

MITR/TECH

FINDING THE RIGHT VRM SOLUTION FOR \$25B TO \$75B BANKS

VendorInsight

INTRODUCTION

There are fewer than 40 banks in the U.S. managing between \$25 billion and \$75 billion in assets. These financial institutions have heightened regulatory and organizational challenges when it comes to managing their third and fourth-party (vendor) relationships as a result of:

- Higher level of scrutiny from regulatory bodies than smaller banks
- Decentralization of stakeholders and subject matter expertise
- Multiple affiliates and multiple geographic locations
- Unique areas of specialization

In banking, a premium is placed on “Knowing Your Customer,” or KYC. Because banks rely heavily on third-party vendors banks must get to know these entities as well. There is a new expectation that banks also “KYV,” or Know their (Your) Vendors in order to manage risk and achieve success in today’s environment.

It is critical for banks to understand the chain of custody of their sensitive data, from the institution to its vendors, and even to the vendors’ subcontractors or fourth-party vendors. Banks need to know who these vendors are, from where they operate, to where their data is stored and how it is protected. The right solutions can make this easy, but without the tools and support in place, KYV can require a large financial and staffing commitment, especially for larger organizations.



A SERIES OF DISCONNECTED SOLUTIONS?

As financial institutions grow and scale, they often retain the legacy tools of their smaller days. In many instances, that means that an organization is managing its vendors through a series of disjointed solutions: a spreadsheet for vendor risk assessments coupled with a shared folder on the server for contracts – or worse, contracts stored by the team members and departments who negotiated them, with no central repository of all of the vendor and product/service relationships the bank utilizes.

It is important for large financial institutions to attain high levels of competence in three essential areas:

- Comprehensive life cycle contract management for all third- and fourth- party relationships, including a data table of key contract terms and dates, with electronic images of all relevant documentation.
- Risk assessment policy and processes for third- and fourth- party relationships that encompass an expanded set of requirements that regulators expect larger institutions to understand and utilize.



- Workflow and automation to efficiently leverage an integrated, comprehensive vendor management platform and drive productivity and compliance.

RESIST “THE PROMISE”

Institutions who have evolved their own solutions based on questionnaires, spreadsheets or custom desktop databases and then elect to rebuild these same processes into a brand-new vendor management system miss the essential success factors that can help them achieve the competence described above.

Some solutions promise to ‘ingest and integrate’ all of the existing data and methods and procedures that are currently being used. But taking this approach is a mistake.

In this scenario, the large bank quickly discovers that the implementation process is lengthy – as long as 2-3 years – and that there are unexpected costs as “customizations” consume financial resources. The purveyors of these systems resist changing their code base.

The best promise to pursue, and the right vendor management solution, is the one that offers an ability to evolve your vendor management program in ways that are consistent with today’s best practices at other large institutions.

WHAT SHOULD LARGER BANKS LOOK FOR WHEN SELECTING A VENDOR MANAGEMENT SOLUTION?

SPEED-TO-IMPLEMENTATION

When your organization decides to upgrade its vendor management processes, there is no time to waste. Many organizations have been delayed in achieving program success due to a long, drawn-out software implementation, requiring teams of IT consultants to build the solution and train the team. But it does not need to take years. Your solution should be implemented in weeks – not months or years. Two components drive the speed of implementation – configurability and the team executing the project.

When evaluating a solution be sure you understand the promise of the software platform. Is it built to be highly configurable? Or is it designed as a foundation that requires add-ons and customizations to meet your business needs?

Then look at who will be implementing the project from the solution provider. A team of IT experts alone will accomplish technical details, but a more efficient collaboration will include team members with expertise in vendor management, financial industry requirement, regulations and best practices. Implementation runs most smoothly when you have a dedicated program administrator who works alongside your team.

BUNDLING & INTEGRATION OF SERVICES

You should have all the information about a vendor in a single place. Linking contract management elements with risk assessment elements ensures you have access to the full picture – what the vendor is doing for you and the potential impact on your business.

To maximize the return on your investment, look for a fully comprehensive solution that includes:

- Third-party and fourth-party (your vendors' vendors) contract and document management
- Contract monitoring and customizable alerts
- Inherent and Residual Risk Analysis
- Vendor Performance Scorecards inclusive of Unique Vendor Service Level Agreements
- News monitoring and News Alerts
- Vendor OFAC Screening
- Concentration Risk Analysis
- Vendor Due Diligence Evaluations, including:
 - Financial Statement Review
 - Control Audits (SOC1 & SOC2)
 - Resiliency and Recovery (BCP/DR)
 - Information Security
 - Insurance Coverages
 - Complaints and Social Media Monitoring
 - On-Site Vendor Reviews and Reporting



WHAT SHOULD LARGER BANKS LOOK FOR WHEN SELECTING A VENDOR MANAGEMENT SOLUTION?

AUTOMATION

Your vendor owners, managers, subject matter experts, risk management department and executives rely on collaboration to complete risk assessments, document vendor reviews, rate vendor performance and carry out your policies. Unique collaboration features, automation and workflows empower your people and streamline your process. Centralize some tasks and push others out to contract owners – you have the flexibility to set the rules unique to your organization.

Your solution should include automated workflows and high-level views of vendor status, so that you never have to wonder about a next step or the next project set in the queue. You have global visibility as to the status of each collaboration request and whether tasks have been completed. Efficiency, accountability, and control are hallmarks of the best automated vendor management solutions.

