

Vendor Management Practices

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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 3rd parties that perform critical activities.



Due Diligence & 3rd Party Selection

Conducting a review of a potential vendor before signing a contract helps ensure that the company selects an appropriate 3rd 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 3rd party risk management process with its enterprise risk management framework enables oversight and accountability.



"MISS WILCOX, SEND IN SOMEONE TO BLAME."



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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?

