



Banking-as-a-Service Partner Shutdown Scenarios

August 2024

Workbook Overview

Workbook Description

This workbook contains a strategic plan for identifying and managing Bank-as-a-Service (BaaS) partnership risks. Included in this plan are the possible scenarios that could lead to a partnership shutdown and all of the possible reasons each may come to fruition. Additionally, specific criteria are listed, mapping to the required Shutdown Scenario.

For active monitoring, all metrics, KPIs, and other pertinent information related to the Partner or external factors have been listed and then mapped to the specific Shutdown Reasons and Shutdown Scenarios. By applying weighting based on frequency, likelihood, and presence across Shutdown Scenarios and Reasons, the Items to Monitor have been weighted in terms of importance. Long-tail items cannot be ignored due to the potential impact should they occur.

Shutdown Procedures have been assembled for all Shutdown Scenarios. Certain steps will only be required for a subset of Shutdown Scenarios and are indicated within the worksheet using color-coded cells. These procedures should tie to existing procedures or combinations of procedures. Placeholder cells have been left to assign resources and expand the process map.

Worksheets

Shutdown Scenarios:	Page 2	List of the Shutdown Scenarios and their descriptions
Scenario-Reason Matrix:	Page 3	List of all possible reasons for a shutdown, mapped to the specific Shutdown Scenarios that they could create, and the criteria that determines which Scenario to follow.
Partner Items to Monitor:	Page 5	List of all metrics, KPI, and information to monitor and the relative importance of each Item, as well as their likelihood of leading to each Scenario.
Items to Monitor + Scenario:	Page 7	Scenario-Reason Matrix with the addition of the Items to Monitor
Shutdown Procedures:	Page 11	All steps required, as well as the timelines for each Shutdown Scenario.

BaaS Shutdown Scenarios

	Partner Shutdown Scenarios	Description
01	Normal Business Closure	Occurs when a partner is closing or sunsetting a product due to unsustainability or an intentional strategy change. The shutdown is announced and initiated with sufficient time and resource buffer to unwind without duress.
02	Rapid Business Closure	Occurs when a partner is closing or sunsetting a product due to unsustainability but without requisite time and resources to do so according to SOP. This may result from an unplanned negative event, from poor planning from the management team, or excessive risk.
03	Transfer of Ownership	Sale of the company, IP, or customers to a new owner and operator.
04	BaaS Bank Change	The BaaS partner chooses to continue operating with a different BaaS bank provider.
05	Regulatory-Enforced Closure	The partner is forced to shutdown their operations by order of government regulators.

Scenario-Reason Matrix

MATRIX DESCRIPTION: The possible reasons for shutdown are listed in the rows. For a given shutdown reason, the specific context detailed in the in-line cells will determine the corresponding Shutdown Scenario.

Shutdown Category / Reason		Partner Shutdown Scenarios (Bank Involuntary)				
		1. Normal Business Closure	2. Rapid Business Closure	3. Transfer of Ownership	4. BaaS Bank Change	5. Regulatory-Enforced Closure
Partner Business Failure	Unable to secure next funding round	>3 months of cash left	<3 months of cash left			
	Business becomes unsustainable after operating profitably	>3 months of cash left	<3 months of cash left			
	Unexpected massive loss event	>3 months of cash left, losses are not ongoing, and no fraud suspected	<3 months of cash left or losses are ongoing, but no fraud suspected			Fraud suspected
	Product or business abandoned by partner	Product or business abandoned by partner	No automatic ownership transfer or value in the product assets	Contract details automatic transfer of ownership, salvageable assets		
Partner Business Disruption	Critical vendor failure		Replacement not ecured within 1 month, no fraud suspected			Fraud suspected
	Critical third party technology discontinued		Replacement technology not secured or built within 1 month of discontinue			
	Regulatory changes impact model or ability to operate	>3 months of cash left, activities are still compliant with regulation	<3 months of cash left, activities are still compliant with regulation			Government regulator initiates shutdown by banning activities
	Ethics / fraud suit brought against partner					
	Unforeseen event (sudden death of key leader, natural disaster, etc.)					
	Insurmountable Changes to Revenue/ Cost Structure	>3 months of cash left	<3 months of cash left			
Contract Termination	Project ending per contract timeline	Discrete, fixed-term project			Project not renewed by the bank or partner	
	Partner breach of contract	Not meeting SLAs	Unfulfilling product, service, or quality expectations			
	Early contract termination	Terminated by bank and partner unable to secure new BaaS provider			Continuing to operate after contract terminated by bank or partner	

