RiskBusiness

Risk*IntelliSet*™

Third Party Management Service

Outsourcing is a fact of life within most industries and more so within financial services. Firms outsource basic functions like security, cash movement, cleaning, maintenance and transportation and increasingly, are outsourcing core functions as well. This started with IT, spread to call centres and today includes core processing activities as well.

The early rationale for outsourcing support functions was to allow the firm to focus on what it does best as its core business, usually accompanied by significantly lower costs and less management "hassle" in dealing with lesser skilled. Non-specialist staff. With the advent of countries like India, South Africa, Bangladesh, Sri Lanka, to name a few, investing heavily in social upliftment and education, these countries started offering low cost, high quality expertise in areas such as IT and telephony, increasing both the viability and attractiveness of outsourcing ever more central and critical functions.

Some firms also saw outsourcing as a form of risk transfer or risk mitigation – "it's no longer our problem, it is the service provider's problem", although in most cases, this is incorrect – a service failure still affects the firm's ability to operate, while if the answer to "whose name will be in the newspaper" in the event of such a service failure or other operational risk event is still the firm, then the risk remains – while the exposure to third party failings has actually increased.

With increasing concern about systemic failures and failures within individual firms, the regulatory community have long been concerned about what some refer to as "outsourcing risk". Some regulators have classified basic functions and those deemed to be more critical require regulatory approval prior to outsourcing. Other regulators require the firm to maintain its own internal capability which can recommence the outsourced activity in the event of a service failure for designated critical functions. And most regulators today require firms to undertake regular risk assessments focussed specifically on outsourced functions and the outsourcing service provider.

One reason for the regulatory concern is the often fragmented approach to outsourcing within the firm. Regulatory guidelines call for a single outsourcing register in which every outsourcing agreement is maintained, accompanied by individual service level agreements per outsourced function. Firms are further advised to undertake detailed due diligence prior to entering into an outsourcing agreement, to ensure stringent legal contracts are in place between the firm and the outsourcer, to appoint a dedicated relationship manager, to record, monitor and manage service level breaches and to perform regular assessments of both performance and future exposure. Some regulators also require internal audit opinions on outsourcing and specific regulatory reports from time to time.

Industry guidelines also focus on the need to manage internal staff relationships and morale, which can be adversely affected by a decision to outsource, as well as the need to manage information security of outsourced data.

Risk*Business*

Risk*IntelliSet*™

With all the above as background, Risk*Business* has introduced the Risk*Business* Third Party Management Service, aimed at facilitating, within a controlled and structured framework, ongoing outsourcing and other third party management. The Third Party Management Service can be employed on its own or can be used as an integral component of the Risk*Business* Risk*IntelliSet*™.

The core functionality of the Third Party Management Service includes:

- The ability to define a register of all outsourcing, service provision and other third party arrangements which the firm has entered into.
- Multiple perspectives on the register, including by provider, by service level agreement, by outsourced process or by business entity.
- Facility to attach electronic copies of contracts, agreements and other documentation and to maintain comments and notes over the life of the relationship.
- The ability to manage the service relationship on an ongoing basis, including tracking names, addresses, contact details and contact individuals.
- Facility to design, apply, schedule and undertake various forms of third party risk assessment or due diligence and to report on the results.
- The ability to define tasks or actions relating to the service relationship, then to manage these actions and tasks through to completion.
- When used in conjunction with either the Risk*Business* RCSA Service or the Risk*Business* Processes and Control Service, to indicate which processes are outsourced, to reflect these differently in process flow diagrams and to view outsourcing risk assessment data within the RCSA environment.
- When used in conjunction with the Risk*Business* KRI Library and KRI Monitoring Service, to select specific key risk indicator or key performance indicators to the relationship and to track and monitor the resultant indicator data over time.
- When used in conjunction with the Risk*Business* Internal Loss Data Service, to record and link operational losses to the relevant relationship or service level agreement.

In light of the above, can your firm manage its third party arrangements without a specialised solution designed and built in conjunction with procurement and outsourcing specialists from a wide range of financial firms? The Risk*Business* Third Party Management Service is a web-based service, available either as an integrated component of the Risk*Business* Risk*IntelliSet*™ or as a standalone service. It uses PKI-technology to safe-guard the firm's data.

For more information on the Risk*Business* Third Party Management Service, please contact Risk*Business* International through our website or email us at info@Risk*Business*.com.

Risk*Business* Services Limited
www.Risk*Business*.com
2 Claremont Way, Halesowen
West Midlands B63 4UR, UNITED KINGDOM

*Risk*Tools