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Fact sheet

vendorly
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REGULATORY GUIDELINES ON VENDOR OVERSIGHT

Are your vendors putting your business at risk? Consumer Financial Protection Bureau (CFPB) Third-Party Risk Management Guidelines Summary[1] recommends that financial institutions take steps to ensure that business arrangements with service providers do not present unwarranted risks to consumers, which include:

- Determining the risks levels associated with each of the service providers and conducting thorough due diligence to verify that the service provider understands and is capable of complying with the law
- Requesting and reviewing the service provider's policies, procedures, internal controls, and training materials to ensure that the service provider conducts appropriate training and oversight of employees or agents that have consumer contact or compliance responsibilities
- Including in the contract with the service provider clear expectations about compliance, as well as appropriate and enforceable consequences for violating any compliance-related responsibilities
- Establishing internal controls and on-going monitoring to determine whether the service provider is complying with the law
- Taking prompt action to address fully any problems identified through the monitoring process

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL (FFIEC)

Third-Party Risk Management Guidelines Summary[2] states that an institution is ultimately responsible for managing activities conducted through third-party relationships, and identifying and controlling the risks arising from such relationships, to the same extent as if the activity were handled within the institution, which include:

- Establishing and maintaining effective third-party management programs
- Understanding the complex nature of arrangements with third-parties and ensure adequate due diligence and ongoing monitoring of the engagement
- Monitoring compliance with contracts and service level agreements
- Establishing internal controls to address the areas of transaction initiation, data entry, computer processing, and distribution of output reports
- Maintaining effective control over service provider access to customer and financial institution information consistent with GLBA section 501(b)
- Developing contractual provisions to define the terms of acceptable access and potential liabilities in the event of fraud or processing errors

[1] *See CFPB Compliance Bulletin and Policy Guidance; 2016-02, Service Providers.*
[2] *See FFIEC Financial Institution Letter FIL-44-2008, Guidance for Managing Third-Party Risk (June 6, 2008).*