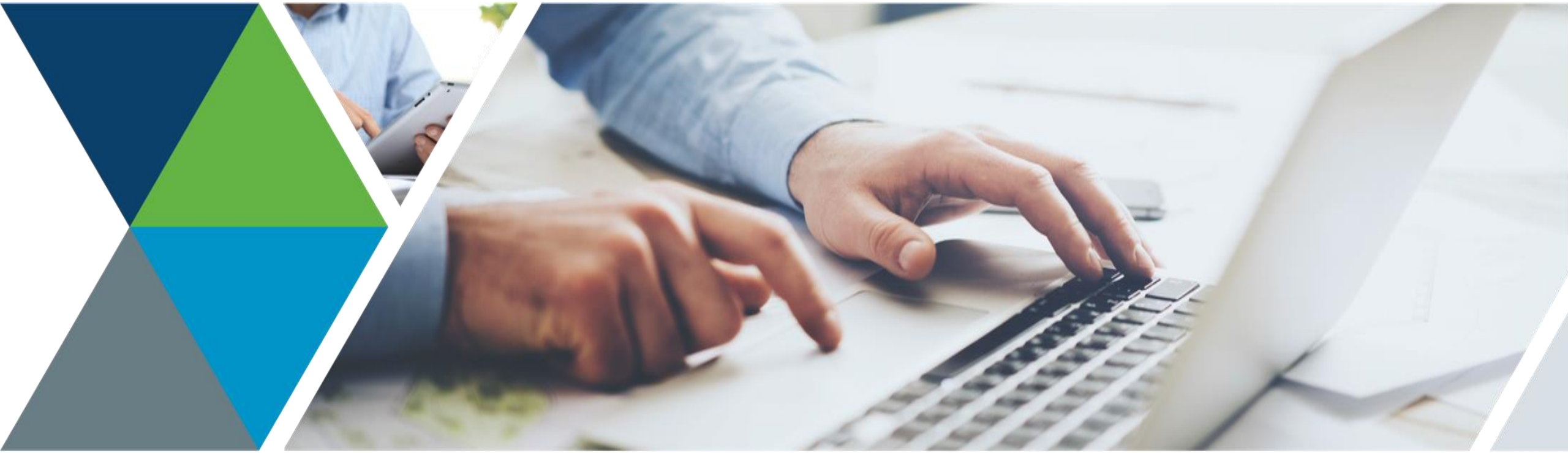
Third-Party Risk Management:

Key Steps to Maturing Your Program



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Speakers

Todd Boehler
Vice President of Product Strategy
ProcessUnity

Christopher Watson
Vice President of Product Development and Industry Adoption at TruSight

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Risk & Compliance Automation SIMPLIFIED

Cloud-Based Solutions for:

- Third-Party Risk Management
- Policy & Procedure Management
- Risk Management
- Compliance Management

2003
Founded

HQ
Concord, MA

99.9%
System Uptime
10+ Years

94.8%
Customer
Retention Rate

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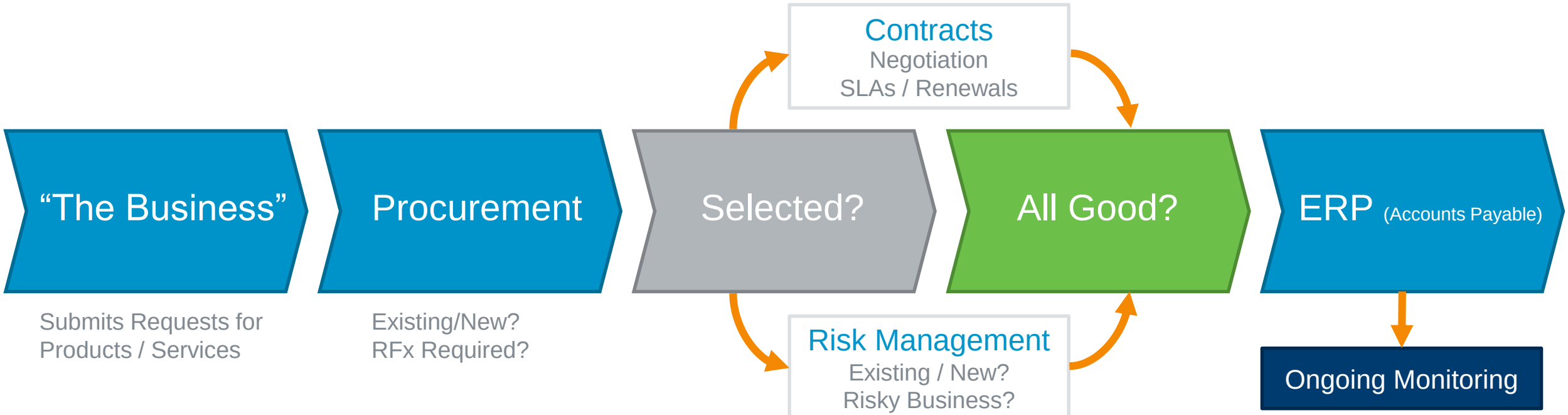
Today’s Agenda

- Where Does Third-Party Risk Fit?
- Third-Party Risk Process
- Where Does the Data Come From?
- Options to Extend Your Program
- Utilities – Defined and Explained

Where Does Third-Party Risk Fit?