Scenario-Reason Matrix

Shutdown Category / Reason		Partner Shutdown Scenarios (Bank Involuntary)				
		1. Normal Business Closure	2. Rapid Business Closure	3. Transfer of Ownership	4. BaaS Bank Change	5. Regulatory-Enforced Closure
Partner System Hacks	PII or financial info leak due to compromised infrastructure or employee access		Existing liability exposure exceeds acceptable loss risk; compromise has not been fully resolved			Primary Federal Regulator (PFR) initiates shutdown of partner business
	Account balances compromised, theft from insiders or employees		Bank initiates shutdown after partner notification, customer complaints, or monitoring			Primary Federal Regulator (PFR) initiates shutdown of partner business
Compliance	Widespread fraud by partner organization		Bank initiates shutdown after customer complaints or monitoring			Primary Federal Regulator (PFR) initiates shutdown of partner business
	Widespread fraud by third parties against partners' customers		Bank initiates shutdown after partner notification, customer complaints, or monitoring			Primary Federal Regulator (PFR) initiates shutdown of partner business
	Product used for illegal activities		Bank initiates shutdown after partner notification, customer complaints, or monitoring			Primary Federal Regulator (PFR) initiates shutdown of partner business
	Widespread fraud by external bad actors against Bank's customers (end users through a Partner)					Primary Federal Regulator (PFR) initiates shutdown of partner business
	Failure to maintain compliance (KYC/AML, reporting, etc.)		Bank initiates shutdown after partner notification, customer complaints, or monitoring			Primary Federal Regulator (PFR) initiates shutdown of partner business
Partner Company Turnover	Key man leaves and replacement not approved by bank	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	
	New management fails due diligence	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	
	Significant departures across the organization		Hollowed org leads to degradation of offering, unable to secure new BaaS provider		Continuing to operate after contract terminated by bank	
Acquisition or Merger	Bank purchases partner*	Bank acquires the company for the IP and shuts customers		Acquiring bank maintains operations	Acquiring bank migrates partner tech and customers to their bank	
	Non-bank purchases partner	Acquirer retains IP and shuts customer		Acquirer maintains operations		
Failure to Launch	Continued failure to secure substantial funding to fully operate	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	
	Failure to build traction, reach product-market fit, perpetual pivots	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	
	Failure to overcome regulatory hurdles	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	
	Failure to overcome technical hurdles	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	

* Can refer to Bank acquiring the partner, customers, or IP. Can occur while the partner is shutting down for any other causes listed above.

Partner Items to Monitor

MATRIX DESCRIPTION: The Risk Factor is a weighted aggregation of each Metric's likelihood to lead to any shutdown while the individual mapping to Shutdown Scenarios indicates the relative likelihood resulting in that Scenario.

	Metric	Aggregated Risk (Likelihood x Frequency)	Partner Shutdown Scenario			
			1. Normal Business Closure	2. Rapid Business Closure	3. Transfer of Ownership	4. BaaS Bank Change
Financial Performance	Monthly Cash Flow	100	81	67	10	0
	Cash on Hand	100	81	67	10	0
	Available Credit	100	81	67	10	0
	Months of Runway	100	81	67	10	0
Loan Portfolio	Loan Loss Risk	15	10	10	0	0
Capital Raising	Committed Investment	79	81	33	0	14
	Investment Round Size	79	81	33	0	14
Third Party Providers	Third Party Outages/Failure	21	5	24	0	0
	Third Party Product Changes	12	5	14	0	0
	Third Party Strategic Shifts	12	5	14	0	0
	Third Party Price Changes	6	5	5	0	0
Contract	Days until Contract End Date	12	10	0	0	10
	Days until Renewal Date	12	10	0	0	10
	Days until Cancel Date	12	10	0	0	10
	Performance vs SLA	24	19	19	0	0
System Breaches	Attempted Breaches	32	0	33	0	0
	Successful Breaches	32	0	33	0	0
	User Accounts on Dark Web	18	0	19	0	0
	Employee Access Log Counts	32	0	33	0	0
Customer Complaints	Customer Complaints - Service Quality	53	19	43	10	0
	Customer Complaints - Balances	32	0	29	0	0
	Customer Complaints - Transactions	18	0	14	0	0
	Customer Complaints - Fees	18	0	14	0	0
Transaction Behavior	Large Outbound Transaction Recipients	44	0	38	0	0
	Large Outbound Value Recipients	44	0	38	0	0
	Large Inbound Payment Sources	12	0	10	0	0
	Large Inbound Value Sources	12	0	10	0	0
	Accounts with Suspicious Payment Activity	44	0	38	0	0
Compliance	ACH Return Rates	29	0	24	0	0
	KYC/AML Failure Rate	6	0	5	0	0
	KYC/AML Risk Score	6	0	5	0	0
	Government Reporting	6	0	5	0	0
Human Resources	Regulation Changes	26	24	10	0	5
	Executive Departures	24	10	10	0	19
	Employee Departures	12	0	10	0	10
Partnership Performance	Board Departures	24	10	10	0	19
	Months of Operation	85	100	0	0	38
	Bank Investment in Partner	85	100	0	0	38
	Bank Partnership Burn Rate	85	100	0	0	38
	Partnership Revenue	85	100	0	0	38
	Growth Rate	29	38	0	0	10
	Partner Overdraft Activity and Balance	88	76	43	10	14
Bank Services Payment History	76	76	33	0	14	

