



Smart decisions. Lasting value.™

# Welcome

**Financial Services  
Audit Committee Overview**

April 6, 2022

# Your Moderator and Presenters

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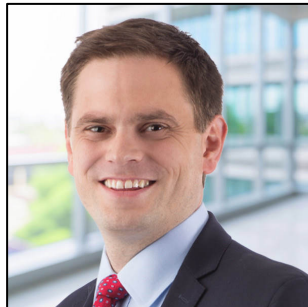
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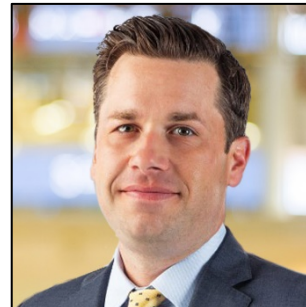
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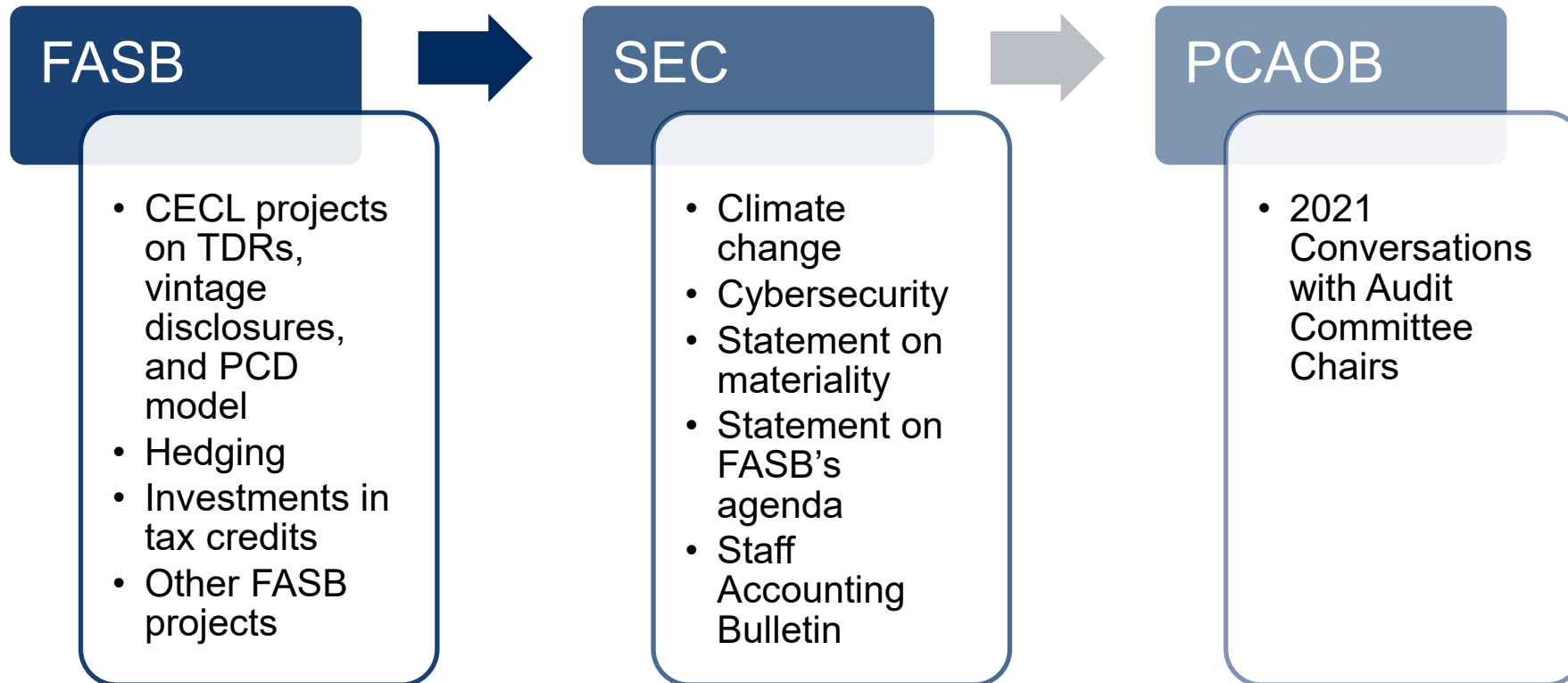
# Agenda

- 
- Financial reporting observations (*Sydney Garmong and Mark Shannon*)
  - M&A and current deal approvals (*Rick Childs*)
  - Banking as a service (*Clayton Mitchell*)
  - Q&A (*John Epperson*)



# **Financial reporting observations**

# Financial reporting observations



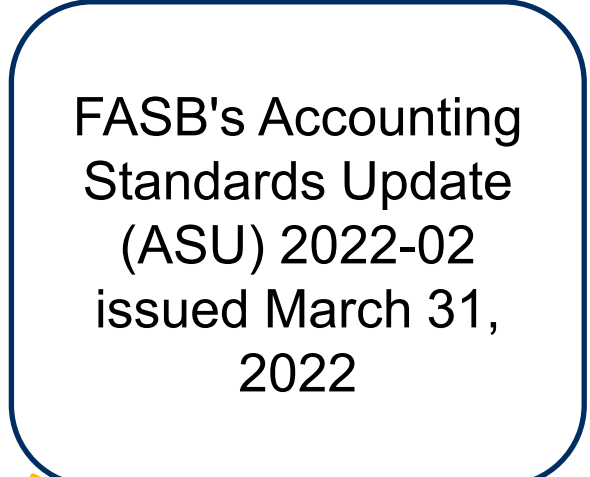


# From the FASB

## Three projects on FASB's agenda:

- Removing Troubled Debt Restructuring (TDR) accounting and enhancing disclosures \*
- Requiring gross write-off information in vintage disclosures
- Expanding scope of the purchased credit deteriorated (PCD) accounting model \*

\* Added as result of FASB Post Implementation Review (PIR)



FASB's Accounting Standards Update (ASU) 2022-02 issued March 31, 2022

Crowe's take: "FASB tweaks CECL: TDR accounting and vintage disclosures"

<https://www.crowe.com/insights/fasb-tweaks-cecl-tdr-accounting-and-vintage-disclosures>

# ASU 2022-02: Troubled Debt Restructurings (TDRs)



- Instead of evaluating modifications for TDRs, entities would determine if a modification is a new loan or a continuation of the existing loan.
  - Apply the guidance in 310-20-35-9 through 35-11
- Disclosures
  - For each income statement presented, disclosures for modifications due to financial difficulty only for direct change in contractual cash flows.
    - Qualitative and quantitative information on types of modifications, financial effects of modifications, and performance on a trailing 12-months after modification (class of financing receivables)
    - Qualitative information on how factored into determining the ACL (portfolio segment)
  - For modifications with different types of modifications
  - For each income statement presented, disclosures for modifications that defaulted with the previous 12 months



# ASU 2022-02: Gross Write-offs

## >> Example 15: Disclosing Credit Quality Indicators of Financing Receivables by Amortized Cost Basis

Condensed example from ASU 2016-13

As of December 31, 20X5	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	20X5	20X4	20X3	20X2	20X1	Prior		
<b>Commercial business loans:</b>								
Current-period gross writeoffs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current-period recoveries	-	-	-	-	-	-	-	-
<b>Current-period net writeoffs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Commercial mortgage:</b>								
Risk rating:								
1-2 Internal grade	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3-4 Internal grade	-	-	-	-	-	-	-	-
5 Internal grade	-	-	-	-	-	-	-	-
6 Internal grade	-	-	-	-	-	-	-	-
7 Internal grade	-	-	-	-	-	-	-	-
<b>Total commercial mortgage</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Commercial mortgage loans:</b>								
Current-period gross writeoffs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current-period recoveries	-	-	-	-	-	-	-	-
<b>Current-period net writeoffs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# ASU 2022-02: Transition and effective dates