Time Sensitive

Possible Variations

- No Procurement Group / System
- Risk Management Owns Contracts
- Procurement Owns Risk Management

Owners:
- Procurement
- Risk Management
- "The Business"

Monitor the Risk
Monitor the Contract
Monitor the Performance

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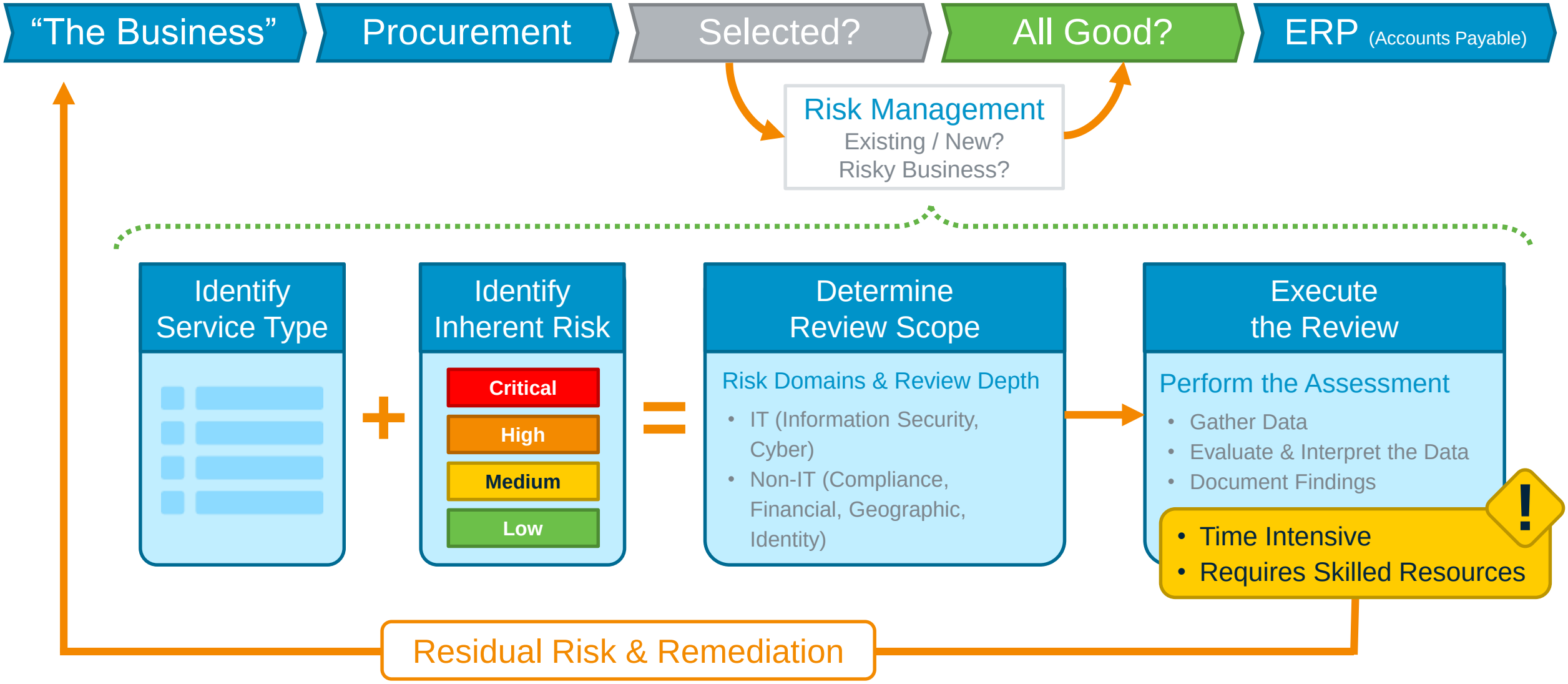
Third-Party Risk Process



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Where Does the Data Come From?

