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Online Lenders Alliance

COMPLIANCE AND INNOVATION UNLIKELY ALLIES IN PRODUCT DEVELOPMENT

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Overview

- **What is Compliance**
- **Governing Law**
- **Product Development and Compliance**
- **Product Development Lifecycle**

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      graph TD
        Governance --- Standards
        Governance --- Compliance
        Standards --- Compliance
        Risk --- Compliance
        Compliance --- Regulations
        Compliance --- Policy
        Policy --- Rules
        Regulations --- Law
        Law --- Audit
        Practices --- Compliance
        Rules --- Audit
    
```

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Does Compliance really matter???



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"All of these compliance rules and regulations are such a bother. I never thought we actually had to read our policies and procedures."

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Compliance is critical for the following.

Poor compliance can impede your business.

- Risk Management
 - Third-party oversight
 - Examinations and inquiries
 - Complaints, lawsuits, diagnostics
- Due Diligence
 - Investors
 - Potential acquirers
 - Counterparties (particularly banks or other depositories)
- Long-term business viability
 - Scalability
 - Avoidance of costly lawsuits or investigations
 - Ability to pivot/launch new products



Rules and Regulations





Tension between compliance and innovation

- *"Let's see if this works first before we spend money on compliance."*
- *"Everyone else does this, and they're all still in business, so this should be fine."*
- *"We're not one of those bad companies that regulators go after."*
- *"We want to break the box, not find a way to fit into it."*
- *"What's the real risk here?"*

BUT: designing business and products around the law and understanding legal risks is critical to your survival.



New Company Development

- **Business Authority**
 - State Licenses?
 - Strategic Partnership?
 - Vendor Relationships?
- **Building the Right Legal and Compliance Infrastructure**
 - Investing in people and technology
 - Understanding your own compliance strengths and weaknesses
 - Longevity
 - Culture of Compliance
- **Benefits**
 - Position business to succeed
 - Avoid forced changes in business
 - Explain business to skeptics (regulators, counterparties, investors, acquirers).



New Product Development

- Initial concept (product scope/objective)
- License and authority analysis
- Partnership/white label vs. inhouse build
- Development of product around applicable law
 - Structure around usury/limits on fees, term, etc.
 - Analyze decisioning and underwriting criteria
 - Develop disclosures and documents
 - Advertising and marketing
 - Program-specific (bank, tribal, or other partnerships)
 - Management of 3P service providers



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Are we ALL onboard???



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Team Work

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QUESTIONS?

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