

How To | Contract Review & Negotiations

FINAL VENDOR SELECTION STAGE

Purpose

Choosing a digital banking partner is a strategic investment. But the *real value* lies in how you negotiate the contract. Without a structured process, your financial institution risks costly oversights, data vulnerabilities, and misaligned expectations. This guide provides a breakdown of what your financial institution must consider to negotiate confidently and successfully.

Leverage FDIC Guidance

Regulatory compliance isn't just a checkbox, it's a critical layer of protection for your institution. As financial institutions deepen their reliance on third-party vendors, aligning contracts with the FDIC's Interagency Guidance on Third-Party Relationships becomes essential. This guidance helps ensure vendors are held to the same high standards as your institution, minimizing risk and reinforcing accountability. By embedding specific contractual clauses that address key oversight areas, you don't just meet regulatory expectations—you build a stronger, safer vendor relationship from the start.

Align with the **FDIC's Interagency Guidance on Third-Party Relationships** by including clauses that:

- Restrict subcontracting without approval
- Require notice of major vendor changes
- Mandate regular reporting
- Demand proof of vendor insurance
- Enforce compliance with applicable laws and regulations

This ensures you're not just compliant, but also well-protected.

Define Integration Responsibilities

Integration is one of the biggest challenges in SaaS implementations and often leads to delays. To avoid confusion, your contract should clearly state who is responsible for what—whether it's the vendor or your institution. Be specific about things like technical compatibility, integration timelines, and the level of support the vendor will provide.

Clarify who owns:

- Technical compatibility
- Integration timelines
- Ongoing support and configuration
- List deliverables and shared responsibilities

This reduces costly misunderstandings and prevents costly delays and miscommunications during implementation.

Secure Strong SLAs

Strong service-level agreements (SLAs) are key to keeping your digital banking services running smoothly. Including financial penalties if the vendor misses these targets helps ensure they stay accountable. Without explicitly defined SLA penalties, financial institutions risk frequent service disruptions and lower accountability from vendors. Your Service Level Agreement should include:

- Uptime and response time guarantees
- Penalties for missed targets
- Regular review for SLA performance reviews and flexibility clauses
- Include measurable penalties

Well-crafted SLAs drive accountability and protect your operations.

Plan for Customization & Flexibility

Change is inevitable—whether from evolving business needs, regulatory shifts, or new customer expectations. Many financial institutions find themselves needing customizations within just two years of launching a new digital banking solution. To avoid surprises and costly renegotiations, it's essential to plan ahead.

Protect your financial institution by negotiating:

- Clear terms for customization
- Change timelines and pricing
- Conditions for regulatory updates

Future-proof your platform now to avoid expensive changes later.

Lock in Support, Maintenance & Termination Clause

Reliable support and a clearly defined exit strategy are just as important as the features of your digital banking platform. Without them, your institution risks extended downtime, unresolved issues, and costly disruptions. Locking in detailed support, maintenance, and termination terms ensures your vendor is prepared to respond quickly when problems arise—and that you have a safe, structured path forward if the partnership needs to end.

Ensure 24/7 operational reliability with:

- Defined support tiers and availability
- Escalation procedures - contract lacking clear dispute pathways often lead to prolonged disruption

- Emergency incident handling terms
- Termination clauses must clearly define exit terms, including notice periods, penalties, and transition support to protect against operational or financial shocks

It's about protecting your operations today while safeguarding your flexibility for tomorrow.

Get Smart About Pricing

Pricing negotiations extend far beyond initial quotes. Clearly defined and scalable pricing is essential to prevent unforeseen expenses and facilitate accurate budget forecasting. It's also important to clearly understand additional costs associated with scalability, additional features, and increased user licenses.

Don't stop at the quote. Nail down:

- Scalable licensing and feature costs
- Visibility into long-term TCO (Total Cost of Ownership)

Transparent pricing structures help you forecast budgets more effectively and avoid hidden costs.

Set the Stage for Long-Term Growth

A well-negotiated contract does more than lock in pricing—it creates a resilient partnership. With the right terms, your institution can:

- Reduce costs
- Manage risk
- Achieve performance targets
- Ensure a smooth conversion journey

Smart negotiation is only the first step. By strategically evaluating every clause, from service levels to termination rights, you not only minimize risk but also lay the groundwork for a resilient, future-ready vendor relationship. With a proactive, process-driven approach, your financial institution can streamline implementation, control costs, and accelerate digital transformation with confidence. The right partnership now ensures agility, security, and sustained growth for years to come.