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Coalition for Financial Ecosystem Standards (CFES) Launches to Develop Industry Standards for Nonbanks Participating in Financial Services

WASHINGTON, DC (October 1, 2024) — A new industry-led organization, the Coalition for Financial Ecosystem Standards (CFES), has launched with the goal of developing standards that promote safety and soundness for nonbank financial services companies.

CFES is founded in partnership with financial services industry leaders to address one of the most significant challenges in the sector: the increasing role bank partnerships play in the growth and innovation of financial services. While these partnerships have a crucial role in developing new financial products and services, sustained regulatory concerns about these collaborations have undermined their operational viability.

"The launch of CFES marks a significant step toward maturing the innovative bank partnerships within our financial ecosystem," stated Sima Gandhi, co-founder of CFES. "By bringing together industry stakeholders, we aim to develop frameworks that promote risk management and compliance while also protecting consumer choice and competition."

CFES members provide a range of financial services, including lending, deposit accounts, card issuance, payment processing, and open banking, among others. This diverse membership, including Block, Brex, Mercury, Relay, Rho, and Stripe, ensures that the standards reflect compliance rigor that keeps pace with evolving technologies and expectations for bank partnerships. CFES also consults regularly with banking experts, consumer advocates, compliance professionals, and other industry stakeholders to ensure the standards reflect a diverse and collaborative approach.

Key outcomes expected from CFES include:

1. Clearer alignment on compliance and risk management practices

2. Standardized expectations throughout initial due diligence and various phases of growth
3. Enhanced trust and compliance across the fintech ecosystem

"Clear compliance standards for fintech-bank partnerships are good for the industry. Mercury joined CFES as a founding member because we believe the fintech industry needs a unified framework to reduce ambiguity and ensure a consistent, rigorous approach to risk management across the ecosystem," explained Dan Swislow, Director of Policy & Government Affairs at Mercury.

The coalition will focus on developing clear standards for compliance and safety that can guide these partnerships, fostering an environment where financial innovation can thrive within a structure that ensures consumer protection and maintains the integrity of the financial system. The coalition will work closely with other stakeholders to ensure the standards are robust and well received.

"CFES will serve as a vital bridge between innovative fintech companies, partner banks, and financial services regulators," said Bryan Mulcahey, co-founder of CFES and Managing Partner of FS Vector. "Our goal is to build trust, enhance transparency, and drive efficiencies in bank-nonbank partnerships, ultimately contributing to a more dynamic and secure financial ecosystem."

For more information about CFES and its initiatives, please visit <https://fsvector.com/cfes>.

About the Coalition for Financial Ecosystem Standards

The Coalition for Financial Ecosystem Standards (CFES) is an organization that supports the compliant growth and innovation of financial services. In partnership with FS Vector and industry leaders, CFES aims to address regulatory concerns surrounding bank and nonbank partnerships, fostering an environment where financial innovation can thrive within a framework that ensures consumer protection and maintains the integrity of the financial system.