Domains

Information Security
- BCP/DR
- Encryption
- DLP
- Security Logging/Monitoring
- Privacy
- More

Cybersecurity
- Social Engineering
- Span Propagation
- Data Breaches
- Open Ports
- More

Compliance
- SOCII, ISO, GDPR, Privacy Shield

Financial
- Financial Health, Credit, PoD

Geographic / Identity
- Sanctions, OFAC
- PEP
- SDN
- Negative News
- Watchlists

Sources

Internal Research: Performed by the TPRM team

Vendor: Policies, procedures, controls and evidence provided from the vendor

Aggregated Content: Publicly available organizational data (financials, watchlists, cyber posture, news, etc.) collected and enriched

Utilities (New): Offer private data validation with trusted reviews

Domains/ Sources	Internal	Vendor	Aggregate	Utility
Information Security		●		●
Cybersecurity		●	●	●
Compliance		●		●
Financial	●	●	●	
Geographic	●	●	●	
Identity	●		●	

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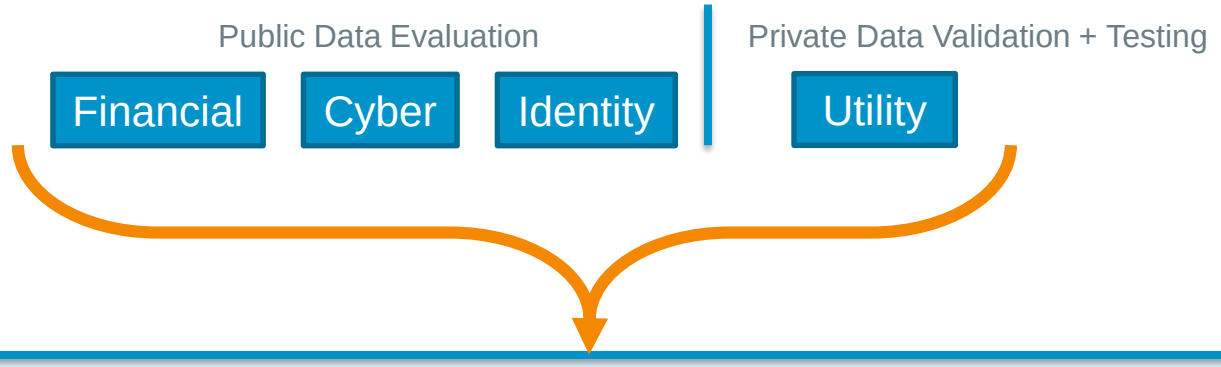
You Own the Risk (But You Can Outsource the Work)

Enriched Content Options

- Understand the difference between public and private data validation
- Set a rationale for leveraging by inherent risk tier
- Off-load the time intense operations
- Embed external content into your process



Your TPRM Program

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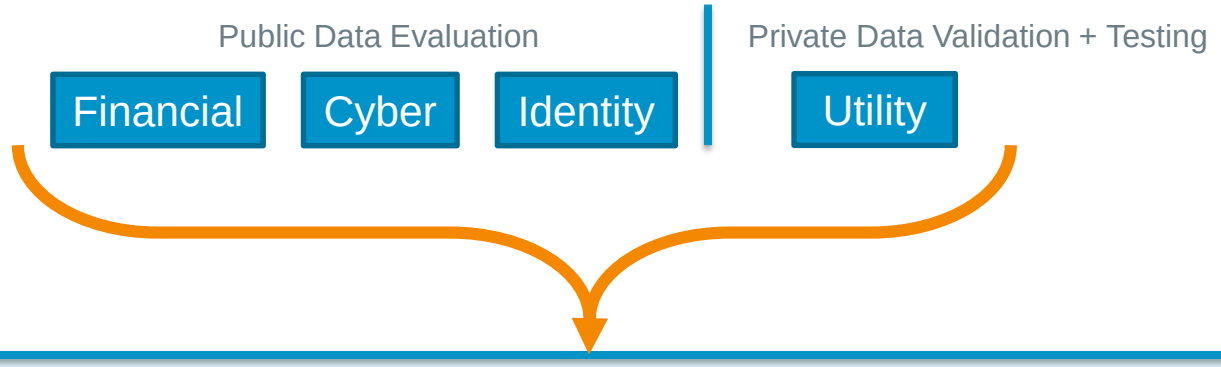

