



COMPLIANCE AND INNOVATION UNLIKELY ALLIES IN PRODUCT DEVELOPMENT

COMPLIANCE UNIVERSITY

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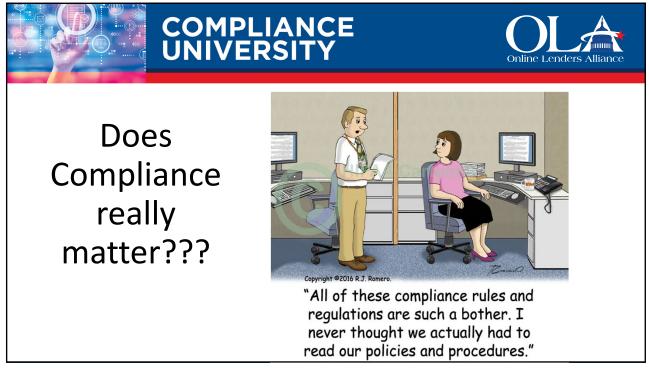




Overview

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







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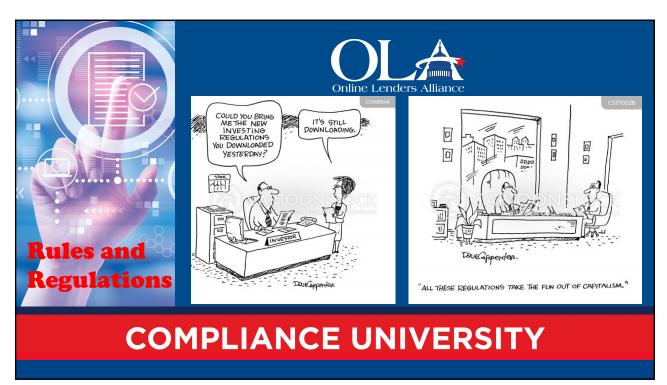


Compliance is critical for the following.

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

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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.



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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).



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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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