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RULEMAKING COMMENT · FEDERAL RESERVE BOARD · DOCKET NO. OP-1880 18 OCTOBER 2026

Comment on the Proposed Third-Party Risk Management Guide for Traditional Community Banking Organizations (Docket No. OP-1880): Deconversion Terms in the Core-Provider Contract

Comment on the Board of Governors of the Federal Reserve System's proposed Community Bank Guide, 91 FR 58438 (15 September 2026; comments due on or before 16 November 2026). The comment answers the Request for Comment on usefulness, level of detail and contract negotiations for the core-provider relationship with two suggestions in the guide's own "may consider" register: that the core-provider contractual considerations carry the data-ownership and extract-rights consideration the guide already states for BSA/AML providers, with the deconversion terms that decide operability at the end of the relationship; and that the conversion-decision factors include whether the TCBO has obtained a complete test extract from its existing provider and the fee and lead time quoted for the final one. No framework, record or score is proposed; no community banking organisation or provider is assessed.

Submitted by: Ivan Savich, Creator of the Black Hole Index (independent researcher)

Docket: Board of Governors of the Federal Reserve System, Docket No. OP-1880; 91 FR 58438 (15 September 2026); comments due on or before 16 November 2026; to be submitted through the Board's website (the preferred method stated in the notice); non-confidential in its entirety and may be published in full, including the contact details below

Scope: Section II, Request for Comment (usefulness of the guide for TCBOs, level of detail, support for contract negotiations); Section IV.B.2, the termination passage; Section IV.B.3, data retention obligations; Section IV.C.1, Core Providers, including the core-conversion decision factors and contractual considerations; Section IV.C.7, the data-ownership and extract-rights consideration; footnote 2 of the notice

Relationship to the instrument's record: no community banking organisation has been assessed with the instrument, and no third party has been assessed in its capacity as a core or other provider to banking organisations; the record cited in paragraph 2.3 is cited for its method only; no score is offered or implied for any firm or for the industry

Independence: this comment is submitted in the author's personal capacity as an independent researcher; no third party commissioned or funded the preparation of this comment or the underlying Black Hole Index research; the author has no professional or financial interests relevant to the subject of this guide that require disclosure

1. Introduction and purpose

1.1. I am the Creator of the Black Hole Index (BHI), an open measurement instrument for structural lock-in on digital platforms, published with its rubrics, data and corrections under CC-BY 4.0; its records have been filed with competition regulators in the United Kingdom, the European Union and Japan. [3, 4, 5, 6, 7, 8, 9] No community banking organisation has been assessed with it, no third party has been assessed as a provider to banking organisations, and this comment offers no score for any firm or for the industry. A companion comment has been prepared on the interagency Proposed Third-Party Risk Management Guidance published the same day (Docket No. OP-1881). The guide's term "traditional community banking organization" (TCBO) is used as the guide defines it.

1.2. The Board invites comment on all aspects of the proposed guide and asks, among other things, to what extent the information in it would be useful for TCBOs, whether its level of detail is appropriately calibrated without creating de facto standards that TCBOs believe they would be evaluated against, and how it could better support contract negotiations. [1, Section II] This comment answers those questions for one relationship the guide itself singles out: the core provider, which it describes as generally the most material and complex third-party relationship for TCBOs, and which the Board has separately examined in its request for information on community banks' engagement with core service providers, cited in the notice. [1, Section IV.C.1; footnote 2]

1.3. The comment makes no assessment of any TCBO or provider and takes no position on the asset-size tailoring or on the vendor categories. It offers two specific suggestions for Section IV.C.1, one drawn from language the guide already uses for another vendor category and one from a fact a TCBO holds, or can seek from its existing provider, at the point of decision, and the limitations of the instrument they come from. It proposes no framework, no record and no score.

1.4. Section 2 states the distinction between delivered data and an operable system and locates it in the guide. Section 3 makes the two suggestions and answers the Request for Comment questions on usefulness, level of detail and contract negotiations. Section 4 states the limitations. Section 5 concludes. An appendix maps each passage addressed to the paragraphs that address it.

2. Delivered data is not an operable system: the distinction and where the guide already states it

2.1. At termination a TCBO may verify that its data has been successfully migrated or destroyed, that access has been removed, and that continuing obligations such as transition assistance and log retention are in place. [1, Section IV.B.2] Migrated data is one thing. Whether the new core runs in production without the former provider is another: it turns on the final data extract and its record layouts, on access to historical records for the retention period after cutover, and on any services from the former provider that remain. Those are decided by what the two contracts fixed, the existing one at its signing and the incoming one now.

2.2. The guide's core-conversion passage describes the decision stage: among the reasons for a conversion it lists gaining greater control over the TCBO's own data and negotiating more equitable pricing and contract terms, and among the direct and indirect costs it lists potential early termination fees for the existing provider, implementation and conversion services, and internal staff time diverted from normal responsibilities. [1, Section IV.C.1, Core Conversion] It describes a second route, an integration platform used as an alternative to full conversion where a legacy core provider cannot facilitate integrations, and observes that adding such a platform extends the value chain and presents different inherent risks than a conversion. [1, Section IV.C.1, Core Conversion] A conversion ends the core relationship, though the guide notes that core providers often deliver services beyond the core, such as payment processing, card programs, loan origination or digital banking, and those may remain; the integration route keeps the core and adds a dependency on the platform. [1, Section IV.C.1]