ELIMINATING UNNECESSARY WORK

Risk assessments and due diligence take time. It is imperative that they are clearly defined in scope to preserve your resources. Ensure that your vendor management solution is designed to allow you to prescribe levels of due diligence based on your risk analysis and risk appetite. By integrating the risk assessment with vendor management, you can define which vendors require what level of attention.

For example, you do not need to do a cybersecurity assessment on the company that handles the landscaping at your branch locations. Not every vendor must be forced into a one-size fits all template. Create incremental analyses that define risk and determine exactly what needs to be done to mitigate that risk – all while cutting unnecessary work.



WHAT SHOULD LARGER BANKS LOOK FOR WHEN SELECTING A VENDOR MANAGEMENT SOLUTION?

OUTSOURCED SERVICES

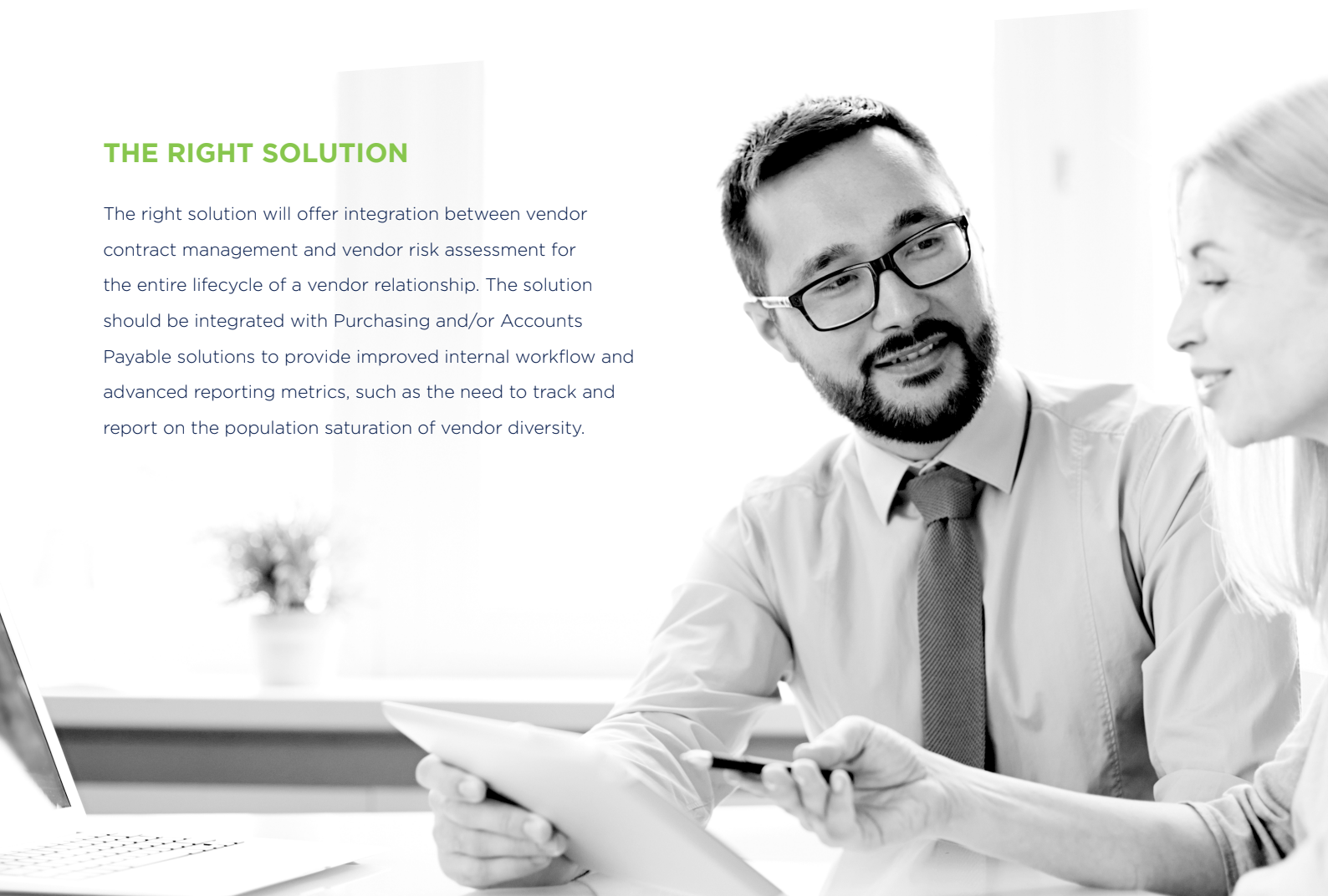
You may want additional services outside of your internal team. A complete vendor management solution can include a suite of outsourced services used to support your internal work; due diligence and contract management services that complement our software to provide you with a complete solution. Many organizations manage the majority of their vendors internally but contract with a vendor for high- risk, critical vendor relationships.

ADVANCED REPORTING

Collecting data is only as useful as the analysis of that information. Your solution should provide you with standard templates for the most commonly needed reports for regulators, leadership and other stakeholders. In addition, make sure your solution allows you to configure reports to meet your unique needs.

THE RIGHT SOLUTION

The right solution will offer integration between vendor contract management and vendor risk assessment for the entire lifecycle of a vendor relationship. The solution should be integrated with Purchasing and/or Accounts Payable solutions to provide improved internal workflow and advanced reporting metrics, such as the need to track and report on the population saturation of vendor diversity.



ABOUT MITRATECH

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With Mitratech's proven portfolio of end-to-end solutions, organizations worldwide are able to implement best practices and standardize processes across all lines of business to manage risk and ensure business continuity.

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