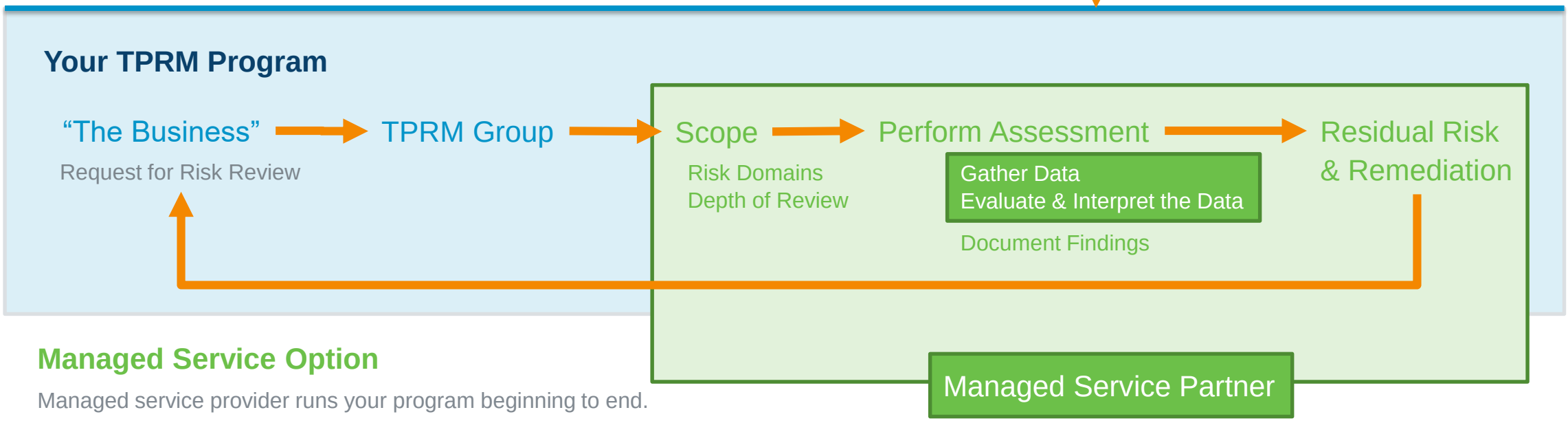

Managed Service Option

Managed service provider runs your program beginning to end.

- You adopt or dictate the risk methodology
- You confirm/accept the risk
- You monitor and leverage the process

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Third Party Risk Management

Facilitating Sector Maturation

January 23, 2020

How does a utility help maturity?

Third Party Risk Management Program Maturity Model

Progress through the levels of maturity increases assurance that suppliers have adequate and effective internal controls

Where it all Began!

Ad hoc

- No formal strategy
- Risk taking for quick benefits
- Individual effort
- Few activities defined

1

Where the Industry is (Largely) Today

Repeatable and Managed

- Minimal effort in reducing risk
- Part-time responsibilities
- Increased management input
- Defined processes in siloes
- Off the shelf tools

2

Defined and Documented

- Focus on risk mitigation
- Risk aligned with LOB strategy
- Dedicated roles / executives
- Standard, coordinated processes
- Adapted tools

3

Industry Target State

Measured and Integrated

- Focus on risk prevention
- Intelligent risk taking
- Specialized professionals and executive ownership
- Sophisticated assessments
- Risk alerts and analytics
- Internal data integration

TruSight Adoption

4

Optimized

- Extension of enterprise control environment to suppliers
- Control assurance processes integrated w. suppliers
- Predictive and risk sensing analytics
- Highly customized tools
- External data integration

Full TruSight Benefits

5

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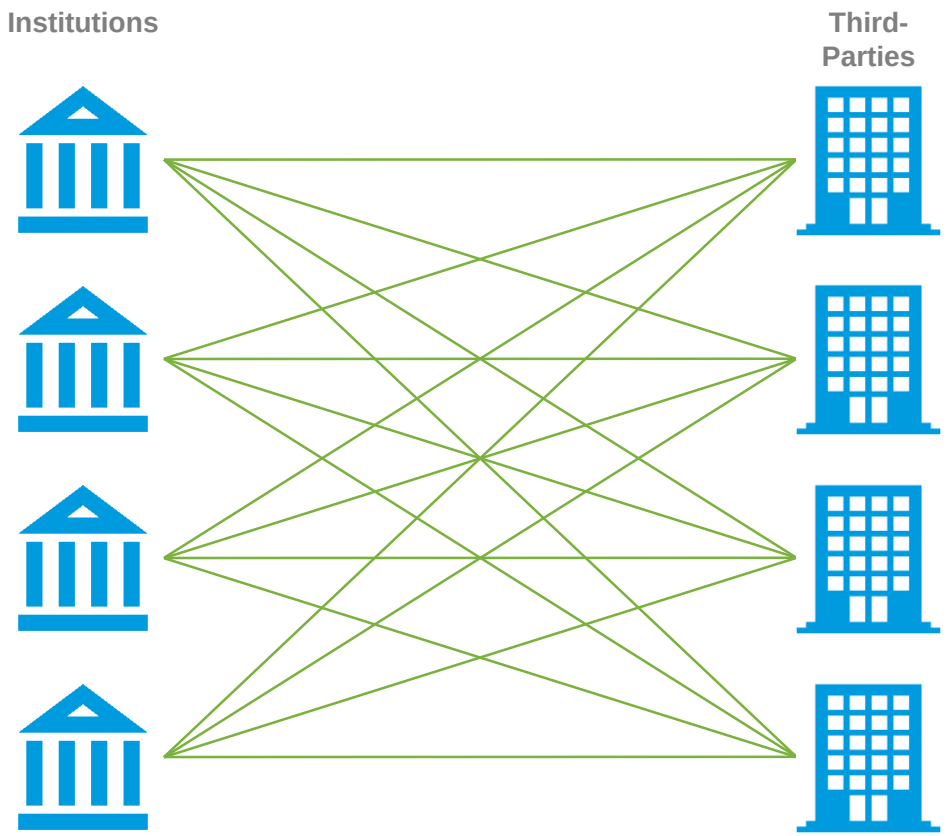
Industry challenges support a critical need to adjust the model

