

GUSTAVO H.R. PESSOA

Proposal and Comment Information

Title: Proposed Third-Party Risk Management Guide for Traditional Community Banking Organizations, OP-1880

Comment ID: FR-2026-0030-01-C17

Subject

Docket No. OP-1880 — Comments on a practical core-provider exit example — Gustavo H. R. Pessoa

Submitter Information

Name: Gustavo H.R. Pessoa

Submitted Date: 10/23/2026

Dear Secretary McDonough,

Please find attached my individual comments on the Proposed Third-Party Risk Management Guide for Traditional Community Banking Organizations, Docket No. OP-1880.

I suggest a short, optional example showing how a community bank could connect access to records, limited continuity arrangements and reconciliation with a later decision about conversion when a core provider becomes unavailable. The response builds on the guide's existing discussions and explains how an example could assist contract negotiations while preserving flexibility for each bank.

I am an economist and professor at Fundação Getulio Vargas in São Paulo, Brazil, responding in an individual academic capacity. My affiliation is provided for identification only.

Thank you for considering these comments.

Respectfully,
Gustavo H. R. Pessoa
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Core provider exit planning for community banks

Comments on the proposed third party risk management guide

Docket No. OP-1880 | 23 October 2026

Gustavo H. R. Pessoa

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Preserve the practical and voluntary character of the guide

A community bank may have a contractual right to leave its core provider and still lack a workable way to do so. The useful addition to this guide would be an example showing how the bank can maintain control of its records while deciding whether, when and how to move. I recommend a short illustration connecting temporary continuity, access to data and eventual conversion. It should help a bank understand its choices without implying that an immediate replacement system is always available.

The proposal is an illustrative, nonbinding resource for Board-supervised traditional community banking organizations: institutions below \$30 billion in assets serving local communities, excluding more complex profiles such as complex bank-fintech partnerships. Consumer compliance is outside its scope. The guide already addresses core conversions, reconciliation, transition costs and backup processing. The recommendation below links those discussions; it does not suggest that the proposal overlooks them. [1]

On the questions about the asset boundary and the characteristics of a TCBO, the threshold offers a clear starting point, but the accompanying business-model distinction remains essential. A brief pair of fictional profiles could make that distinction easier to apply. A locally focused bank purchasing core processing for its own deposit and lending activities could illustrate the intended readership. A bank below the same threshold with a complex distribution partnership could illustrate why asset size alone does not settle the question. These profiles would explain scope, not introduce another eligibility test.

A practical example can also answer the questions about usefulness and detail without adding a checklist. The illustration should carry forward the guide's existing flexibility: banks could adapt it or set aside elements that do not fit their circumstances. An institution should not need a document bearing the example's headings when its existing continuity arrangements, contract files and conversion records already explain its approach. Choosing another sound approach should remain possible.

Follow a hypothetical interruption through to reconciliation

Consider a hypothetical TCBO whose core provider also supports transaction processing. A serious interruption makes the current account view unavailable, while some instructions may already have reached a payment network. The bank has an earlier account extract, but cannot initially determine which subsequent transactions completed. This is an illustration, not a description of a particular institution or incident. No assumed recovery time or loss amount is

needed to expose the problem: an old balance and an unresolved payment instruction cannot safely be treated as a complete current record.

The first part of the example would concern access. The bank could identify the records it would seek, the authorized contacts and the process for obtaining them if the provider's normal interface fails. An extract would be more useful if staff could establish its creation time, coverage, format and relationship to later transactions. Secure storage and restricted access would remain relevant. A contractual entitlement to receive data is valuable, but the bank also needs to understand whether it can read and interpret what is supplied.

The next part would concern a limited temporary service. A bank might explore an alternative channel for selected time-sensitive instructions, subject to the relevant permissions, controls and network arrangements. It would first need a credible basis for establishing available funds and identifying instructions already submitted. The example should permit a decision to restrict an activity when those conditions cannot be established. It should not imply that manual processing, another rail or an old account extract automatically provides a safe substitute for the core.

Reconciliation would connect the temporary response to recovery. The illustration could show staff separating confirmed transactions from unresolved instructions and recording actions taken outside the usual workflow. When service returns, the bank would compare those records with the restored system and relevant processing confirmations, investigating missing or duplicate entries before treating the position as reliable. The example should trace temporary processing through to a reconciled ledger entry while leaving each bank free to choose suitable procedures.

Permanent exit would be a separate decision. If the disruption or the provider's condition makes conversion necessary, the bank would need to consider the receiving system, data mapping, interfaces and responsibilities for resolving exceptions. A readable extract is useful preparation, but it is not a functioning replacement core. The illustration could end with a transition decision that depends on the bank's evidence about readiness, rather than assume that departure follows immediately from a contractual termination right.

A small exercise could explore one part of that sequence: for example, whether authorized staff can retrieve a representative extract and understand the transaction status it records. Its limited result should be stated honestly. Reading a file would not demonstrate that a full conversion, payment service or recovery process works. Nor would the example require a live migration, parallel core or fixed testing frequency. The bank could choose an exercise that clarifies an important uncertainty without disrupting normal service.

Contract discussions and practical choices

For the question on contract negotiations, the example would make requests more concrete. Instead of seeking data portability in general terms, a bank could discuss the records available during disruption and after termination, their format, the delivery process, associated charges and any transition assistance. The parties could clarify which services remain available during a planned handover and how support changes if the provider itself is unable to operate. These are suggested subjects for negotiation, not proposed mandatory clauses or assurances that a vendor can provide every requested service.

This approach would also make costs easier to compare. A low exit fee says little about the effort required to interpret an unfamiliar export or rebuild interfaces. Conversely, an expensive conversion may be unnecessary if a narrower improvement would address the bank's immediate difficulty. Asking for clearer descriptions of assistance and charges could help management compare feasible options. Those comparisons would remain specific to each bank's contracts and systems; maintaining a second provider need not be assumed.

The illustration could sit in the core-provider discussion, with a short cross-reference from operational resilience and payment processing. This would help readers follow one service across the existing vendor categories without expanding each category into another manual. It would respond to the questions on overarching considerations and category design while keeping the guide manageable. I offer no recommendation on deposit placement networks, which raise separate questions beyond this submission.

Finally, the example should describe alternatives and acknowledge incomplete information, limited bargaining power and transition constraints. Its value would lie in the questions it helps a bank resolve, not in whether the bank reproduces the example. A usable exit plan explains how records remain intelligible, which limited activities can continue safely and what would make a conversion workable. That would give TCBOs practical help while preserving their ability to choose arrangements suited to their own business.

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Submitted in an individual academic capacity. Institutional affiliation is provided for identification only; these comments do not represent Fundação Getulio Vargas.

Sources

[1] Federal Reserve Board, Proposed Third-Party Risk Management Guide for Traditional Community Banking Organizations, 91 FR 58438–58446, Docket No. OP-1880, 15 September 2026