



Get the Best Results from Fintech Partnerships

third party fintechs

Summary: Over the past three years, nearly half of all banks formed a partnership with a fintech, and 91% of banks have said that fintech partnerships are important in driving business strategy. What factors should CFIs consider to help those partnerships run smoothly and productively?

We've all heard of romances that began with love at first sight. But we probably don't know many real-world relationships that have endured happily for years without both people putting in some work. Relationships, no matter the type, require commitment and effort on multiple levels in order to be successful.

Over the past three years, nearly half of all financial institutions formed a partnership with a fintech, and [91% of financial institutions](#) have said that fintech partnerships are key to driving their business strategy. This comes as no surprise, as bank-fintech partnerships can lead to innovative product offerings, access to technology that would be difficult to develop in-house, and an expanded footprint both regionally and digitally. It's clear that a partnership with a fintech lies in the future of perhaps the majority of community financial institutions (CFIs) to gain a competitive edge and entice new customers.

As with any partnership, it makes sense to consider the goals and potential pitfalls before making the pairing an official one. CFIs should pay attention to:

- **Mutually compatible goals.** Really think about the gap that you want a fintech to fill, whether that's in business services, lending, or somewhere else. How would a potential partnership create value? The clearer you are about what you want to accomplish through a fintech partnership, the more likely it is that you'll find a fintech to fit the bill. By the same token, think about what your CFI brings to a potential pairing. The best partnerships are ones in which both sides get what they want.
- **Strategic alignment.** A partnership needs to balance speed to market with product quality, and a CFI-fintech partnership should be aligned on the partnership's timeline. If you'll be bringing a new product to market, are you clear on the necessary resources, timeline, and expectations? Do you and your fintech partner have a baseline strategy for customer adoption?
- **Exclusivity.** Will you and your chosen fintech have partnerships with other financial institutions or fintechs? Is there potential for either of you to partner with the other's competition to expand offerings further? Transparency is key, especially considering that financial institutions have, on average, [nine fintech partners per financial institution](#).
- **Similar ideas about ownership and control.** Determine which partner owns a new product and controls its deployment and further development. If either party merges or is acquired by another company, who retains rights to intellectual property, data, and customer relationships? Many fintechs are still underwritten by venture capital, so what happens if a fintech's funding disappears? You'll also want to outline what grounds would constitute suspension and termination, as well as indemnification rights. Many fintechs are still underwritten by venture capital, so what happens if a fintech's funding disappears?
- **A long-term attitude.** Handled well, a successful CFI-fintech partnership could span decades. A product launch is just the beginning. Expect growing pains and emphasize communication and transparency as you set about solving the problems that inevitably crop up. Look for customer feedback about how a product can better serve their needs, as well as internal feedback from both partners about how a product can

better align with existing processes and workflows. You probably won't achieve an optimum product that fits perfectly on the first try. That's fine. Plan to work together to iron out kinks as they appear.

By thinking carefully about how you'll approach a CFI-fintech partnership, you can set up your CFI for a long-term partnership that adds value to the financial institution, the fintech, and your customers.

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Treasury	Yields	MTD Chg	YTD Chg
3M	5.48	0.08	0.08
6M	5.25	-0.01	-0.01
1Y	4.84	0.07	0.07
2Y	4.38	0.13	0.13
5Y	3.97	0.12	0.12
10Y	3.99	0.11	0.11
30Y	4.14	0.11	0.11
FF Market	FF Disc	IORR	
5.33	5.50	5.40	
SOFR	Prime	OBER	
5.39	8.50	5.32	

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