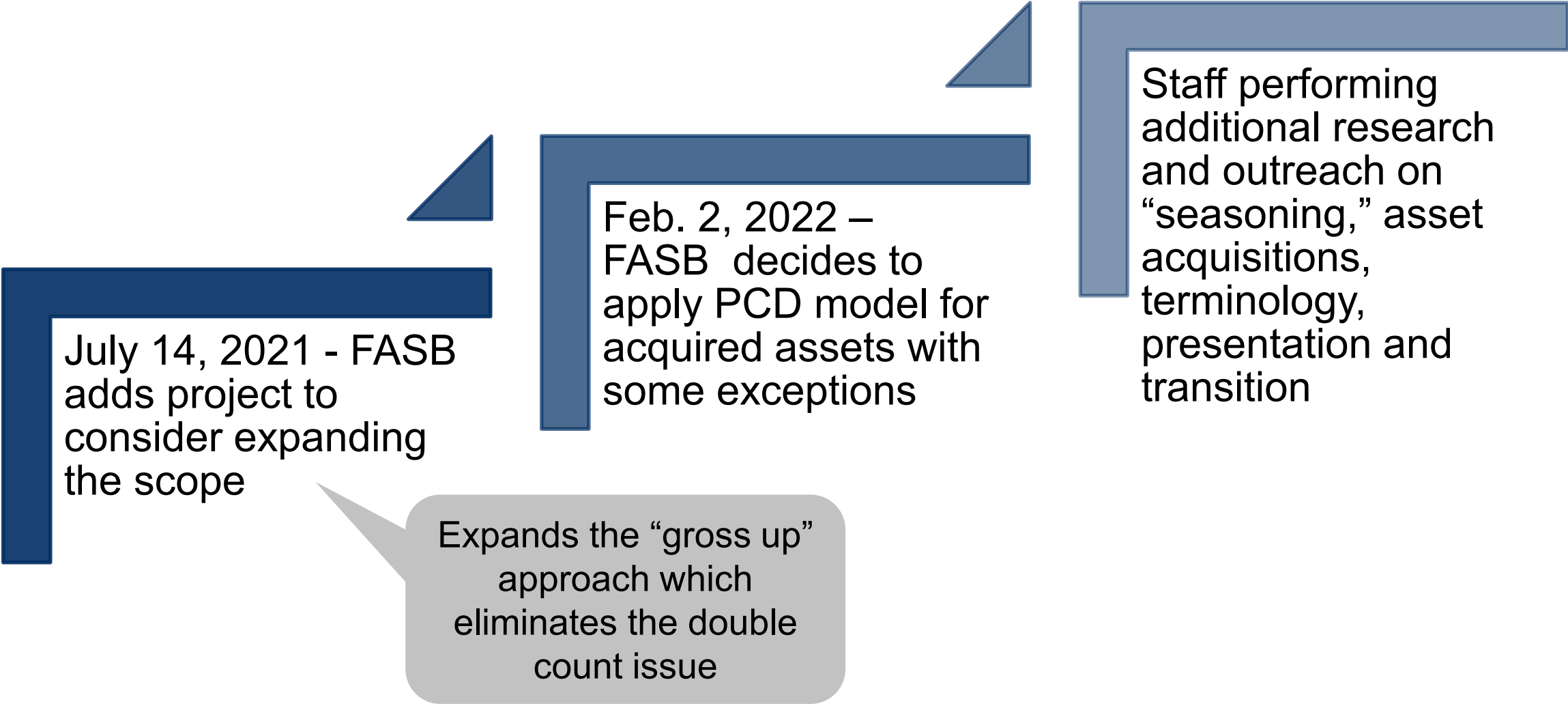
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- Transition
  - Prospective for the disclosure enhancements
  - Prospective with an option for modified retrospective transition for the elimination of TDR recognition and measurement guidance
- Effective
  - For fiscal years beginning after Dec. 15, 2022, for creditors that have adopted Topic 326 (CECL)
  - Early adoption is permitted
- Agenda request from the AICPA
  - A practical expedient for all entities to not apply the TDR guidance
  - FASB scheduled to discuss at Wed. April 6 board meeting



Decision?

# Project: Purchased Credit Deteriorated (PCD) model

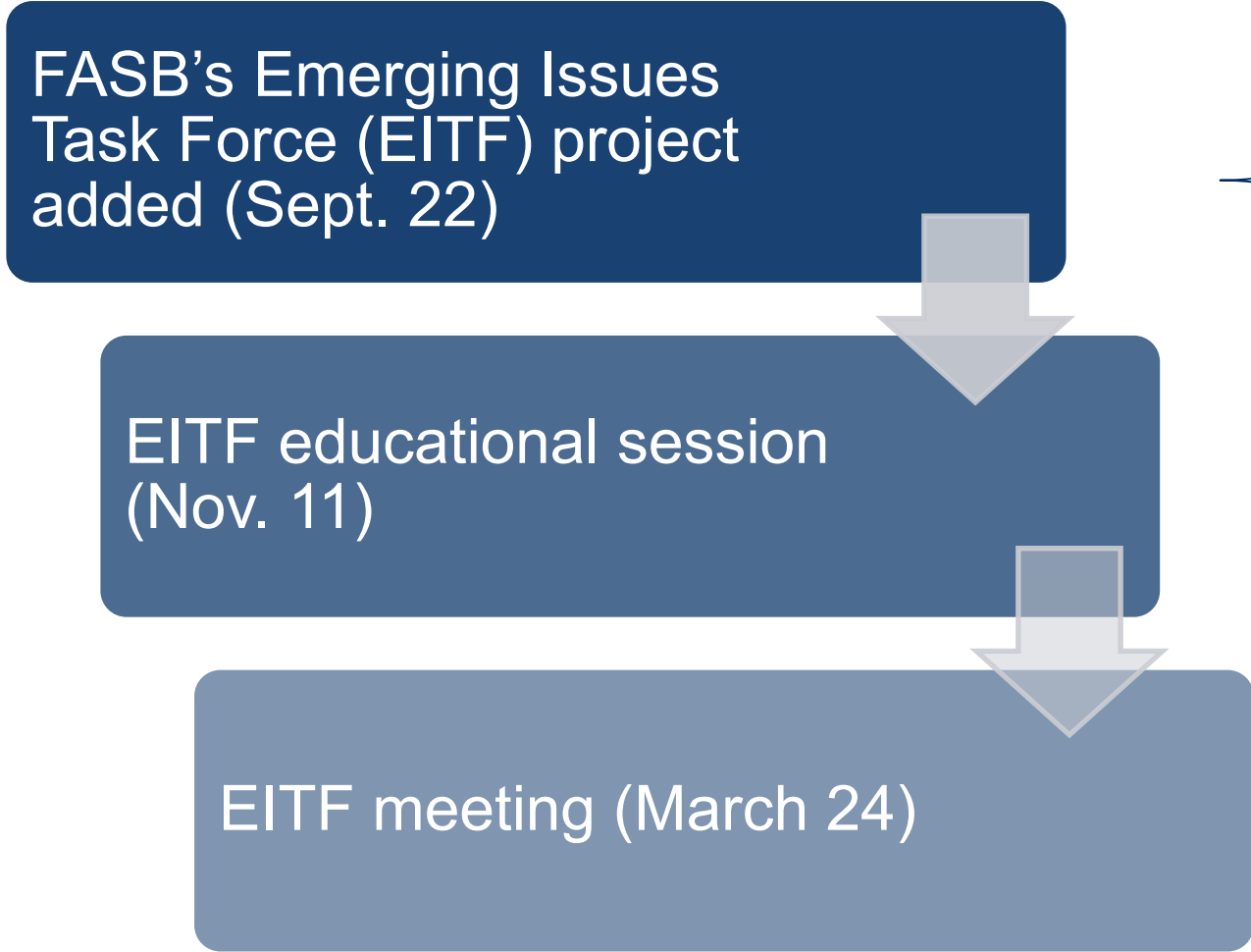


# Hedging: Portfolio layer (formerly last-of-layer) method



- ASU 2022-01 – Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method
- Scope expansion / Attributes of the assets in the closed portfolio
  - Multiple layers and amortizing swaps permitted
  - All financial assets; no longer required to be prepayable
  - Permitting assets in a closed portfolio that do not support initial hedged layers, but could support future layers.
- Fair value hedge basis adjustments
  - Not allocated while the hedge is in effect; not included when determining credit losses
- Disclosures
- Transition and effective date
  - Another opportunity to transfer HTM to AFS, *but requires transfer and hedge within 30 days of adoption*
  - PBEs required to adopt the amendments for fiscal years beginning after Dec. 15, 2022, and interim periods within those fiscal years. All other entities would be required to adopt the amendments for fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years.
  - Early adoption would be permitted on any date on or after issuance of a final Update for an entity that has adopted ASU 2017-12 for the corresponding fiscal and interim period (if applicable).

