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Making it Count! TPRM from an ERM Perspective

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Initial Thoughts

Reid Hoffman: “No matter how brilliant your mind or strategy, if you’re playing a solo game, you’ll always lose out to a team.”

Collaborative Risk Management

- ❖ Open communication about shared risks
- ❖ Co-create risk mitigation strategies and solutions
- ❖ Engage vendors in risk assessments and audits
- ❖ Prioritize vendors who provide transparency
- ❖ Develop analytics to track performance and spot trends

Albert Einstein: “In the middle of difficulty lies opportunity.”

Risk Integration

- ❖ Incorporate vendor into enterprise-wide risk matrix
- ❖ Ensure third-party risks are considered in business decision
- ❖ Map out points of failure
- ❖ Integrate vendor risk into board-level reporting
- ❖ Use cross-functional teams to evaluate operational risk

Mark Zuckerberg: “The biggest risk is not taking any risk... In a world that’s changing really quickly, the only strategy that is guaranteed to fail is not taking risks.”

Third-Party Risk

- ❖ Compliance Risk – Disclosures/Documents, Insurance Tracking Notification, Auditors, Models
- ❖ Operational Risk – Technology, Fraud Notification/Resolution
- ❖ Credit Risk – LOS, Broker Relationship/Reliance, Loss Mitigation/Collections, Models
- ❖ Interest Rate Risk – Core Updates/Changes (Repricing), Reporting, Models
- ❖ Liquidity Risk – Direct Marketing/Setup of Deposit Products, Payment Processors, Prepaid Cards, Models
- ❖ Reputation Risk – Breach, Known Vulnerabilities, Complaints + all the above and everything else!
- ❖ Strategic Risk – Third Party changes their objectives or decisions no longer align with yours – M&As.

“Engaging a third party does not diminish or remove a bank’s responsibility to operate in a safe and sound manner and to comply with applicable legal and regulatory requirements, including consumer protection laws and regulations, just as if the bank were to perform the service or activity itself.” Third-Party Risk Management Guide May 2024

Monitoring and Response

- ❖ Real time monitoring for risk indicators
- ❖ Scenario planning and testing
- ❖ Early warning systems
- ❖ Rapid response plan for vendor-related incidents
- ❖ Train to recognize and report emerging vendor risks
- ❖ SOC Reporting, CUEC's
- ❖ 4th Party Risk

“For every stage, a community bank’s level or type of oversight may vary, commensurate with its size, complexity, and risk profile as well as with the nature of the specific third-party relationship.” Third-Party Risk Management Guide May 2024

Resilience and Continuity

- Align business continuity plans
- Evaluate on ability to maintain operations
- Ensure robust disaster recovery plans
- Consider joint continuity drills and simulations
- Contingency plan for quickly replacing critical vendors

John F. Kennedy: “The time to repair the roof is when the sun is shining.”

Questions

Warren Buffett: “Risk comes from not knowing what you're doing.”