- Large array of external risks
- Complex, expanding supply chains
- Increased regulatory focus
- Inefficient processes



Costs of third-party risk management have substantially increased in recent years without equivalent ROI

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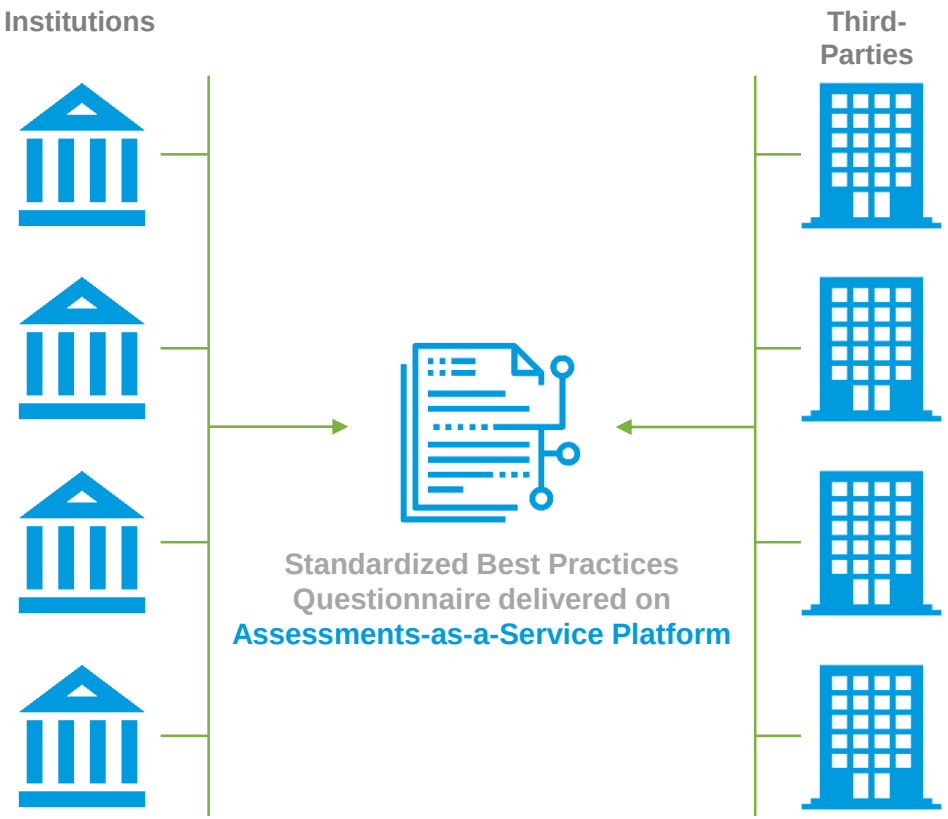
A well-designed utility elevates standards, reduces cost and enhances risk management across the industry



BEST PRACTICES

- Harness collective expertise
- Combine best practices
- Establish consistent approach
- Elevate standards

COST MUTUALIZATION

- Eliminate duplicate efforts
- Bring scale and efficiency
- Streamline and simplify
- Lower cost

Collaborative approach leads to higher standards and lower costs for the industry

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Regulators are increasingly focused on third-party risk and supportive of industry collaboration

Office of the Comptroller of the Currency

"If they are using the same service providers to secure or obtain like products or services, banks may collaborate to meet certain expectations, such as performing the due diligence, contract negotiation, and ongoing monitoring responsibilities described in OCC Bulletin 2013-29."

- ***Bulletin 2017-21, June, 2017***

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A Utility should possess deep TPRM expertise and global operating capabilities

Enabling the delivery of consistent assessments worldwide

Critical operational requirements

1. Business model built around industry practitioner expertise, industry collaboration, and governance
    - Key roles among executive leadership and staff are well respected TPRM practitioners
    - Combining collective expertise with technology, standardized best practices and shared execution
    - Governance that fosters collaboration between market participants to solve the industry's next acute third-party risk management challenges
2. Global operating capabilities – facilitates speed to market and the ability to scale rapidly
    - Active global delivery centers in multiple locations
    - Resources in over 100 countries to support a variety of assessment activities
3. Qualified and credible delivery workforce
    - With long standing and successful track record in financial services
    - Experience conducting 3rd party assessments and audits on behalf of the financial services industry

A utility must maintain an agreed upon and standardized data collection and assessment methodology

