Better partners, better outcomes
In any business partnership, confidence and security matter. Complex portfolios of Third Party and third-party relationships present myriad risks that need to be identified, managed and monitored. Even minor lapses in oversight can have significant implications on a bank’s business such as customers’ trust in a bank, loss of information, continuity of operations and reputation.

Financial Services firms have embraced outsourcing for good reason—cost benefits, specialization of service providers, ability to focus on their core business—but the expansion of Third Party and third party networks creates additional exposure points to cyber threats and other risks. Regulatory scrutiny is intensifying with real consequences. Forward-thinking firms are doing more than addressing compliance, they are using TPRM as a strategic tool to:

• Anticipate threats and even prevent incidents before they happen.
• Differentiate Third Parties based on size, criticality, type of service and other factors, to manage relationships according to potential risk.
• Manage total lifecycle cost including the value at risk.
• Preserve outsourcing’s cost and convenience benefits while maintaining business continuity.
• Manage portfolio of risk across a vendor, business, process or service.

The result is a TPRM solution that uses risk potential to drive decision making to provide a high assurance Third Party network.

A complex challenge
Large banks can have thousands of Third Parties. It’s never a static set; things change all the time. Striking the balance between cost, risk and results for even one Third Party can be challenging. Add strategic fit and functional integration, then multiply by the types and number of Third Parties, factor in change management, and it’s a complex system—and a complex portfolio of risks—to manage. And no financial firm can outsource responsibility for what happens in its supply and value chain.

Banks need tools that work together: clear evaluation criteria, audit processes and predictive reporting, risk models that account for different types of vendors, training, regulatory insight, incident response protocols and a framework that adapts to the vendor network and business needs.

Commercial Solutions

HOLISTIC TPRM DRIVES COMPETITIVE ADVANTAGE

Many financial institutions view Third Party Risk Management (TPRM) as a compliance problem to solve as cost-effectively as possible. At Booz Allen, we see an opportunity to create value and competitive advantage by aligning investment with business objectives and appetite for risk.

Determining the relative value and desirability of a set of Third Party relationships involves balancing many factors, including the level and types of risk each may pose to the business and how best to mitigate them.
Our imperatives for effective TPRM

Apply risk analysis across the Third Party lifecycle
Risk analysis works best when it’s part of the initial evaluation and selection process, and becomes an ongoing part of Third Party management. Too often it’s “one and done” as a discrete part of due diligence. By integrating risk analysis into the full Third Party lifecycle—from evaluation and selection to monitoring and management—banks are better able to anticipate and adapt to changes in the threat environment.

Stratify risk assessment
Every day, banks deal with layers of risk. Not all suppliers are alike. Different Third Parties and the services they provide carry different levels and types of risks. Some require the highest level of assurance while others can be managed through less rigorous means. The same is true of business processes; some inherently involve more risk than others. Categorizing and stratifying Third Parties and business processes based on the factors that matter most, enable management to focus time and investment where it will have the greatest ROI. This is one way that TPRM, when employed as a strategic solution, can transform the Third Party network into an engine that clearly supports growth.

Deploy an integrated system
Risk is interconnected and doesn’t respect internal boundaries. Responsibility for TPRM may exist within one or more different operational groups, such as Information Security, Operational Risk or Procurement. When TPRM operates in independent silos or ownership is fragmented, it’s impossible to understand and manage the risks inherent in an integrated Third Party portfolio.

A complete understanding of the Third Party portfolio and risk landscape is needed. No matter where Third Party responsibility sits in the organization, management needs to align objectives and facilitate communication to deliver high assurance security.

Ensure a more resilient future
Outsourcing and third-party relationships have become an integral part of modern financial institutions. Strategic TPRM evaluates the entire Third Party network, from basic suppliers to mission-critical partners, and provides the tools to drive the right decisions at the right time and the right cost. Done correctly, TPRM can deliver compliance, security, efficiency and business continuity—and become a source of competitive advantage going forward.

To learn how Booz Allen Hamilton can help your business thrive, contact:

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Booz Allen Hamilton has been at the forefront of strategy and technology consulting for nearly a century. The firm provides business and technology solutions to major corporations in the financial services, health, and energy markets, leveraging capabilities and expertise developed over decades of helping US government clients in the defense, intelligence, and civil markets solve their toughest problems.

Booz Allen is headquartered in McLean, Virginia, employs more than 22,000 people, and had revenue of $5.48 billion for the 12 months ended March 31, 2014. In 2014, Booz Allen celebrates its 100th anniversary year. To learn more, visit www.boozallen.com. (NYSE: BAH)