# FASB project: Investments in tax credits



To expand the proportional amortization method to investments in tax credits other than low-income housing tax credits (LIHTC), such as:

- New Markets Tax Credits (NMTC)
- Historic Rehabilitation Tax Credits (HTC)
- Renewable Energy Tax Credits (RETC)

EITF 21-A, “Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method”

# FASB: Other projects

## Goodwill project

- March 2<sup>nd</sup> meeting discussion addressed accounting for identifiable intangible assets in a business combination and scope or proposed subsequent accounting guidance.
- Leaning toward subsuming non-separable customer relationships into goodwill and to include reorganization goodwill, goodwill at a subsidiary, and equity method goodwill within the scope
- Staff will continue to research and perform outreach on topics yet to be discussed including disclosures, presentation and transition

## Segments project

- Staff drafting a proposed Accounting Standards Update



# From the SEC

# It's here: SEC's climate disclosure proposal

## Financial statement disclosures

- Impacts and expenditures, disaggregated by line item
- Whether estimates and assumptions were impacted by climate risks

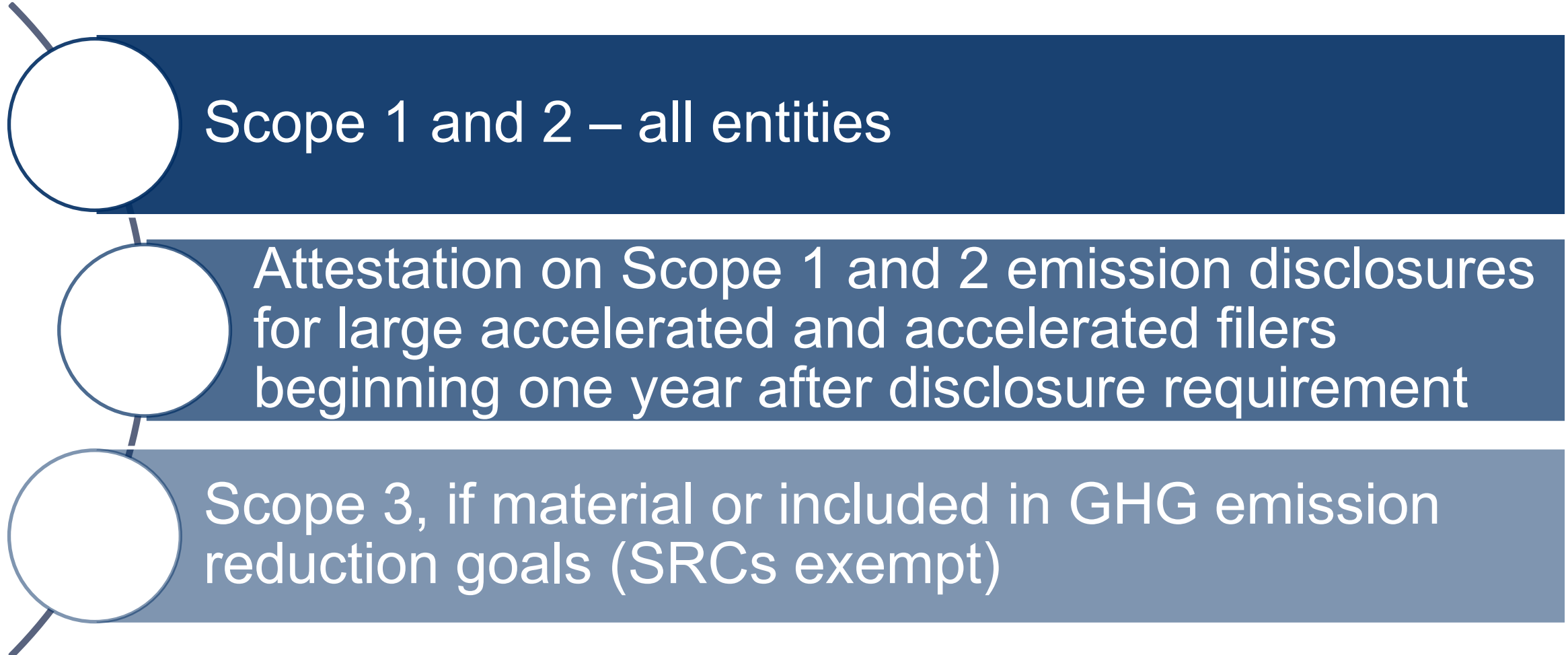
## Non-financial statement disclosures

- Governance and risk management
- Risks (and opportunities) – actual or likely impacts
- Transition plans, targets, or goals
- Scenario analysis, if used
- Carbon pricing or carbon offsets / renewable energy certificates (RECs), if used
- Greenhouse Gas (GHG) emissions

Comments due later of 30 days after publication in the Federal Register or May 20:

<https://www.sec.gov/rules/proposed/2022/33-11042.pdf>





# SEC's climate disclosure proposal – potential compliance dates

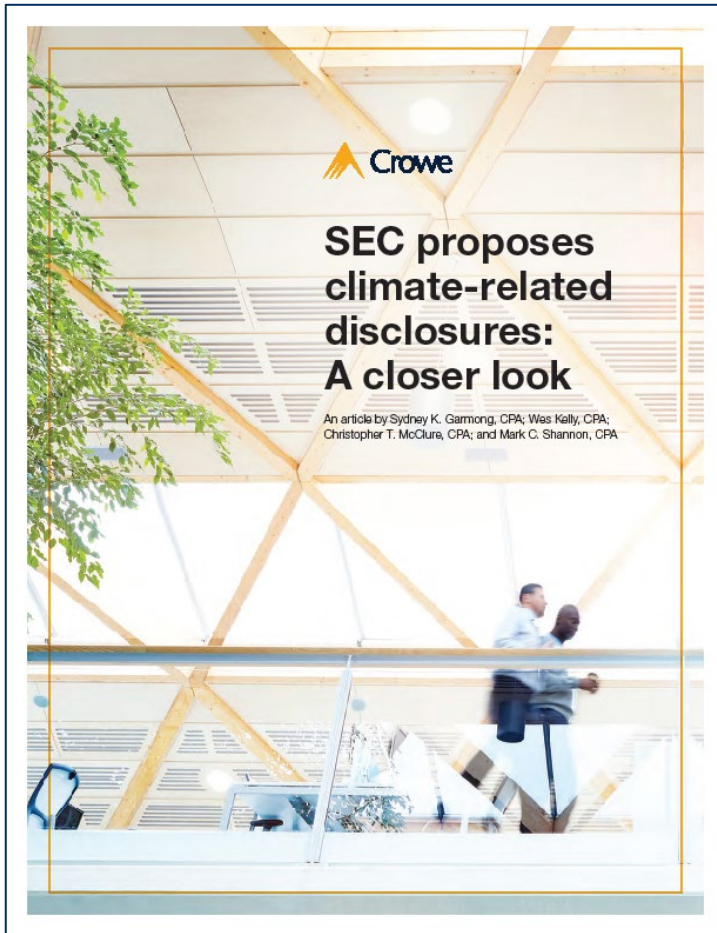


Filer status	Disclosure compliance date	
<b>All dates assume final rule effective date of Dec. 2022</b>	All proposed disclosures, including GHG emissions metrics: Scope 1, Scope 2, and associated intensity metric, but excluding Scope 3	GHG emissions metrics: Scope 3 and associated intensity metric
<b>Large accelerated</b>	Fiscal year 2023 (filed in 2024)	Fiscal year 2024 (filed in 2025)
<b>Accelerated and non-accelerated</b>	Fiscal year 2024 (filed in 2025)	Fiscal year 2025 (filed in 2026)
<b>SRC</b>	Fiscal year 2025 (filed in 2026)	Exempted