Partner Items to Monitor

5. Regulatory-Enforced Closure	Importance (Likelihood x Frequency)	Shutdown Scenario				
		1. Normal Business Closure	2. Rapid Business Closure	3. Transfer of Ownership	4. BaaS Bank Change	5. Regulatory-Enforced Closure
5	34	17	14	2	0	1
5	34	17	14	2	0	1
5	34	17	14	2	0	1
5	34	17	14	2	0	1
5	5	2	2	0	0	1
0	27	17	7	0	3	0
0	27	17	7	0	3	0
5	7	1	5	0	0	1
0	4	1	3	0	0	0
0	4	1	3	0	0	0
0	2	1	1	0	0	0
0	4	2	0	0	2	0
0	4	2	0	0	2	0
0	4	2	0	0	2	0
0	8	4	4	0	0	0
19	11	0	7	0	0	4
19	11	0	7	0	0	4
10	6	0	4	0	0	2
19	11	0	7	0	0	4
14	18	4	9	2	0	3
24	11	0	6	0	0	5
14	6	0	3	0	0	3
14	6	0	3	0	0	3
33	15	0	8	0	0	7
33	15	0	8	0	0	7
10	4	0	2	0	0	2
10	4	0	2	0	0	2
33	15	0	8	0	0	7
24	10	0	5	0	0	5
5	2	0	1	0	0	1
5	2	0	1	0	0	1
5	2	0	1	0	0	1
5	9	5	2	0	1	1
0	8	2	2	0	4	0
0	4	0	2	0	2	0
0	8	2	2	0	4	0
0	29	21	0	0	8	0
0	29	21	0	0	8	0
0	29	21	0	0	8	0
0	29	21	0	0	8	0
0	10	8	0	0	2	0
0	30	16	9	2	3	0
0	26	16	7	0	3	0

Shutdown Scenario-Reason-Items to Monitor

MATRIX DESCRIPTION: The Scenario-Reason Matrix with Items to Monitor that will indicate if the Shutdown Scenario threshold has been met or is nearing.

Shutdown Category / Reason		Items to Monitor	Partner Shutdown Scenario				
			1. Normal Business Closure	2. Rapid Business Closure	3. Transfer of Ownership	4. BaaS Bank Change	5. Regulatory-Enforced Closure
Business Failure	Unable to secure next funding round	Monthly Cash Flow Cash on Hand + Available Credit Months of Runway Committed Investment Investment Round Size	>3 months of cash left	<3 months of cash left			
	Business becomes unsustainable after operating profitably	Monthly Cash Flow Cash on Hand + Available Credit Months of Runway Partner Overdraft Activity and Balance Bank Services Payment History	>3 months of cash left	<3 months of cash left			
	Unexpected massive loss event	Monthly Cash Flow Cash on Hand + Available Credit Months of Runway Loan Loss Risk	>3 months of cash left, losses are not ongoing, and no fraud suspected	<3 months of cash left or losses are ongoing, but no fraud suspected			Fraud suspected
	Product or business abandoned by partner	Monthly Cash Flow Cash on Hand + Available Credit Months of Runway Customer Complaints - Service Quality Partner Overdraft Activity and Balance		No automatic ownership transfer or value in the product assets	Contract details automatic transfer of ownership, salvageable assets		
Business Disruption	Critical vendor failure	Third Party Outages/Failure		Replacement not secured within 1 month, no fraud suspected			Fraud suspected
	Critical third party technology discontinued	Third Party Outages/Failure Third Party Product Changes Third Party Strategic Shifts		Replacement technology not secured or built within 1 month of discontinue			
	Regulatory changes impact model or ability to operate	Regulation Changes	>3 months of cash left, activities are still compliant with regulation	<3 months of cash left, activities are still compliant with regulation			Government regulator initiates shutdown by banning activities
	Insurmountable Changes to Revenue /Cost Structure	Third Party Outages/Failure Third Party Product Changes Third Party Strategic Shifts Third Party Price Changes Regulation Changes	>3 months of cash left	<3 months of cash left			

