#### **Vendor Management Practices**

Jim Mazarakis January 21, 2016

### Requirements for Financial Services Vendor Management Organizations



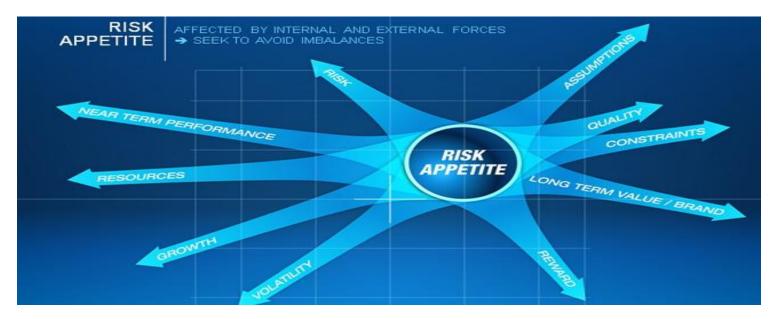
# Planning

Develop a plan to manage the relationship. This step is especially necessary when a company is considering contracts with 3<sup>rd</sup> parties that perform critical activities.



## **Due Diligence & 3<sup>rd</sup> Party Selection**

Conducting a review of a potential vendor before signing a contract helps ensure that the company selects an appropriate 3<sup>rd</sup> party and understands and controls the risks posed by the relationship, consistent with your risk appetite.



### **Contract Negotiation**

Developing a contract that clearly defines expectations and responsibilities of the vendor helps to ensure the contract's enforceability, limit the company's liability, and mitigate disputes about performance.





# **Ongoing Monitoring**

Performing ongoing monitoring of the vendor relationship once the contract is in place is essential to the Company's ability to manage the risk of the relationship.



### Termination

Develop a contingency plan to ensure that you can transition activities to another provider, bring the service in-house, or discontinue services when contract expires. Also consider cases of contract default or changes to strategy.



## **Oversight and Accountability**

Assigning clear roles and responsibilities for managing vendor relationships and integrating the company's 3<sup>rd</sup> party risk management process with its enterprise risk management framework enables oversight and accountability.



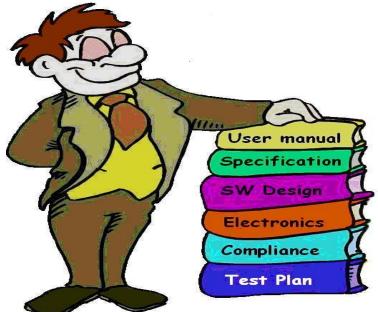
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## **Documentation and Reporting**

Proper documentation and reporting facilitates oversight, accountability, monitoring, and risk management associated with vendor relationships.



### **Independent Reviews**

Conducting independent reviews of the risk management process enables management to assess whether the process aligns with the company's strategy and effectively manages risk posed by third-party relationships.



### **Common Problem Areas**

Falling In Love

"We're running out of time"



"But I never had to do this before"

"You need to act before the end of the month"

"We got the best deal possible!"



### The Best Deal:

- Contains a well-structured contract
- Provides the correct Service Level Agreements
- Includes appropriate penalties when SLAs are missed
- Maintains strong data security protections
- Contains the required indemnification language
- Appropriately covers service renewals
- Provides for contract termination options
- Maintains the right to examine any third party vendors that our service provider uses to provide their services.

#### **Questions?**