# SEC's climate disclosure proposal – potential compliance dates



<b>Filer status (all dates assume final rule effective date of Dec. 2022)</b>	<b>Scopes 1 and 2 GHG Disclosure compliance date</b>	<b>Limited assurance</b>	<b>Reasonable assurance</b>
<b>Large accelerated</b>	Fiscal year 2023 (filed in 2024)	Fiscal year 2024 (filed in 2025)	Fiscal year 2026 (filed in 2027)
<b>Accelerated</b>	Fiscal year 2024 (filed in 2025)	Fiscal year 2025 (filed in 2026)	Fiscal year 2027 (filed in 2028)



## Practical considerations include

- Governance
- Taking stock of current reporting versus potential reporting requirements
- Disclosure controls and procedures and internal control over financial reporting
- Attestation service providers
- Entities planning to go public
- Materiality

<https://www.crowe.com/insights/asset/s/sec-proposes-climate-related-disclosures-a-closer-look>



## Polling question

**With respect to the SEC's climate risk disclosure rule proposal, we have:**

- A. read the proposal, have concerns, and plan to comment.
- B. read the proposal, do not have concerns, and plan to comment.
- C. read the proposal and do not plan to comment.
- D. have not yet read the proposal but it's on the list.
- E. N/A - not responsible for commenting on proposal.

# SEC's cybersecurity disclosure rule proposal



Disclose cybersecurity risk management, strategy and governance, including whether the Board has a cybersecurity expert



Disclose material cybersecurity incidents on Form 8-K within four business days of determining that the incident is material



Update status of material breaches in periodic reports

Comments due May 9: <https://www.sec.gov/rules/proposed/2022/33-11038.pdf>

# Materiality and the reasonable investor

- March 9, 2022 – Acting Chief Accountant Paul Munter statement

<https://www.sec.gov/news/statement/munter-statement-assessing-materiality-030922>

Big “R”

- Determined to be material to historical financial statements (F/S)
- Requires restatement of those F/S

Little “r”

- Not material to historical F/S; but material to current period F/S
- Comparative information in current period F/S revised; error disclosed

- Considerations

- Analyze through lens of the “reasonable investor”
- Thoroughly and objectively evaluate total mix of information (quantitative and qualitative)
- Assess each error individually first; then aggregate

# Statement on FASB Agenda

Feb. 22, 2022 – Acting Chief Accountant Paul Munter statement

<https://www.sec.gov/news/statement/munter-statement-fasb-agenda-consultation-02222022>

## Importance of Investors and Other Stakeholders to the Standard-Setting Process

- Types of users FASB engages with
- Nature of user feedback received
- How FASB considered user feedback in decision making

### Transparency

## Observations on the FASB's Agenda Consultation

- How projects provide decision useful information
- Consider costs and benefits to both users and preparers
- Robust due diligence process



SAB 121 issued March 31, 2022:

Guidance for entities that provide crypto-assets custody services for platform users.

Provides interpretive guidance in the form of three questions and answers:

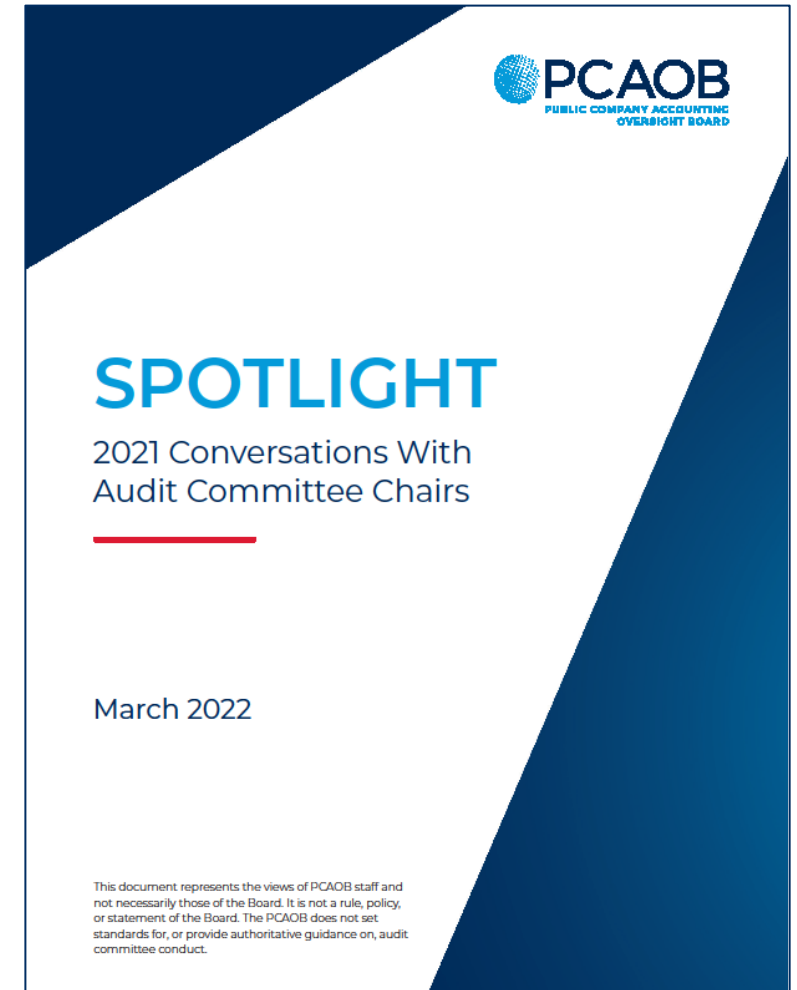
- How should an entity account for its obligations to safeguard crypto-assets held for platform users?
- What disclosures would the staff expect an entity to provide regarding its safeguarding obligations for crypto-assets held for its platform users?
- How and when should an entity initially apply the guidance in this Topic in its financial statements?



# From the PCAOB

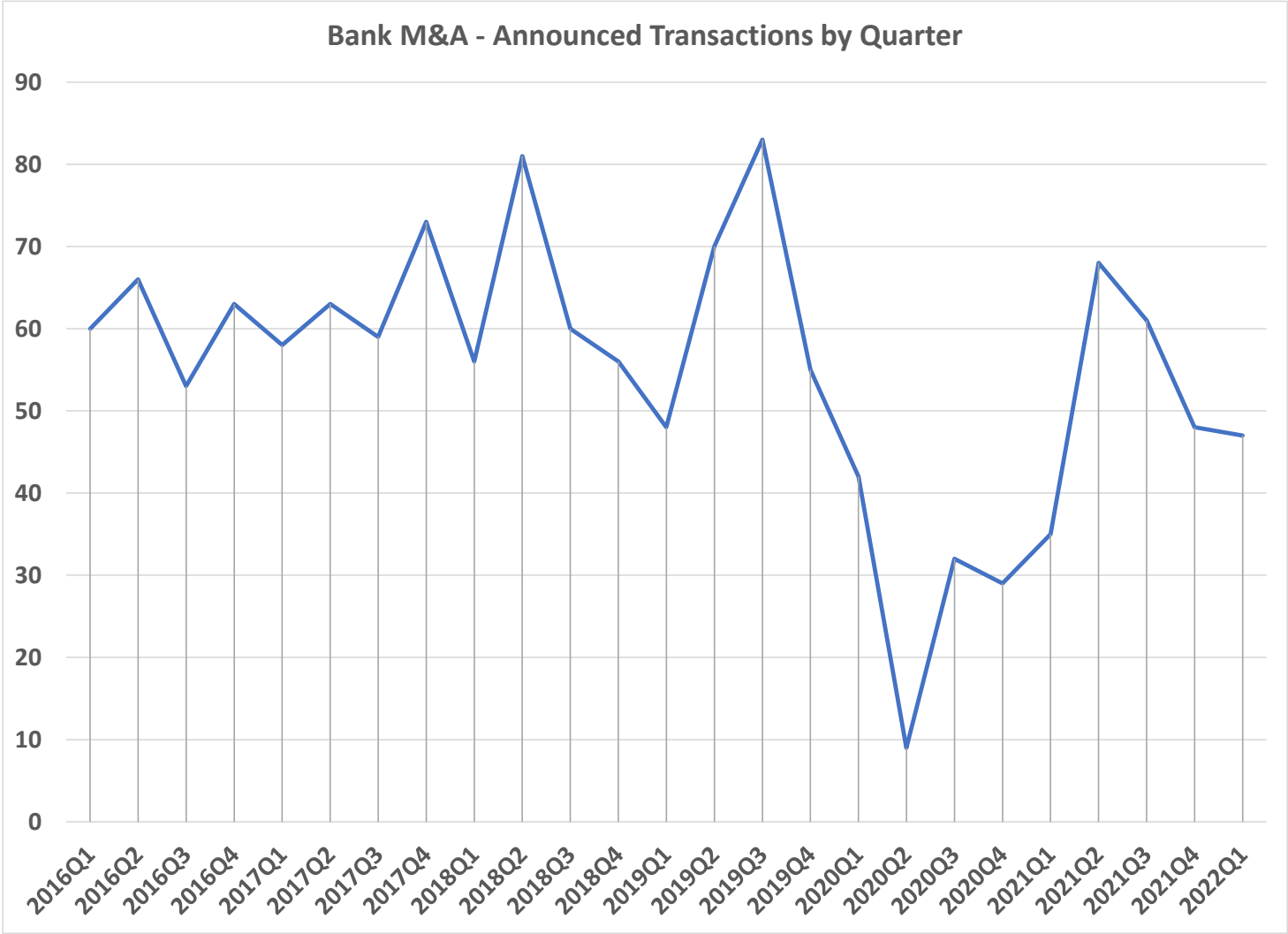
## 2021 Conversations with Audit Committee Chairs