Ensures reusability and consistent delivery of risk intelligence assessments

Key methodology requirements

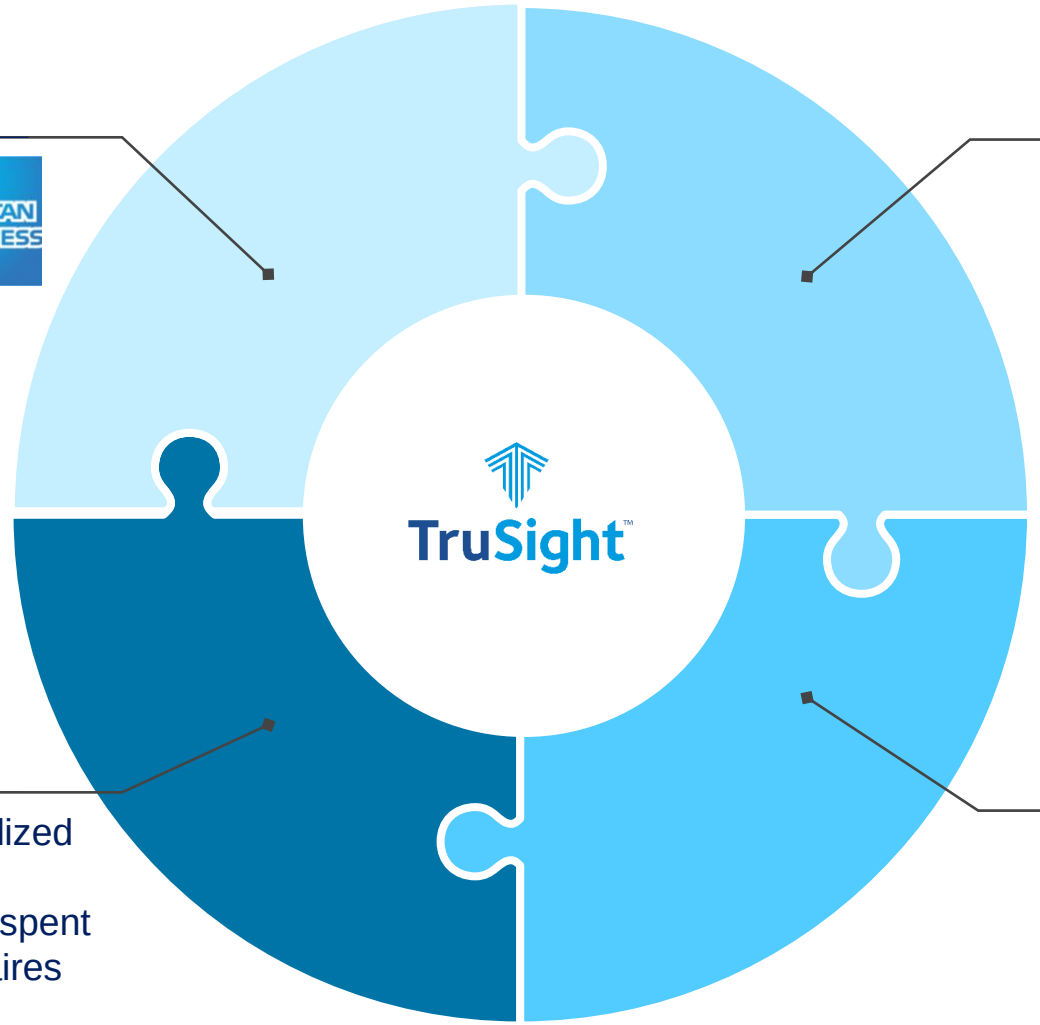
1. An agreed upon and standardized data collection and assessment process built by industry practitioners
   - Robust questionnaire that addresses critical control domains
   - Collect comprehensive set of Artifacts and notable attributes
2. An agreed upon and standardized assessment testing methodology
   - Standardized and repeatable Test steps
3. In-depth quality control and quality assurance process
   - Ensure consistency and integrity of assessments

Characteristics of a successful industry utility

A successful industry utility should: facilitate collaboration and drive effective solutions for the industry

Collaborative Institutions

WELLS FARGO
Bank of America
BNY MELLON
JPMORGAN CHASE & CO.
AMERICAN EXPRESS



Broader Business Community

Entire business community benefits from elevated industry standards through peer engagement, sharing collective expertise, best practices and mutualized execution.

Third Parties

Third-parties benefit from standardized assessment practices, consistent expectations, and decreased time spent responding to bespoke questionnaires and requests.

Regulators

Industry collaboration designed to exceed regulatory expectations. Regulators benefit from greater transparency into standards, processes, and trends across the industry.