2.3. The guide already asks for testing before cutover in the core section itself: testing integrations in a separate test environment prior to going live, periodic continuity testing, and resolving ledger reconciliation issues prior to going live following a core conversion. [1, Section IV.C.1] None of those reaches what remains after cutover, dependence on the former provider for the final extract, for historical records or for services retained, and that is the gap the two suggestions in section 3 address. The instrument's regulatory records apply the same distinction by defining a completed exit in advance and recording, compo-

nent by component, the documented conditions that exit from one component attaches to another; that record concerns a provider's enterprise-software stack in a United Kingdom competition investigation and is cited for the method only. [6, Sections 3.4 and 4.2]

3. Two suggestions for Section IV.C.1: answer to the Request for Comment on usefulness, level of detail and contract negotiations

3.1. The first suggestion concerns the contractual considerations for the incoming core-provider contract, which the guide lists as pricing structure and the back billing window, term length and renewal conditions, service-level agreements, liability provisions, and flexibility to terminate the relationship taking into account the conditions under which termination is allowed and any fees the TCBO will incur. [1, Section IV.C.1, Core Conversion, contractual considerations] For BSA/AML and financial crime platform providers, the guide's contractual considerations include the TCBO's ownership of customer data, alert histories, investigation documentation and SAR filings, with rights to access and extract data throughout and beyond the contract term; the core list has no such item. [1, Section IV.C.7] Since the core is the central system of record, the comment suggests the same consideration be stated for the core, and that for the core it name the deconversion terms that will decide operability when this incoming relationship itself ends: the format and record layouts of the data extract, the number and timing of test extracts, the assistance obligation, the fee or a cap on it, and post-termination access to, or archival delivery of, historical records for the retention period, which the guide's data retention consideration already anticipates. [1, Section IV.B.3] A TCBO's leverage over those terms is ordinarily greatest at signing, in the conversion, where the guide already notes it may be limited, and least at the end of the term, when they are exercised. The extract for the current conversion runs under the existing contract and is the subject of the second suggestion.

3.2. The second suggestion concerns the list of factors a TCBO deciding whether to undertake a core conversion may consider, which runs from the direct and indirect costs to testimonials from other institutions. [1, Section IV.C.1, Core Conversion] The comment suggests that list include whether the TCBO has obtained from its existing provider a complete test extract with record layouts, and the fee and lead time, if quoted, for the final extract. This is a fact the TCBO holds, or can seek from its existing provider, at the time of the decision, stated in the guide's own register as something a TCBO may consider; it is not a record to be kept or a measure to be reported, and either answer is permissible. Its use is to keep a negotiated extract right from being read as a delivered extract before the decision is taken.

3.3. On the Request for Comment questions: the guide's level of detail for the core is useful where it is concrete, as in the conversion-cost list and the contractual considerations, and the two suggestions add to that concreteness without adding a checklist. They support contract negotiations in the way the guide already does for BSA/AML providers, by naming terms. The test both suggestions serve is whether, after cutover, anything still depends on the former provider; a method for recording that before and after a substitution is described in a consultation response to the Competition and Markets Authority dated 17 October 2026, should the Board's staff wish to consult it, and nothing in it is proposed here. [7, Section 4]

4. Limitations

4.1. No community banking organisation has been assessed with the instrument, and no third party has been assessed in its capacity as a provider to banking organisations. The comment generalises a measurement distinction from other sectors and is an analytical frame, not evidence about TCBOs, about any

provider or about the industry; the author makes no claim to expertise in U.S. community-bank supervision or core-banking system implementation.

4.2. The instrument's own validation is incomplete: each platform is scored by a single evaluator, its structural constants are not empirically calibrated, and its external validity evidence is a concurrent cohort of fourteen platforms, four of whose criterion values are not measured annual rates (three asserted characterisations and one share figure), on which simpler forms correlate at least as strongly as the full formula; these limits are documented in the published methodology and corrigendum. [3; 4, items 11 to 13, 15 and 16] Nothing in this comment depends on a score.

4.3. The method referred to in paragraph 3.3 has not been applied to a real environment and is not validated.

4.4. The comment states no legal or supervisory conclusion and takes no position on the merits of the proposed guide beyond the two suggestions in section 3.

5. Conclusion

5.1. The guide already contains, for BSA/AML providers, the data-ownership and extract-rights consideration that the core-provider section lacks, and it already asks for testing before cutover. Carrying the first into the core-provider contractual considerations with the deconversion terms named, and adding to the conversion-decision factors whether a complete test extract has been obtained from the existing provider, would make the guide more useful to a TCBO at the point of decision without adding a standard. The comment is to be submitted through the Board's website and may be published in full. [2] I remain available to answer questions on the method.

Appendix: crosswalk of the passages addressed to the paragraphs of this comment

PASSAGE IN THE PROPOSED GUIDE	PARAGRAPHS
Section II, Request for Comment: usefulness for TCBOs; level of detail and de facto standards; contract negotiations	1.2, 3.1, 3.2, 3.3
Footnote 2, the Board's request for information on community banks' engagement with core service providers	1.2
Section IV.B.2, System and Information Security: termination of a vendor with access to sensitive systems or data	2.1
Section IV.B.3, Compliance With Rules and Regulations: data retention obligations	3.1
Section IV.C.1, Core Providers: description of the core relationship and services beyond the core; Core Conversion reasons, costs and integration platforms; pre-go-live testing; conversion-decision factors; contractual considerations; limited leverage	1.2, 2.2, 2.3, 3.1, 3.2
Section IV.C.7, BSA/AML and Financial Crime Platform Providers: data ownership and extract rights	3.1

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References

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