- Required communications
- Other communications
- Auditor strengths and areas for improvement
- PCAOB inspection report
- Quality control
- Auditor's use of technology
- Information outside of financial statements



# M&A and current deal approvals

# Deals by Quarter



# M&A Stats 2016-YTD2022



<b>Seller Asset Category</b>	<b>Buyer Size</b>	<b>Target Size</b>	<b>P/TBV</b>	<b>P/BV</b>	<b>P/E</b>
<b>LT \$100 Million</b>	396,230	55,979	124.0%	123.5%	24.3x
<b>\$100 Million - \$500 Million</b>	1,280,613	211,248	147.9%	144.2%	18.4x
<b>\$500 Million - \$1 Billion</b>	4,013,943	661,931	168.6%	164.7%	18.6x
<b>\$1 Billion - \$5 Billion</b>	8,258,833	1,775,803	180.9%	158.5%	19.2x
<b>\$5 Billion - \$10 Billion</b>	15,530,355	7,026,521	150.0%	143.2%	17.9x
<b>\$10 Billion - \$25 Billion</b>	29,618,600	16,606,362	194.4%	145.9%	17.3x
<b>\$25 Billion - \$50 Billion</b>	64,337,597	29,449,000	148.6%	114.1%	15.1x
<b>\$50 Billion - \$100 Billion</b>	142,601,105	63,091,800	168.4%	102.1%	25.2x
<b>GT \$100 Billion</b>	510,351,500	105,455,954	151.4%	115.7%	11.0x

Source: S&P CapIQ Pro  
YTD 2022 through April 4th

# Bank M&A Stats by Year



Year = 2017					
Seller Asset Category	Buyer Size	Target Size	P/TBV	P/BV	P/E
LT \$100 Million	321,408	51,904	120.3%	119.0%	23.9x
\$100 Million - \$500 Million	1,377,483	235,715	157.7%	150.1%	20.5x
\$500 Million - \$1 Billion	4,441,846	770,081	190.9%	177.9%	19.2x
\$1 Billion - \$5 Billion	8,400,056	1,971,177	208.2%	186.1%	22.1x
\$5 Billion - \$10 Billion	16,426,907	6,595,519	195.7%	179.4%	22.5x
\$10 Billion - \$25 Billion	21,898,524	12,328,347	184.5%	151.5%	29.7x
\$25 Billion - \$50 Billion	N/A	N/A	N/A	N/A	N/A
\$50 Billion - \$100 Billion	N/A	N/A	N/A	N/A	N/A
GT \$100 Billion	N/A	N/A	N/A	N/A	N/A

Year = 2018					
Seller Asset Category	Buyer Size	Target Size	P/TBV	P/BV	P/E
LT \$100 Million	412,602	55,127	125.6%	124.2%	19.1x
\$100 Million - \$500 Million	1,223,927	199,102	158.7%	152.6%	22.7x
\$500 Million - \$1 Billion	3,125,018	621,690	179.6%	177.2%	28.3x
\$1 Billion - \$5 Billion	9,272,865	1,910,728	211.8%	186.1%	24.5x
\$5 Billion - \$10 Billion	7,112,547	6,398,416	149.8%	132.6%	38.9x
\$10 Billion - \$25 Billion	86,620,153	16,179,911	252.1%	184.9%	17.7x
\$25 Billion - \$50 Billion	N/A	N/A	N/A	N/A	N/A
\$50 Billion - \$100 Billion	N/A	N/A	N/A	N/A	N/A
GT \$100 Billion	N/A	N/A	N/A	N/A	N/A

Source: S&P CapIQ Pro  
YTD 2022 through April 4th

# Bank M&A Stats by Year



Year = 2019					
Seller Asset Category	Buyer Size	Target Size	P/TBV	P/BV	P/E
LT \$100 Million	512,605	56,619	128.6%	127.1%	21.4x
\$100 Million - \$500 Million	1,408,009	229,796	157.3%	156.5%	16.1x
\$500 Million - \$1 Billion	6,375,036	624,144	163.6%	156.9%	17.3x
\$1 Billion - \$5 Billion	8,398,519	2,450,745	176.2%	148.1%	15.4x
\$5 Billion - \$10 Billion	36,455,921	7,928,781	125.1%	101.1%	12.9x
\$10 Billion - \$25 Billion	14,865,881	17,684,204	207.7%	135.8%	11.4x
\$25 Billion - \$50 Billion	43,717,684	31,734,598	144.2%	96.4%	9.7x
\$50 Billion - \$100 Billion	N/A	N/A	N/A	N/A	N/A
GT \$100 Billion	225,697,000	215,543,000	179.6%	126.8%	11.0x

Year = 2020					
Seller Asset Category	Buyer Size	Target Size	P/TBV	P/BV	P/E
LT \$100 Million	493,547	61,548	128.6%	127.2%	34.3x
\$100 Million - \$500 Million	691,204	190,330	143.3%	143.1%	15.6x
\$500 Million - \$1 Billion	829,486	701,611	149.2%	148.5%	13.0x
\$1 Billion - \$5 Billion	8,357,501	1,339,354	145.1%	119.7%	17.2x
\$5 Billion - \$10 Billion	9,061,919	7,071,532	140.6%	93.8%	16.6x
\$10 Billion - \$25 Billion	15,921,881	17,142,025	201.0%	110.9%	13.7x
\$25 Billion - \$50 Billion	120,116,000	47,565,789	148.6%	108.2%	25.4x
\$50 Billion - \$100 Billion	48,666,873	60,865,000	43.6%	41.2%	N/A
GT \$100 Billion	461,817,000	103,652,922	131.3%	103.9%	N/A

Source: S&P CapIQ Pro  
YTD 2022 through April 4th



# Bank M&A Stats by Year



Year = 2021					
Seller Asset Category	Buyer Size	Target Size	P/TBV	P/BV	P/E
LT \$100 Million	567,322	58,766	151.5%	135.9%	26.8x
\$100 Million - \$500 Million	1,314,054	212,594	135.8%	135.5%	15.2x
\$500 Million - \$1 Billion	4,323,959	700,860	153.0%	143.2%	17.4x
\$1 Billion - \$5 Billion	8,023,850	1,672,003	166.6%	146.7%	14.3x
\$5 Billion - \$10 Billion	16,726,795	6,503,925	159.3%	145.4%	14.8x
\$10 Billion - \$25 Billion	28,346,988	15,836,346	165.3%	145.4%	19.9x
\$25 Billion - \$50 Billion	57,656,892	29,449,000	134.6%	114.1%	11.8x
\$50 Billion - \$100 Billion	142,601,105	63,091,800	168.4%	102.1%	36.1x
GT \$100 Billion	773,530,500	105,455,954	149.5%	115.7%	12.5x

