



VIA Federal Rulemaking Portal

October 18, 2021

Ann E. Misback
Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Ave, NW
Washington, DC 20551

James P. Sheesley
Assistant Executive Secretary
Attention: Comments-RIN 3064-ZA26, Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Chief Counsel's Office
Attention: Comment Processing, OCC - Docket ID OCC-2021-0011
Office of the Comptroller of the Currency
400 7th Street, SW., Suite 3E-218
Washington, DC 20219

Re: Proposed Interagency Guidance on Third-Party Relationships: Risk Management

Dear Ms. Misback/Mr. Sheesley and the Chief Counsel's Office:

Thank you for the opportunity to comment on this important issue. The Virginia Credit Union League represents credit unions of all sizes across the commonwealth and credit unions from neighboring states with branches in Virginia. Third-party vendors are critical to the smooth operation of credit unions and the services they provide. Credit unions are both federally and state-chartered and are supervised by the National Credit Union Administration (NCUA) and by state regulatory bodies. While the NCUA was not included in this public notice, credit unions also use vendors for the same services as banks and have a robust interest in this matter.

Overall, the Virginia Credit Union League supports the proposed guidance as being very helpful to assist credit unions in managing their third-party relationships. While not every aspect of the guidance applies to credit unions, we would like to comment on one particular area: contracts and bargaining ability.

In general, smaller institutions have less bargaining ability than larger institutions. This is due to: the amount of revenue they will produce for the vendor; the inability in some cases to have the funds to hire legal counsel; and the time required to negotiate contracts. Accordingly, the section of the guidance that addresses contractual provisions is very appropriate and helpful. Still, these institutions will still have to draft contractual language if they do not accept the language being produced by the vendors. This may be difficult. In addition, there is nothing to make the vendor accept the credit union proffered language. In the case of small institutions, the vendors may simply choose to do business elsewhere.



The proposed guidance notes that:

banking organizations may collaborate when they use the same third party, which can improve risk management and lower the costs among such banking organizations. For example, banking organizations may be able to collaborate when performing due diligence, negotiating contracts, and performing ongoing monitoring. Collaboration may facilitate banking organizations' due diligence of particular third-party relationships by sharing expertise and resources. Third-party assessment service companies have been formed to help banking organizations with third-party risk management, including due diligence. Collaboration can also result in increased negotiating power and lower costs to banking organizations not only during contract negotiations but also for ongoing monitoring.

The League supports this solution for assisting with due diligence and contract negotiation. We are concerned however, that these third-party assessment service companies may themselves not have the expertise to accomplish these goals. Accordingly, we suggest that the joint banking agencies publish a directory where entities may undergo a voluntary assessment to be certified by the banking regulators—either as assessors or as appropriate vendors.

We would also urge that the banking regulators share information gleaned regarding third parties with the National Credit Union Administration to ensure that information may be passed down to credit unions.

Thank you for the opportunity to comment and we are happy to answer any questions you may have.

A handwritten signature in black ink that reads "Carrie R. Hunt". The signature is written in a cursive, flowing style.

Carrie Hunt
President/CEO