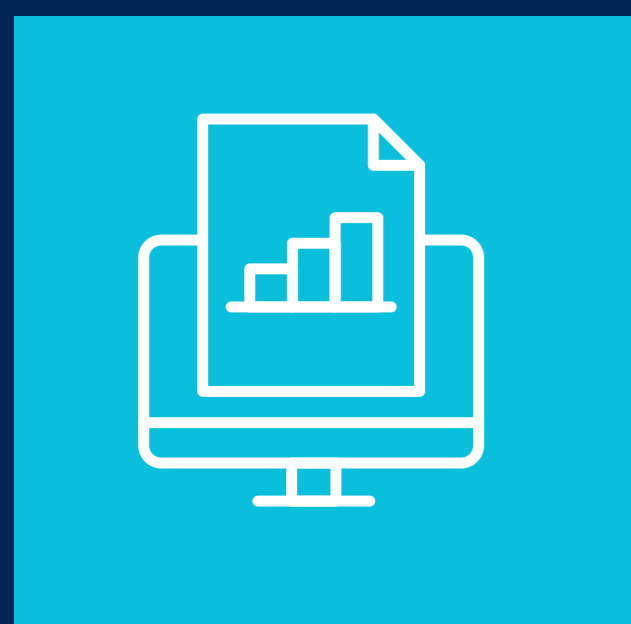


Concentration Risk

Examination Procedures and Implementations



On January 24, 2017 the office of the Comptroller of the Currency (OCC) published Bulletin 2017-7 with the subject, "Third Party Relationships," followed by the description, "Supplemental Examination Procedures."

OCC BULLETIN 2017-7

The Supplemental Procedures documents states,

"These procedures are designed to help examiners tailor the examinations of national banks and federal savings associations (collectively, banks) and determine the scope of the third-party risk management examination."

The specificity as to an expanded focus on concentration risk is found under the heading "Quantity of Risk" on page four of the document, beneath "Objective: To determine the quantity of operational risk associated with the use of third parties."

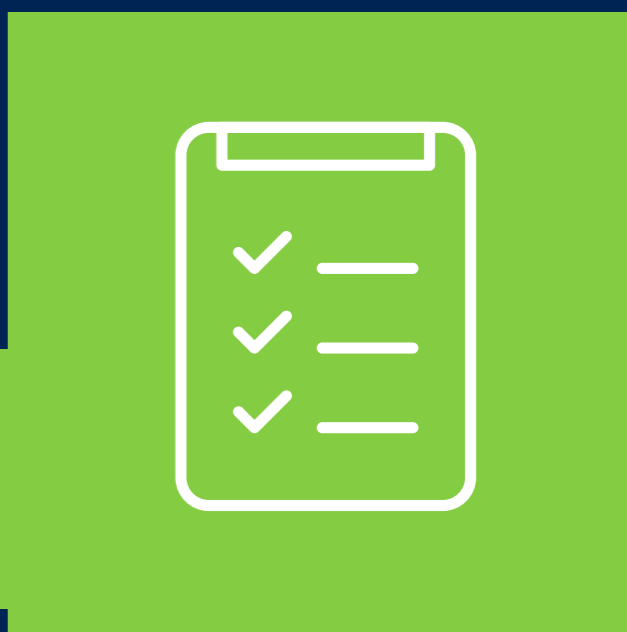
SUPPLEMENTAL EXAMINATION PROCEDURES

CONCENTRATION RISK EXAM VALIDATION PROCESS



Determine whether there are any concentrations* among third-party relationships.

* "Concentrations may arise when a bank relies on a single third party for multiple activities, particularly when several of the activities are critical to bank operations. Additionally, geographic concentrations can arise when a bank's own operations, and that of its third parties and subcontractors, are located in the same region or are dependent on the same critical power and telecommunications infrastructures."



Review the bank's methodology for identifying concentrations among third-party relationships



Determine whether there are concentrations due to the bank's reliance on a single Third party for multiple activities, particularly when several of the activities are critical to one or more lines of business



Determine whether there are geographic concentrations where the bank's own operations, the operations of its third parties, or the operations of third parties' subcontractors are located in the same region or are dependent on the same critical power and telecommunications infrastructures



The Implication is Clear: Vendor management has been given a new challenge.

The learning will be significant as a result of this focus, and may change the approach to vendor negotiations entirely. To mitigate concentration risk, one may designate in their negotiation exactly where they want their potential vendor to process certain applications across distributed data center network.

To be sure, there is no "snap of the fingers" solution to auto-magically import these new data elements into an existing process. The key will be having the capability to retain the new data, and a plan to go out and request, receive, update, report, and analyze the new data for presentation to your internal risk management authority -- and upon your next regulatory review.



Is this level of effort existant within your current vendor management plans?



How is your organization (and/or your providers) addressing this new expectation, and when? At Mitrtech, we've developed the capability to maintain data management -- and the analytics flexibility -- to enable this new level of understanding. We automate the requests of vendors, updating required data elements continuously.

To learn more about how VendorInsight keeps your organization compliant in an ever-changing regulatory environment, contact us at info@mitratech.com