

# THIRD PARTY RISK MANAGEMENT

Create a systematic approach to managing third parties



# THIRD PARTY RISK MANAGEMENT — THE NEW IMPERATIVE

Over the past few years, companies are collaborating more and increasing their reliance on third parties to perform a growing number of functions. However, as this business practice grows more ubiquitous, we also see an increase in the risks associated with third and fourth parties. Service interruptions, data breaches, and compliance and quality issues represent just a few of the challenges topping news stories, and as new risks are identified, regulations associated with the use of third parties grow more numerous and complex. To minimize risk exposure while maximizing the strategic business value these relationships bring, organizations must systematically elevate their third party risk management capabilities.

## CLIENTS CALL US WHEN:

- Increasing regulatory pressure creates the urgency to manage third party risk more systematically.
  - Address regulatory concerns or findings for failing to adequately execute and evidence a compliant program; or,
  - Proactively evaluate their current program's ability to satisfy regulatory guidelines.
- Reports of security breaches trigger concerns that they need better knowledge and control over third party access to their sensitive data.
- Insufficient visibility into third and fourth party relationships creates anxiety about unknown and unmanaged risks.
- Managing supplier risk has become unwieldy and/or reactive because of an insufficient governance structure for monitoring and controlling third party relationships.
- An upcoming or in progress acquisition, merger, or divestiture prompts them to seek help with managing and minimizing third party risk.

## OUR APPROACH

Whether a client needs to build a third party risk management (3PRM) program from the ground up or has an existing program that needs an overhaul or fine-tuning, A&M can help. Our senior teams won't give you a cookie-cutter approach to managing risk, but instead work shoulder-to-shoulder with your team to execute a program that enhances your organization's capability to mitigate risk and evidence your commitment to managing third and fourth parties.

### DEFINE

- Gap Analysis of Current 3PRM program
- Data Mapping and Risk Control Evaluation
- Segmentation and Risk Profiling
- Annual Third Party Risk Health Check

### DESIGN

- Plan to address Deficiencies / Gaps
- Roadmap to Implementation and Launch Plan
- 3PRM Framework and Program Design

### DEVELOP

- Organizational Structure, Staffing Model, and Governance Model
- 3PRM Segmentation Methodology
- Policies and Procedures
- Training Requirements and Materials
- Controls and Trigger Event Handling
- Monitoring Process and Reporting Tools

### DEPLOY

- Communication and Training Plan
- Staffing Plan (includes Job Descriptions and Hiring Assistance)
- Pilot and Implementation of 3PRM program
- Selection and Implementation of Third Party Tools and/or Services to Support 3PRM

## SUCCESS STORIES

### LEAN, FLEXIBLE 3PRM PROGRAM

One of the world's largest full-service providers of institutional securities, global wealth management, and asset management services engaged A&M to analyze the current state of its third and fourth party management practices and identify gaps and opportunities for improvement. A&M delivered a gap analysis of the client's policies, processes, procedures, and supplier governance practices across the global technology group and developed a roadmap and execution strategy to close those gaps and demonstrate compliance with relevant regulations. The designed solution established a lean, flexible third party risk management program that included risk-based segmentation and performance monitoring activities, all supported by detailed, actionable policy, process-based controls, and standardized tools. To ensure a successful rollout, A&M remained onsite to pilot the new program and onboard fulltime program personnel.

### ALIGNING CURRENT PRACTICES WITH NEW REGULATIONS

One of the nation's largest full-service providers of consumer and commercial banking, wealth management, mortgage, and insurance products engaged A&M to evaluate its third party risk management program. A&M assessed the bank's current state of maturity and effectiveness across three main components: Program Design, Level of Execution, and overall Organizational Effectiveness. Through the assessment, A&M identified gaps and developed recommendations to more effectively align the bank's third party risk management program with current and pending regulatory guidelines. The assessment provided a work plan and schedule including a responsibility matrix to ensure successful execution.

### A SWIFT RESPONSE TO REGULATORY REQUIREMENTS

One of the world's top ten financial institutions engaged A&M to strengthen its management of third parties in direct response to on-going regulatory requirements. After identifying areas of improvement within the existing third party risk management processes, A&M worked with the organization under aggressive timelines to close gaps across a range of first line of defense control points and defined, designed, and deployed a program to address them. The future state program included policies, procedures, and the governance and organization structures required to manage third parties throughout the entire relationship lifecycle. Beginning with its most critical supplier relationships, A&M is assisting the institution in rolling out a new third party risk program which aligns with regulatory guidance and will serve as an enterprise-wide framework.

### REACTION TO FRAUD RISK INSPIRES A PROACTIVE APPROACH TO 3PRM

A \$30B global electronics manufacturing services provider was experiencing fraud/risk issues with international third parties related to improper buyer-supplier dealings across various locations and categories. A&M was engaged to conduct an assessment and gap analysis of current state practices and to make improvement recommendations to mitigate the risks. A&M developed a future state Indirect Procurement Organization including auditable processes, reporting transparency and governance, a new organization model with roles and responsibilities, and KPIs. Additionally, A&M visited client locations to complete interviews and business process and control reviews. Lastly, A&M helped establish an independent audit group to reduce the risk of fraud in the future by implemented control points.

"The mutual trust and respect between our organizations meant we didn't waste time tiptoeing around what needed to be done. Together we assessed our vendor management program and tackled areas for improvement head-on."

— Executive Vice President,  
Major Regional Bank

"Alvarez & Marsal brings a practical approach to attacking problems — they aren't afraid to roll up their sleeves and work to provide detailed, actionable, fact-based plans with a 'let's get this done' attitude."

— Chief Technology Third Party  
Risk Officer, Global Bank

## WHY CHOOSE A&M?

### **Solving complex problems is in our DNA.**

After 30 years of resolving some of the most urgent challenges in business history, we've honed critical expertise that clients at all levels of maturity can use to achieve rapid results.

### **Senior-level expertise.**

Our senior leaders, many of whom are former CPOs or ex-regulators, have hands-on experience and the credibility to navigate and break-down organizational roadblocks that stall companies from successfully driving results. We partner closely with our clients' teams, to leave you stronger than we found you.

### **Executing for Sustainability.**

We don't just develop a strategy, we create a program with end-to-end processes including a playbook laying out the steps to successfully execute and sustain effective third and fourth party management.

### **Ownership and Commitment.**

Our clients frequently comment that we produce results where internal teams and other consultants have failed. We take ownership of the problem and are not afraid to put our fees at risk to demonstrate our level of confidence and commitment.



**Cyndi Joiner**

US Practice Leader

[cjoiner@alvarezandmarsal.com](mailto:cjoiner@alvarezandmarsal.com)

+1 404 839 0845



**LEADERSHIP  
ACTION  
RESULTS**

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to activate change and achieve results.

Privately-held since 1983, A&M is a leading global professional services firm that delivers performance improvement, turnaround management and business advisory services to organizations seeking to transform operations, catapult growth and accelerate results through decisive action. Our senior professionals are experienced operators, world-class consultants and industry veterans who draw upon the firm's restructuring heritage to help leaders turn change into a strategic business asset, manage risk and unlock value at every stage.

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When action matters, find us at: [www.alvarezandmarsal.com](http://www.alvarezandmarsal.com)

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