Year = 2022					
Seller Asset Category	Buyer Size	Target Size	P/TBV	P/BV	P/E
LT \$100 Million	247,730	52,736	112.2%	112.2%	31.8x
\$100 Million - \$500 Million	1,188,045	250,578	141.3%	150.3%	27.6x
\$500 Million - \$1 Billion	3,419,403	692,801	151.1%	161.6%	14.4x
\$1 Billion - \$5 Billion	7,695,037	1,136,168	162.6%	155.8%	15.9x
\$5 Billion - \$10 Billion	N/A	N/A	N/A	N/A	N/A
\$10 Billion - \$25 Billion	N/A	N/A	N/A	N/A	N/A
\$25 Billion - \$50 Billion	N/A	N/A	N/A	N/A	N/A
\$50 Billion - \$100 Billion	1,728,672,000	89,092,000	232.9%	173.9%	14.4x
GT \$100 Billion	N/A	N/A	N/A	N/A	N/A

Source: S&P CapIQ Pro  
YTD 2022 through April 4th

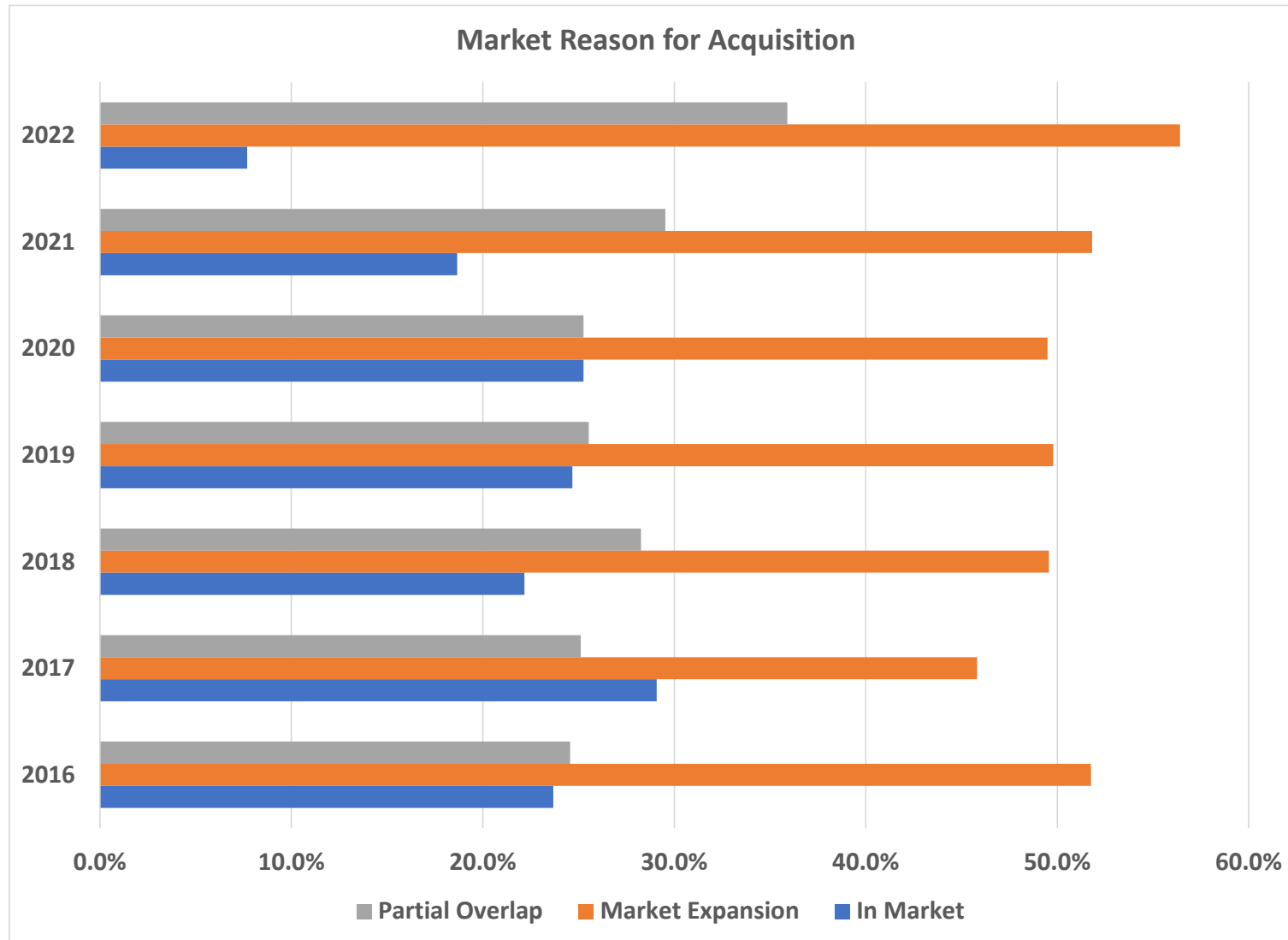
# Bank M&A 2021-YTD2022 by Region



Region	Buyer Size	Target Size	P/TBV	P/BV	P/E
Northeast	13,773,914	6,896,625	150.0%	136.8%	14.8x
Mid Atlantic	9,039,931	972,864	144.8%	128.7%	18.0x
Southeast	2,187,577	383,252	151.5%	147.0%	14.3x
Midwest	871,302	148,570	153.2%	143.3%	16.3x
Southwest	1,827,643	305,738	157.8%	144.0%	13.8x
West	3,175,169	429,158	158.3%	150.3%	14.7x

Source: S&P CapIQ Pro  
YTD 2022 through April 4th

# Acquisition Rationale - Geography



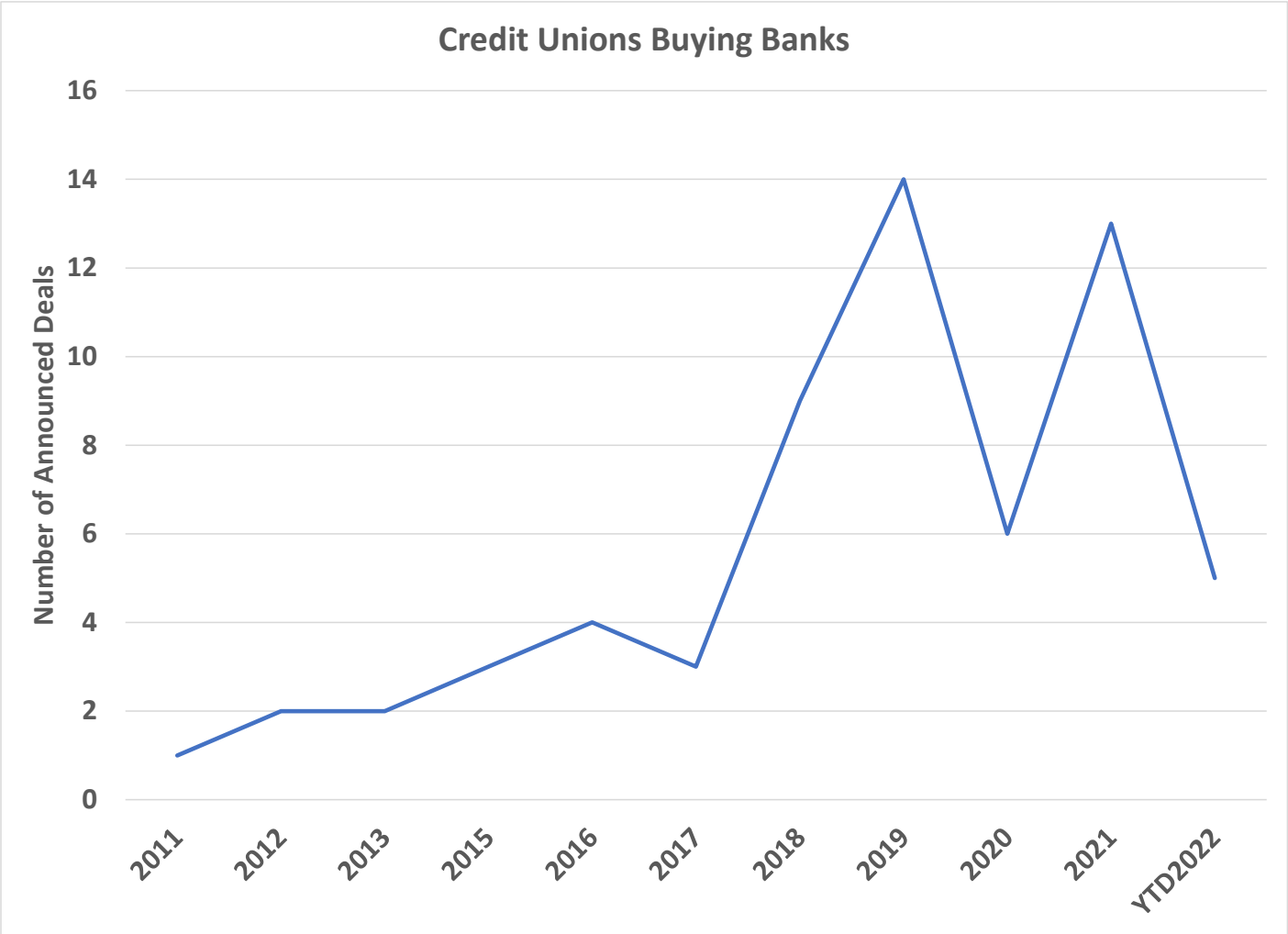
Source: S&P CapIQ Pro  
YTD 2022 through April 4th

