

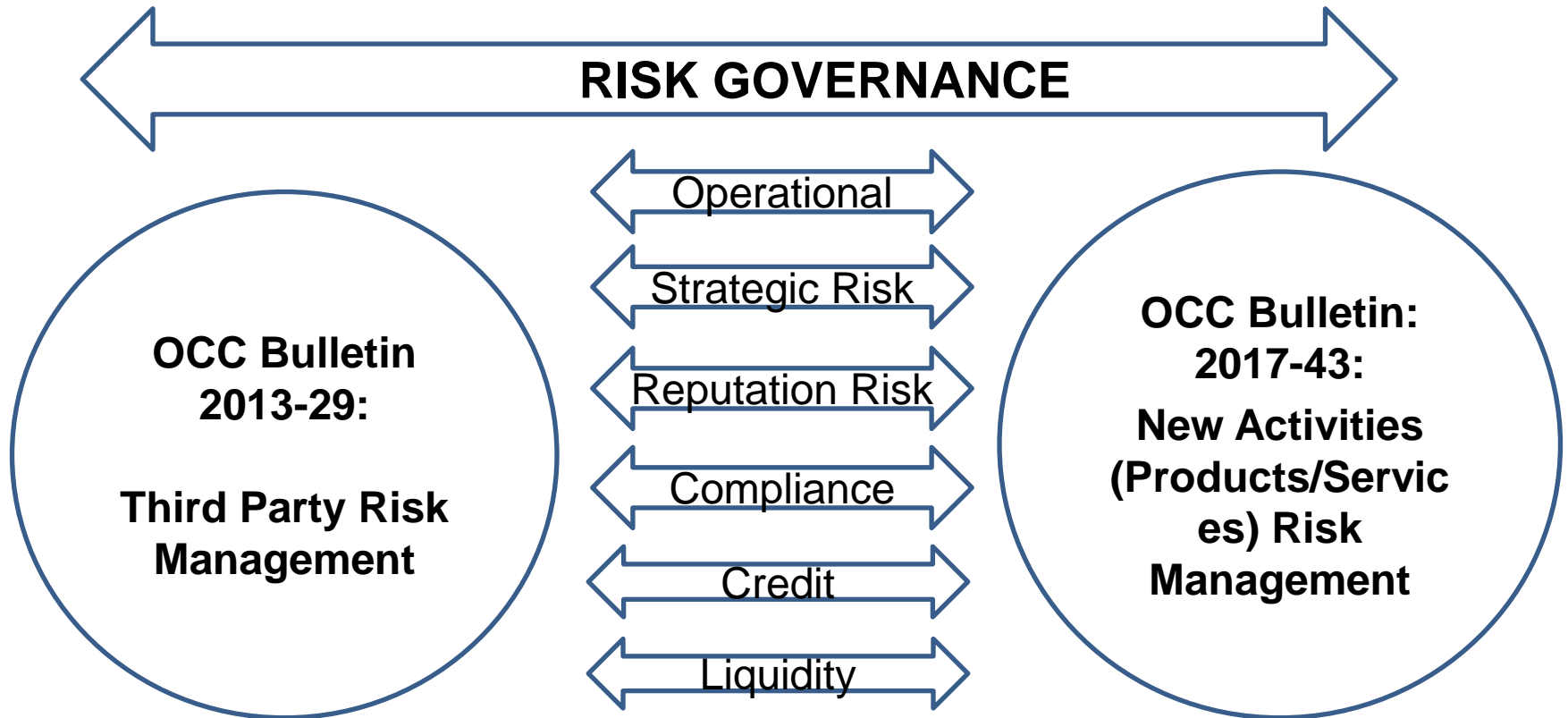
Third Party Risk Management

CFTC - MARKET RISK ADVISORY COMMITTEE MEETING

December 4, 2018

**Lazaro Barreiro, Director for Governance and Operational Risk Policy
Comptroller of the Currency**

Supervisory Focus



Third Party Risk Management



- Planning
- Due Diligence & Third-Party Selection
- Contract Negotiation
- Ongoing Monitoring
- Termination