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A successful industry utility should: Target maximized scope of validation to return granular, actionable risk intelligence across swaths of services, locations and infrastructure

Services

The processes or products provided to an institution

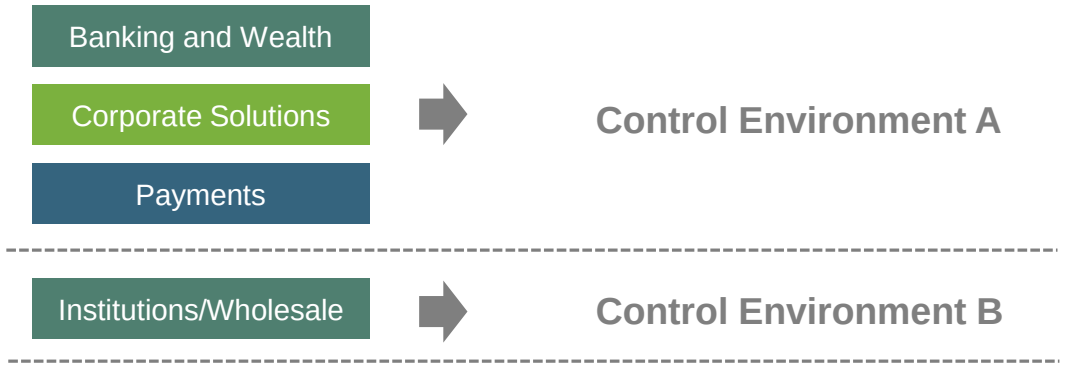
Location

Facilities that the services are provided from or data is stored in

Technical Design

Hosting architecture and control design facilitating the storage, processing, or transferring information.

Example FinTech Third-Party
(four products across two control environments)



A utility must confirm which locations fall under each control environment. The outcome of this exercise will be communicated back to the customer.

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A successful industry utility should: deliver validated risk intelligence the industry needs to gain transparency across it's third party providers

Data Gathering

Remote Validation (Assessment)

Onsite Validation (Assessment)

Validation = Test of 1

Provide transparency via assessment

Customer delivered workpapers and evidence

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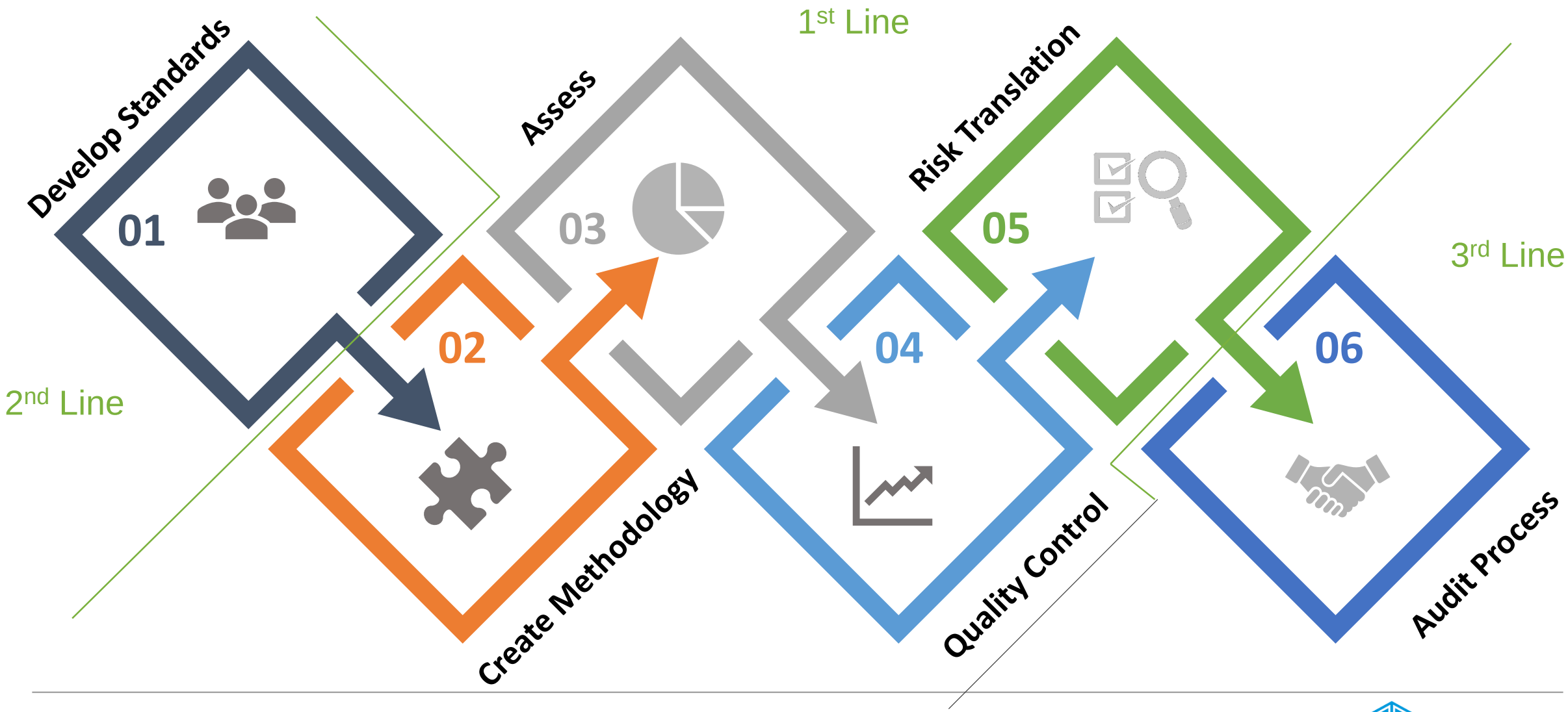
A successful industry utility should: work to align and uplift an industry



