental concepts may be useful for banks of varying size and for other types of third-party relationships. The guide aligns with existing regulations and guidance that address due diligence and third-party risk management and does not establish new or interpret existing guidance.

¹ See <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20210827a.htm>

Reserve Banks are asked to distribute this letter to community banking organizations with \$10 billion or less in consolidated assets in their districts and to appropriate supervisory staff. Questions regarding this letter may be sent via the Board's public website.²

signed by
Michael S. Gibson
Director
Division of Supervision
and Regulation

signed by
Eric S. Belsky
Director
Division of Consumer and
Community Affairs

Attachments:

- [*Conducting Due Diligence on Financial Technology Companies: A Guide for Community Banks*](#)

Cross References:

- SR 13-19 "Guidance on Managing Outsourcing Risk" (December 5, 2013)

² See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.