

Why Marketing Compliance Matters in BaaS

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Banking-as-a-service is the new hot ticket to growth in banking, a path to innovate through strategic fintech partnerships. But with banks holding ultimate responsibility for protecting the end consumer, it's important that marketing compliance be a key consideration to ensure you keep your fintech partners in check. This article aims to shed light on the definition and scope of marketing compliance, the regulations and legal requirements surrounding marketing in the financial sector, and the crucial role of marketing compliance in maintaining industry standards and consumer protection. If your bank is expanding into BaaS and evaluating how to best approach partner marketing compliance, **get in touch with us**. Our team would be happy to share what we're seeing in the space and how we can help automate and expand your fintech compliance capabilities.

What Do We Mean By Fintech Marketing Compliance?

Marketing compliance refers to adhering to the rules, regulations, and guidelines set forth by regulatory bodies to ensure that marketing activities are conducted in a lawful and ethical manner. In the financial sector, where trust and transparency are paramount, marketing compliance plays a pivotal role in building trust and confidence among customers.

Nature of Fintech-Bank Partnerships

Fintech-bank partnerships offer banks access to scaled growth by leveraging the technological expertise and agility of fintech companies. However, as banks bear the ultimate responsibility for consumer protection, marketing compliance processes are crucial when launching a BaaS program. These processes help ensure that marketing activities are conducted lawfully and ethically, building trust and confidence among customers.

That's where marketing compliance processes come in and need to be considered when launching a BaaS program.

Purpose of Regulations and Legal Requirements for Marketing in the Financial Sector

The financial sector operates under strict regulations to safeguard the interests of consumers and maintain the integrity of the industry. These regulations, such as those imposed by regulatory bodies like the Securities and Exchange Commission (SEC), Federal Deposit Insurance Corporation (FDIC) and the Consumer Financial Protection Bureau (CFPB), outline the dos and don'ts of marketing practices in the industry. Marketing compliance serves as a safeguard for

maintaining industry standards and protecting consumers. By ensuring that marketing activities are truthful, transparent, and fair, compliance helps prevent misleading or deceptive practices that could harm consumers. Compliance with these regulations is not only a regulatory requirement, it is also essential for preserving the reputation and credibility of financial institutions.

By extension, what fintech marketing teams do to promote their products is also subject to the same regulations and a direct reflection of their sponsor bank partners.

Consumer Expectations and the Need for Transparent and Ethical Marketing Practices

Today's consumers have become more discerning and demand transparency from businesses. Especially in the context of financial services. New and upcoming neobanks and fintech brands have to work even harder to build this trust and ensure they are adhering to best practices when marketing and positioning their products and services. This includes clear communication of their services without hidden fees or misleading claims. Many fintechs can find it challenging to balance meeting the specific regulatory requirements while also wanting to be nimble and innovate quickly. And it's up to their sponsor banks to ensure they're keeping in line.

This is where having strong marketing compliance processes is critical to the success of a scaling BaaS program.

Best Practices for Marketing Compliance in BaaS

As sponsor banks expand their fintech partnerships, it is important to set both clear expectations to ensure both bank and fintech teams are aligned and therefore reduce any potential risks of compliance infringements.

Whether managed manually or with the use of tools or third-party solutions, there are a number of key elements to consider. Here is quick summary:

Establishing clear policies and procedures: Sponsor banks must develop and maintain comprehensive policies and procedures that outline the compliance requirements for fintech marketing activities, and ensure all parties involved are clear and in agreement. The key is making these achievable and flexible – they can't be too arduous that they stifle growth (which is the whole purpose of partnering with fintechs in the first place), and flexible enough to adapt to evolving resources, regulations, and partner dynamics.

Training and educating marketing teams on compliance requirements: BaaS providers should invest in training programs to educate their teams about compliance requirements, how to

prioritize, how to risk-mitigate and remediate when issues do arise. Having these well-defined allows for proactive management and efficient reactive actioning.

Proactive content review processes: Most compliance teams will have planned steps for how net new assets can be launched. This includes how fintech partners can present marketing collateral or assets for approval, what key stakeholders are needed on the sponsor bank side, agreed upon turnaround times for feedback and review, as well as clearly defined expectations on what is – and isn't – permitted.

Conducting regular audits and monitoring: While most bank-fintech relationships run smoothly with proactive approvals, there are often cases where items slip through the cracks without approval, or items that aren't maintained or updated as needed. This is where ongoing content policing becomes an important consideration. Scheduling ongoing audits and monitoring help identify and correct any compliance gaps before the regulators do.

Ensuring scalability as programs expand: As BaaS players bring on more fintech partners to expand the line of business, it can become arduous for compliance teams to manage manually. While trying to prove out profitability, it isn't always as easy as hiring more team members to increase capacity. Instead, consider marketing monitoring tools built to streamline manual processes, automate checks and data storage, and ensure ongoing marketing compliance.

In the fast-paced and highly regulated world of BaaS, marketing compliance is crucial for building trust, upholding industry standards, and protecting consumers. By understanding and adhering to marketing regulations, BaaS providers can establish themselves as reputable and reliable partners, mitigate legal and financial risks, and foster long-term customer relationships. Embracing best practices, such as establishing a robust compliance framework and utilizing compliance tools, ensures that BaaS providers stay on the right side of marketing compliance and thrive in the competitive landscape.

If you're looking to chat more about BaaS and how your bank can leverage the opportunities its presents, [get in touch with us](#). We'd love to chat!