Shutdown Scenario-Reason-Items to Monitor

Shutdown Category / Reason		Items to Monitor	Partner Shutdown Scenario				
			1. Normal Business Closure	2. Rapid Business Closure	3. Transfer of Ownership	4. BaaS Bank Change	5. Regulatory-Enforced Closure
Contract Termination	Project ending per contract timeline	Days until Contract End Date Days until Renewal Date Days until Cancel Date	Discrete, fixed-term project			Project not renewed by the bank or partner	
	Partner breach of contract	Performance vs SLAs Customer Complaints - Service Quality Partner Overdraft Activity and Balance Bank Services Payment History	Not meeting SLAs	Unfulfilling product, service, or quality expectations			
	Early contract termination	No Monitoring	Terminated by bank and partner unable to secure new bank			Continuing to operate after contract terminated by bank or partner	
Compliance	Widespread fraud by partner organization	Customer Complaints - Service Quality Customer Complaints - Balances Customer Complaints - Transactions Customer Complaints - Fees Large Outbound Transaction Recipients Large Outbound Value Recipients Accounts with Suspicious Payment Activity ACH Return Rates		Bank initiates shutdown after customer complaints or monitoring			Government regulator initiates shutdown
	Widespread fraud by third parties against partners' customers	Customer Complaints - Service Quality Customer Complaints - Balances Customer Complaints - Transactions Customer Complaints - Fees Large Outbound Transaction Recipients Large Outbound Value Recipients Accounts with Suspicious Payment Activity ACH Return Rates		Bank initiates shutdown after partner notification, customer complaints, or monitoring			Government regulator initiates shutdown
	Product used for illegal activities	Large Outbound Transaction Recipients Large Outbound Value Recipients Large Inbound Payment Sources Large Inbound Value Sources Accounts with Suspicious Payment Activity ACH Return Rates		Bank initiates shutdown after partner notification, customer complaints, or monitoring			Government regulator initiates shutdown
	Failure to maintain compliance (KYC/AML, reporting, etc.)	KYC/AML Failure Rate KYC/AML Risk Score Government Reporting		Bank initiates shutdown after partner notification, customer complaints, or monitoring			Government regulator initiates shutdown

Shutdown Scenario-Reason-Items to Monitor

Shutdown Category / Reason		Items to Monitor	Partner Shutdown Scenario				
			1. Normal Business Closure	2. Rapid Business Closure	3. Transfer of Ownership	4. BaaS Bank Change	5. Regulatory-Enforced Closure
Company Turnover	Key man leaves and replacement not approved by bank	Executive Departures Board Departures	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	
	New management fails due diligence	Executive Departures Board Departures	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	
	Significant departures across the organization	Executive Departures Employee Departures Board Departures		Hollowed org leads to degradation of offering, unable to secure new BaaS provider		Continuing to operate after contract terminated by bank	
Acquisition or Merger	Bank purchases partner*	No Monitoring	Bank acquires the company for the IP and shutters customers		Acquiring bank maintains operations	Acquiring bank migrates partner tech and customers to their bank	
	Non-bank purchases partner	No Monitoring	Acquirer retains IP and shutters customers		Acquirer maintains operations		
Failure to Launch	Continued failure to secure substantial funding to fully operate	Months of Operation Bank Investment in Partner Bank Partnership Burn Rate Partnership Revenue Committed Investment Investment Round Size Partner Overdraft Activity and Balance Bank Services Payment History	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	
	Failure to build traction, reach product-market fit, perpetual pivots	Months of Operation Bank Investment in Partner Bank Partnership Burn Rate Partnership Revenue Growth Rate	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	
	Failure to overcome regulatory hurdles	Months of Operation Bank Investment in Partner Bank Partnership Burn Rate Partnership Revenue Regulation Changes	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	
	Failure to overcome technical hurdles	Months of Operation Bank Investment in Partner Bank Partnership Burn Rate Partnership Revenue	Terminated by bank and unable to secure new BaaS provider			Continuing to operate after contract terminated by bank	

* Can refer to Bank acquiring the partner, customers, or IP. Can occur while the partner is shutting down for any other causes listed above.