# Are MOEs really equals?

Year	Median		Seller's/Buyer's Assets	
	Buyer's Assets	Seller's Assets	Median	Minimum
2016	417,388	311,549	78.7%	62.5%
2017	230,916	216,089	82.1%	81.3%
2018	535,469	471,448	114.7%	56.9%
2019	12,277,515	11,057,453	87.7%	33.9%
2020	1,585,798	1,238,226	96.9%	74.7%
2021	23,744,451	18,800,350	89.3%	62.3%
2022	1,329,492	948,345	71.2%	70.9%

Source: S&P CapIQ Pro  
YTD 2022 through April 4th

# Credit Unions as Bank Buyers



# Completion time CU-Bank deals



Year	Months to Completion	Year	Months Pending
2011	5.3	2021	7.6
2012	13.7	2022	1.2
2013	8.7		
2014	N/A		
2015	8.3		
2016	5.9		
2017	8.5		
2018	7.6		
2019	7.4		
2020	7.5		
2021	6.6		

Source: S&P CapIQ Pro

# Federal Reserve Processing Times



**Table 2. Merger and acquisition proposals, dispositions and processing times of approved proposals, 2017–20 and 2020:H1 and 2021:H1**

Mergers and acquisitions	2017	2018	2019	2020	2020:H1	2021:H1
<b>Dispositions</b>						
Approved	238	190	190	144	70	81
Withdrawn	15	10	16	14	9	4
<i>Percent M&amp;A of total approved proposals</i>	23.0%	20.0%	20.0%	18.6%	20.0%	16.6%
<b>Processing time (days)</b>						
Average	65	57	60	69	62	71
Median	42	42	43	45	43	45

# Federal Reserve Processing Times



**Table 3. Merger and acquisition approved proposals, volume and processing times by proposals that did not receive adverse public comments and those that received adverse public comments, 2017–20 and 2020:H1 and 2021:H1**

Mergers and acquisitions	2017	2018	2019	2020	2020:H1	2021:H1
<b>Proposals not receiving adverse public comments</b>						
Approved	219	178	181	140	70	79
<b>Processing time (days)</b>						
Average	56	53	56	64	62	66
Median	42	41	43	45	43	45
<b>Proposals receiving adverse public comments</b>						
Approved	19	12	9	4	0	2
<i>Percent M&amp;A receiving adverse public comments of total M&amp;A proposals</i>	7.5%	6.0%	4.4%	2.5%	0.0%	2.4%
<b>Processing time (days)</b>						
Average	173	113	143	232	N/A	106
Median	164	112	123	193	N/A	106



# What leads to delays

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- Deals which are large enough to require DC approval as opposed to delegated authority at one of the Regional Fed Banks
- Contested transactions by some community group
- Investor groups (more akin to a de novo application)
- One of the parties has an interesting regulatory past



## Polling question

### **What Are Your M&A Plans for 2022?**

- A. None – we're happy with organic growth
- B. Ongoing discussions with a likely seller
- C. Hope to buy

# Banking as a Service

# Fintech and BaaS Market Trends



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There is a convergence occurring where fintechs are becoming banks (through chartering or purchasing charters).

Embedded finance, platforms and creation of ecosystems is on the rise, with fintechs largely in the center. This is also in alignment with the super apps (e.g. PayPal, Cash App, etc.) continuing to gain traction and looking more and more bank-like.

The economics of bank/fintech partnering (and valuations overall) are largely irrational. The balance is largely towards fintech without proper consideration of cost of operations, risk and compliance – especially in partnership deals for banks due to the significant opportunities available for growth. Making this even more interesting is that currently 1 in every 5 VC dollars is going into fintech.

Banks who have segmented operations and risk functions to support their fintech investments and partnerships are creating competitive advantage and effectiveness over those who fuse them. This also makes it more quantifiable and manageable overall and facilitates conversations with regulators who are starting to have concerns over the profitability of the investments and partnerships.

# Key Terms

## Banking as a Service (“BaaS”)

A partnership model in which a financial institution leverages its bank charter to enable one or more non-bank financial services companies to offer products directly to customers.

## Embedded Finance

Payment or lending services that are provided directly to consumers by companies that are not financial services firms. Embedded finance tools are typically used to help consumers complete checkout experiences or access credit quickly. Often instant and may be invisible to the consumer.

## Bank of Record / Sponsor Bank

Financial institution offering BaaS. Non-financial companies may list their sponsor bank as the “bank of record” on legal disclosures.