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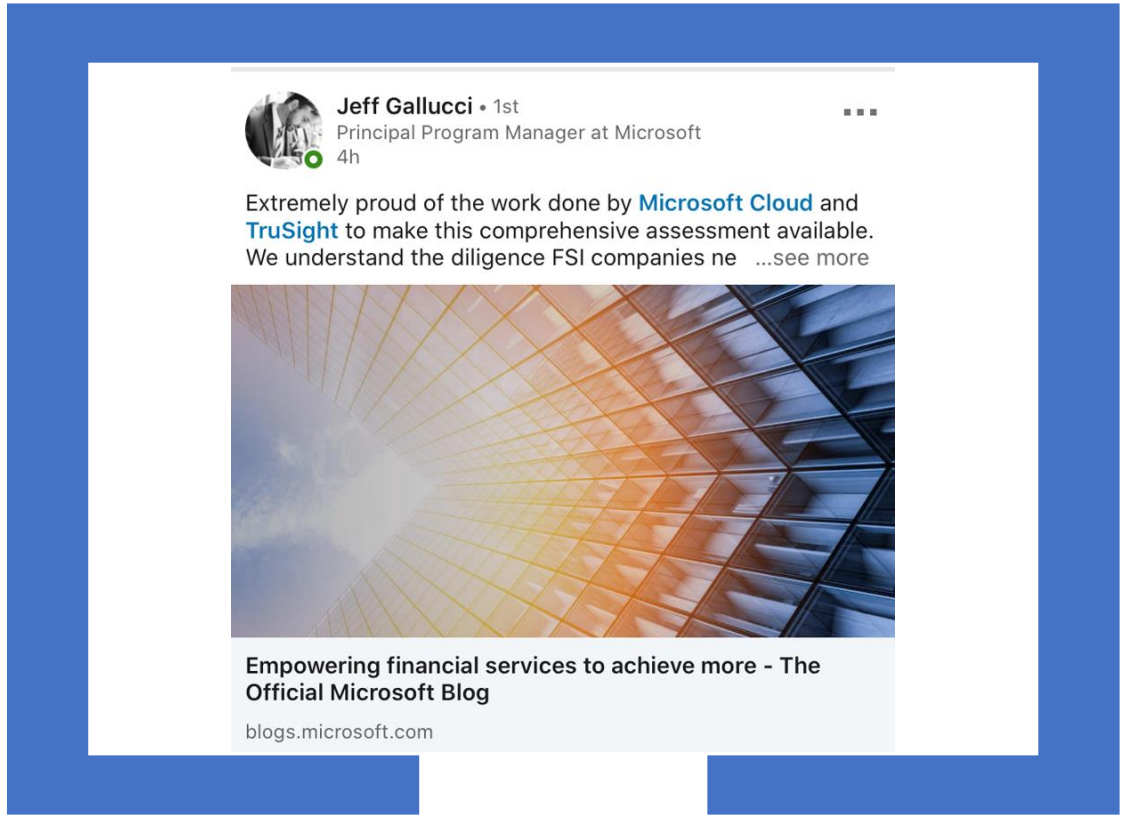
A successful industry utility should: allow third parties to realize the true value proposition and partner for the model's growth

TruSight Completes Comprehensive Risk Assessment of Microsoft's Cloud Services

Industry-Standard Assessment Designed to Meet the Rigorous Third-Party Risk Management Requirements of Financial Institutions is Now Available On-Demand



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Conclusion

A well designed third-party risk management Utility extends your ecosystem and enables participant program maturation

Utility participants have a greater ability to focus on:

- Reducing residual risk
- Providing a greater level of assurance

A utility facilitates:

- ✓ More sophisticated and effective Third-Party Risk Management program
- ✓ Stronger cyber defenses across the sector
- ✓ Better visibility to risks with less effort spent on control validation and more time on risk management
- ✓ Increased time spent on risk advisory and value add services to your business
- ✓ Efficiency
- ✓ Cost reduction

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Thank you!

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