



IDFPR

Illinois Department of
Financial and Professional Regulation

Division of Banking

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TO THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER OF EACH ILLINOIS CHARTERED BANK AND SAVINGS BANK

SUBJECT:

Federal Agency Statements on Banks' Arrangements with Third Parties to Deliver Bank Deposit Products and Services

The purpose of this letter is to call attention to the joint statement issued on July 25, 2024 by the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) (collectively, the "agencies") that addresses risks related to arrangements between banks and third parties to deliver bank deposit products and services to customers. These "third-party" arrangements include, but are not limited to, partnerships with financial technology ("fintech") companies. In addition to this joint statement, the agencies released a request for information related to these bank-fintech arrangements. Additionally, the agencies announced on September 13, 2024 that they have extended the comment period deadline to October 30, 2024. The agencies are seeking input on the nature and implications of bank-fintech arrangements and effective risk management practices. These releases, as stated therein, do not establish new regulatory requirements or supervisory expectations but point towards existing guidance for institutions seeking to engage in such arrangements:

- [SR 24-5: Joint Statement on Banks' Arrangements with Third Parties to Deliver Bank Deposit Products and Services](#)
- [Request for Information on Bank-Fintech Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses](#)

Both notices are particularly relevant for Illinois state-chartered banks and savings banks¹ that are engaging in, or are considering engaging in, arrangements with third parties to deliver deposit products and services, including bank-fintech partnerships.

Bank-fintech partnerships have proliferated in recent years as new, non-bank entrants in the financial services market seek to provide banking services to businesses and consumers. Appropriate innovative partnerships may be capable of increasing access to financial

¹ Unless otherwise stated, as used hereinafter "bank" includes "savings bank."

products; however, they pose additional risks for depository institutions that engage in these arrangements. Like its federal counterparts, the Illinois Department of Financial and Professional Regulation, Division of Banking (“IDFPR”), supports responsible innovation and supports Illinois state-chartered banks in pursuing third party arrangements in a manner consistent with safe and sound practices and in compliance with applicable laws and regulations.

IDFPR expects banks engaging in, or considering engaging in, these arrangements to review the recent notices and guidance provided by the agencies. Further, IDFPR invites banks to respond to the request for information if they have any experience in this area. The comment period for the request for information closes on October 30, 2024; more information can be found in the [Federal Register](#). IDFPR also invites banks to contact the Department to share their experience in this area by e-mailing IDFPR’s Office of Innovation at fpr.innovation@illinois.gov.

Finally, IDFPR emphasizes the following:

Prior to engaging in third-party arrangements or any other new activities, a bank must ensure that such activities are legally permissible. An institution must analyze the permissibility of such activities under relevant state and federal laws and determine whether any filings are required under applicable state or federal banking laws and regulations. If your bank has questions regarding the permissibility of any new activities or filing requirements, IDFPR is available to review the bank’s understanding of what the applicable law is and what it requires or permits. In this regard, please contact your bank’s lead supervisory point of contact at IDFPR’s Division of Banking. The bank should also contact its lead supervisory point of contact at its primary federal regulator. Requests seeking a legal interpretation by the Division of Banking must adhere to the Division of Banking’s [Statement on Interpretive Letters](#).

In all cases, an Illinois state-chartered bank must, prior to engaging in new activities, have in place adequate systems, risk management, and controls to conduct new activities in a safe and sound manner and consistent with applicable laws, including applicable consumer protection statutes and regulations.