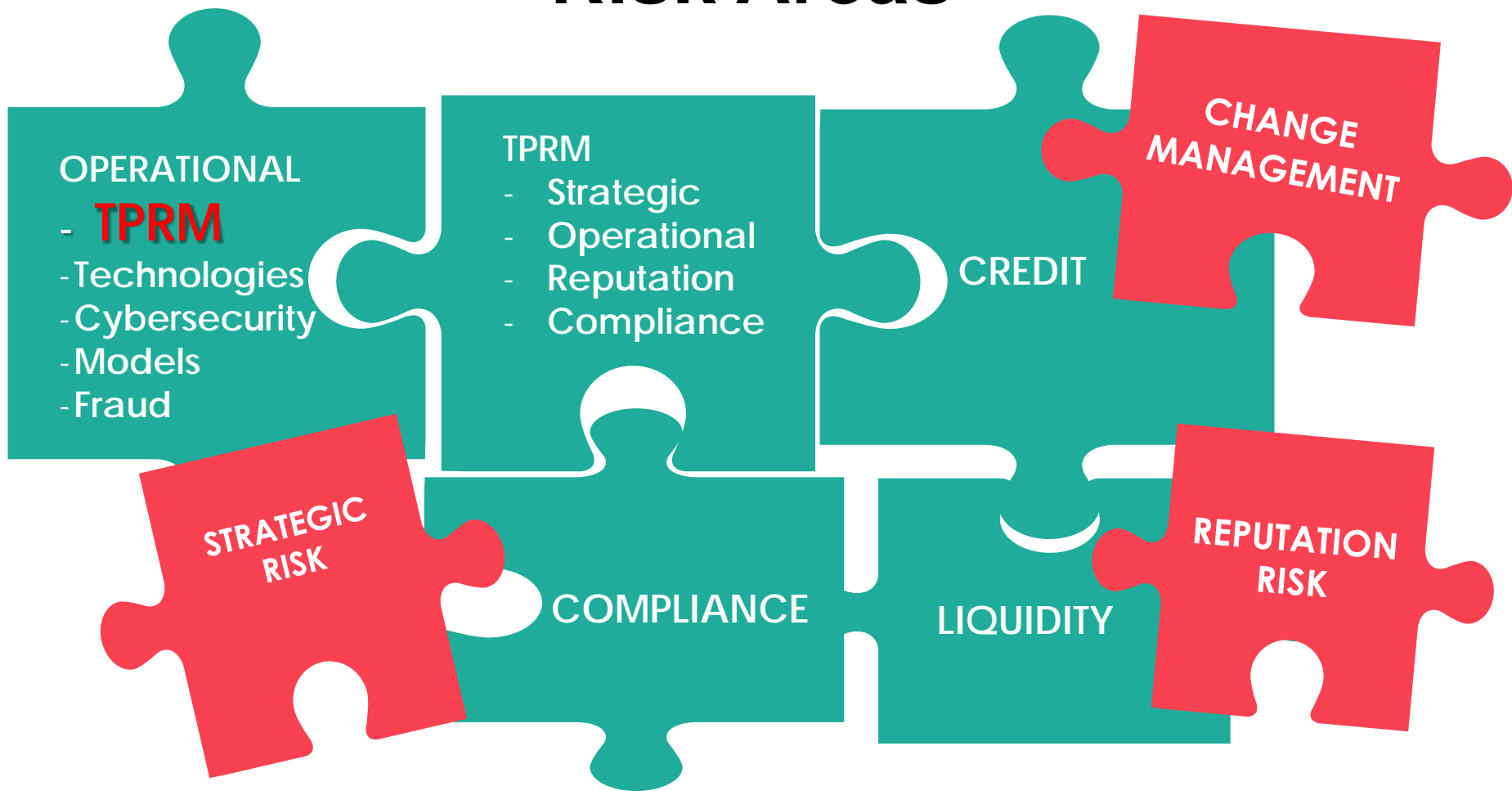
Key Considerations

- **Balanced strategic approach**
 - Inaction vs. chasing shiny objects
 - Effective change management

- **Culture and Staffing**
 - Cultures should align
 - Banks need adequate resources and expertise to manage relationships
 - Executive as well as front-line buy-in

- **Awareness of applicable OCC guidance**
 - IT Risk Management
 - OCC Model Risk Management Guidance

Risk Areas



Relevant OCC documents:

➤ Third Party Risk Management

- OCC Bulletin 2017-21 (Frequently Asked Questions)
- OCC Bulletin 2017-07 (2013-29 Supplemental Examination Procedures)
- OCC Bulletin 2013-29 (Third Party Relationships – Risk Management Guidance)

➤ New Product and Service Development

- OCC Bulletin 2017-43 (New, Modified, or Expanded Bank Products and Services – Risk Management Principles)
- OCC Bulletin 2018-14 (Core Lending Principles for Short-Term, Small-Dollar Installment Lending)

➤ Model Risk Management

- OCC Bulletin 2011-12 (Sound Practices for Model Risk Management)

➤ Corporate and Risk Governance Booklet of the Comptroller's Handbook