**Is BaaS part of your organization's strategic plan?**

- A. Yes
- B. No
- C. I'm not certain

Polling  
question

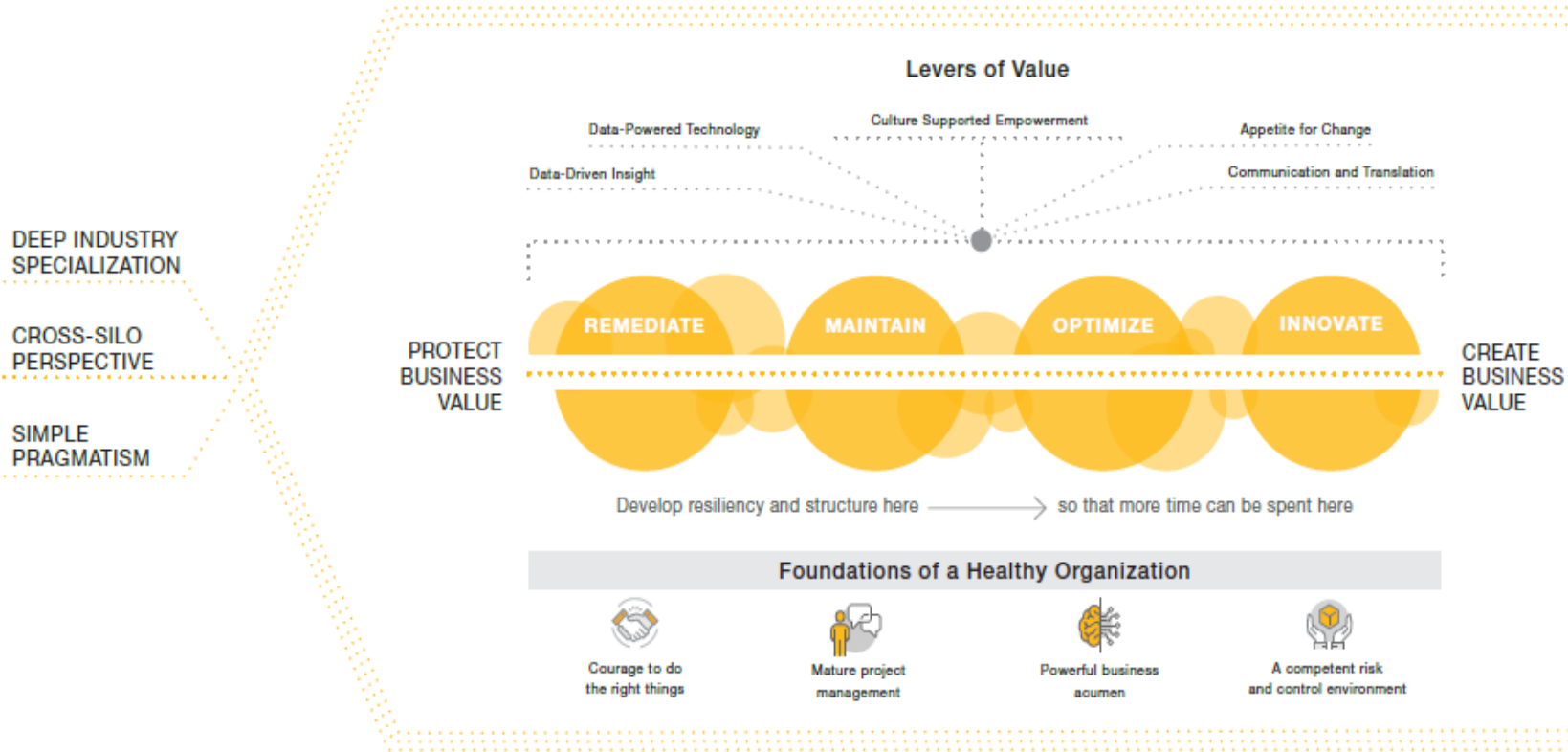
# Creating Organizational Value Matters



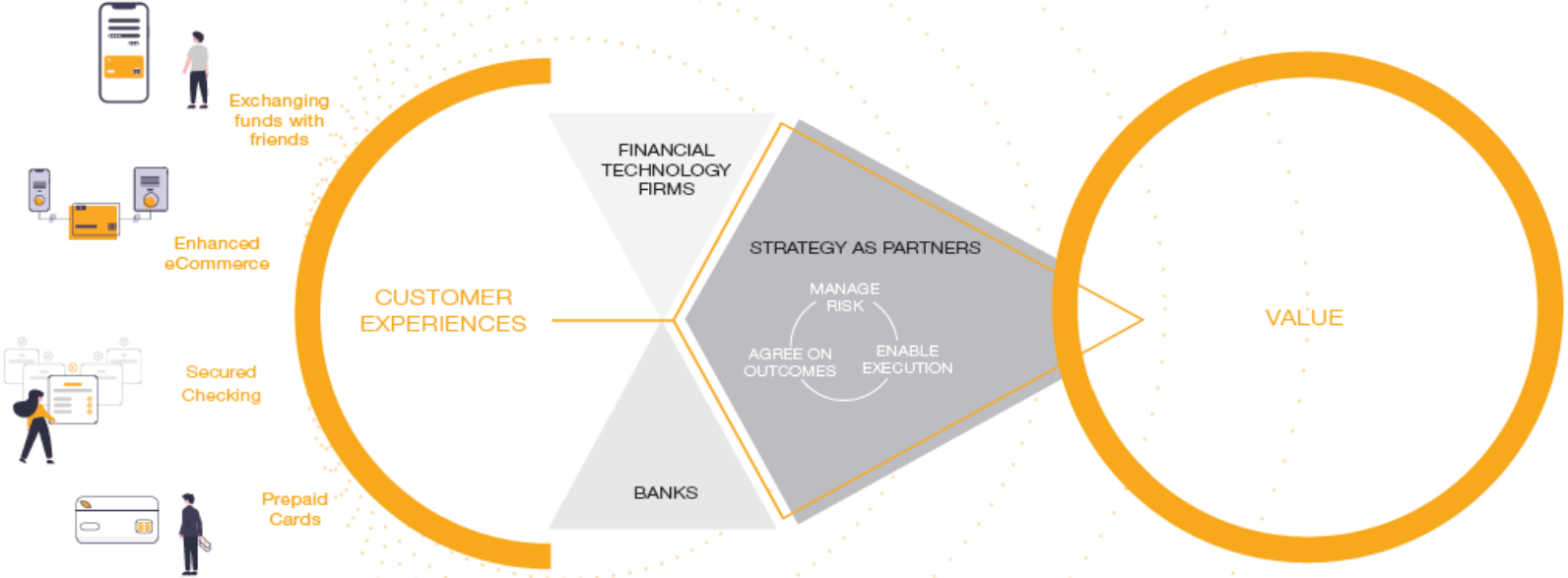
Imagine moving where you need to be with ease, agility, and speed.

- How might we fix an issue in a way that creates value?
- How might we reinvent how we comply?
- How might we apply ingenuity to get to better outcomes?
- How might we change the experience for our customers and stakeholders?
- How might we grow the business?
- How might we innovate risk out of the business?

How might we do things differently?



# Creating Customer Value



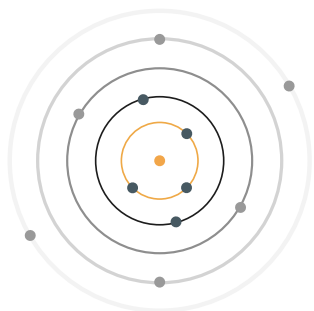
A HEALTHY OPERATIONAL FOUNDATION IS NECESSARY TO DELIVER A NEW CUSTOMER EXPERIENCE

- ..... Market Growth .....
- ..... Data Governance .....
- ..... Fraud .....
- ..... Customer Success .....
- ..... Information Security & Privacy .....
- ..... Reputation .....
- ..... Financial Modeling .....
- ..... Third Party .....
- ..... Continuity & Recovery .....
- ..... Legal .....
- ..... Compliance .....
- ..... Change Management & Resiliency .....
- ..... Enterprise Architecture .....
- ..... Financial Crime .....
- ..... Internal Audit .....



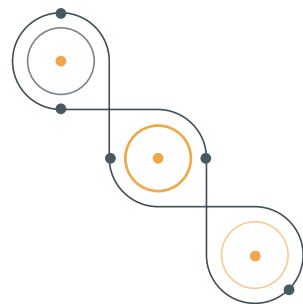
# 5 Tips for enabling risk management within Fintech partnerships.

01



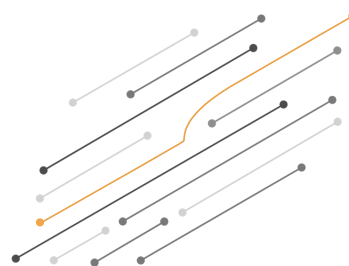
**Strategy Alignment  
and Complementary  
Objectives**

02

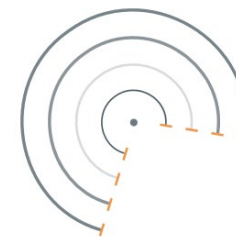


**Cultural alignment  
and transparency**

03



**Operational  
resilience, capacity  
and compatibility**



**Embedded risk  
management and  
compliance**

05



**Agree to a plan  
that's not 'check the  
box'**

# What can Internal Audit do?

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Be involved in the strategy setting discussions to evaluate systems, processes and controls.

Evaluate partnerships beyond “vendors” or “third-parties”

Include fintech/BaaS operations as part of your auditable entities.

Continuous monitoring and reporting.



## Polling question

**What type of support do you feel would most enhance your institution's ability to execute on a BaaS Strategy?**

- A. Alignment to strategic plan
- B. Risk management and compliance
- C. Operational execution
- D. Oversight and monitoring

# Questions?

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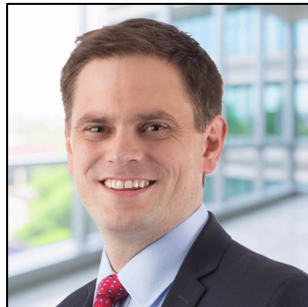
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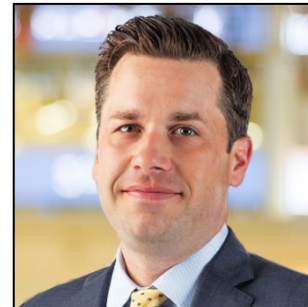
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