BaaS Shutdown Procedures & Timeline

Shutdown Procedures

Not Applicable

		1. Normal Business Closure																
		Week																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Shutdown Preparation	Bank establishes shutdown milestone dates with Partner. Dates include: Public Announcement, Customer Action Deadline, Partnership Shutdown Completion, Communication Dates																	
	Partner stops new account openings																	
	Bank and Partner backup and reconcile all information: ledger, customer, and account data																	
	Bank notifies Critical Third Parties (i.e. core provider) of incoming disassembly																	
	Partner begins ledger mirroring at New BaaS Provider																	
	Bank shares account closure instructions for each Product and Service with Partner																	
	Partner assembles account closure documentation, webpages, app flow with Bank guidance and Bank Legal sign-off. For a BaaS change, information will indicate an account change.																	
	Partner shares customer information with Bank																	
	Partner prepares initial customer communication with Bank approval (and New BaaS Provider)																	
	Bank collects transaction documents from Partner for review																	
	Bank collects due diligence documents from Acquirer for review																	
	Bank approves of transaction and Acquirer																	
	Bank notifies Regulator																	
	Communicate Shutdown Information Internally to Relevant Teams (Support, Operations, Compliance, Marketing)																	

Shutdown Procedures

Not Applicable

		1. Normal Business Closure																
		Week																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Shutdown Communication	Partner announces shutdown/ transaction to customers via email, in-app, and other primary methods. Announcement should include all shutdown instructions and key dates.																	
	Partner communicates reminder to update payments and Direct Deposits via email and in-app																	
	Partner sends reminder emails to all remaining customers once per week until last week before closure																	
	Partner sends reminder emails to all remaining customers daily during last week before closure																	
	Partner sends reminder texts to all remaining customers daily during last week before closure																	
	Partner sends confirmation email of account closure to each customer following closure																	
	Bank communicates shutdown to other BaaS Partners																	
	Bank communicates to Bank's customers																	
	Bank notifies public via Press Release																	

Shutdown Procedures

Not Applicable

		1. Normal Business Closure																
		Week																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Shutdown Activities: Debit Accounts	Freeze all or affected accounts																	
	Offer customer opportunity to transfer remaining positive balance via ACH																	
	Offer customer opportunity to transfer remaining positive balance to new Bank Account																	
	Offer customer opportunity to mail check with remaining positive balance to address on file. If Partner/Bank have capacity to update new address information, allow the update.																	
	Customer completes account closure/e-signature while selecting transfer method																	
	If Customer has not completed closure by required date, close account and distribute funds via mailed check																	
	Remaining negative balance will be paid by Partner to Bank																	
	Shutdown recurring payments																	
	Cancel ACH payments																	
	Partner issues new account and routing numbers																	
	Partner/Bank sends final statement to Customer																	

Shutdown Procedures

Not Applicable

		1. Normal Business Closure																
		Week																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Shutdown Activities: Debit Cards	Customer completes card cancellation process/e-signature																	
	If Customer has not completed closure by Required Date, close card and email Customer																	
	Bank shuts down card number																	
	Bank cancels all recurring and future payments																	
	Partner/New BaaS Provider issue new cards and card numbers																	

Shutdown Procedures

Not Applicable

		1. Normal Business Closure																
		Week																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Shutdown Activities: Credit Cards	Customer completes card cancellation process/e-signature																	
	If Customer has not completed closure by Required Date, close card and email Customer																	
	Bank shuts down card number																	
	Bank cancels all recurring and future payments																	
	Partner/Bank sends statement for remaining balance																	
	Customer pays remaining balance via available methods																	
	Remaining credit card balance will be paid by Partner to Bank																	
	Partner/Bank sends final statement to Customer																	

Shutdown Procedures

Not Applicable

		1. Normal Business Closure																
		Week																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Shutdown Completion	Bank backs up all information																	
	Bank and Partner perform reconciliation on all accounts, user information																	
	Bank disables Partner Read/Write functionality on ledger																	
	Bank disables API access and credentials (or updates access credentials)																	
	Bank disables Core Access (or updates access credentials)																	
	Bank disables data sharing rights and automated reporting (or updates access credentials)																	
	Critical Third Parties disable all access rights to Partner																	
	Bank/Partner migrate historical data to new Acquirer/BaaS Provider																	
	Bank updates website, marketing materials, case studies, etc.																	
	Bank collect remaining balance payment, overdraft balances from Partner																	
	Bank/Partner execute partnership closure documents																	
	Bank notifies Regulator																	
	Regulator sign-off on closure																	

