



# Third-Party Risk Management

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. With more than 7,000 consultants located in 30 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges and make the most of opportunities.

FTI Consulting provides Third-Party Risk Management (TPRM) advisory services across a wide range of industries and geographies. Our experts help our clients identify risks, remediate operating models and governance processes, manage regulatory examinations, and refine TPRM programs to better align with business strategy.





# How Well Do You Know Your Third-Party Partners?

As global supply chain disruptions, cyber threats, and incidents of high-profile technology failures persist, Third-Party Risk Management (TPRM) is receiving more attention across industries.

TPRM, historically a function focused on process and documentation compliance, is receiving fresh scrutiny in many risk organizations. A range of macro factors have amplified third-party risk, including growing cyber threats, supply chain disruptions, geopolitical instability, high inflation, and rising interest rates. Technology incidents impacting a wide range of customers continue to occur that disrupt business and cause reputational damage.

At the same time, firms have struggled to implement a fit-for-purpose TPRM operating model. Finding the balance between protecting the firm while maintaining common sense controls to bring the right degree of scrutiny and diligence to each vendor situation is often more complex and onerous to implement than is expected. Further, reporting rarely illuminates the full state of play to the Board and senior management.

FTI Consulting professionals have assisted clients in a wide range of industries with improving their TPRM operating model across processes including due diligence and onboarding, ongoing monitoring, contract negotiation, reporting, and termination. We help our clients stand up new programs and resolve issues, both self-identified and from examiner feedback. We recognize that one-size-fits-all solutions are not effective and a high degree of tailoring is necessary to implement a program that properly measures and manages each entity's specific third-party risk profile. Our experts take the time to learn the necessary background about our clients' businesses, their broader risk management capabilities, and the range of their third-party exposures before integrating or refining a third-party risk program.



# Key Enterprise Risks Introduced by Third-Party Relationships

While TPRM needs a distinct risk program, integration of risk measurements and control environments to align with other risk policy is essential to be effective. Below are some of the key enterprise risks rooted in third-party relationships.



## Information security and data leakage risk

Both cyber hacks into third parties (or their third parties) as well as the deliberate divulgence of private information by a third-party employee.



## Operational resilience risk

Outage of critical client-facing infrastructure resulting in lost revenue and reputational damage.



## Technology efficiency and effectiveness

Failures, outages, or delays in production or development technology infrastructure caused by a third-party failure.



## Regulatory compliance risk

Failure to maintain compliance with regulatory requirements due to a performance failure by a third party. Also includes compliance with third-party regulatory expectations themselves.



## Strategic and reputational risk

Possibility that the vendor's strategic objectives no longer align with those of the firm, or that a major reputational event at the vendor spills over the firm.



## Model risk

Both vendor-supplied models integrated into operations and models in use at partners can drive losses.

# Common Remediation Areas in TPRM programs

TPRM is inherently a moving target that must adapt to changes in the business. It is complex and aggregates input from a wide range of SMEs. Designing and implementing a TPRM program that is effective, compliant, and brings the right level of rigor to each situation is a significant challenge.

Refine Onboarding	Manage Inventory	Administer the program
<ul style="list-style-type: none"><li>— Refine Enhanced Due Diligence (EDD) processes to address key risk exposures</li><li>— Reduce backlog of outstanding onboarding requests</li><li>— Identify cases suitable for “fast track” onboarding</li><li>— Refine contract evaluations and negotiations</li></ul>	<ul style="list-style-type: none"><li>— Classify vendor and other non-vendor third parties into a custom taxonomy</li><li>— Refine metadata</li><li>— Monitor relationships and track data in a structured process including Nth party risks</li><li>— Make inventory reporting fit for purpose and at the right granularity</li></ul>	<ul style="list-style-type: none"><li>— Refine process workflow documentation to meet audit expectations</li><li>— Respond to specific regulatory feedback and articulate the program</li><li>— Assess quality and integrity controls on the procurement function</li><li>— Integrate TPRM program with other risk programs (e.g., ERM, ORM, Model Risk, etc.)</li></ul>





## CASE STUDY

### Digital Assets Bank

#### SITUATION

A leading Digital Assets custodian with an OCC-regulated banking entity required refinements to its TPRM capability to satisfy self-identified issues and feedback from regulatory examiners.

#### OUR ROLE

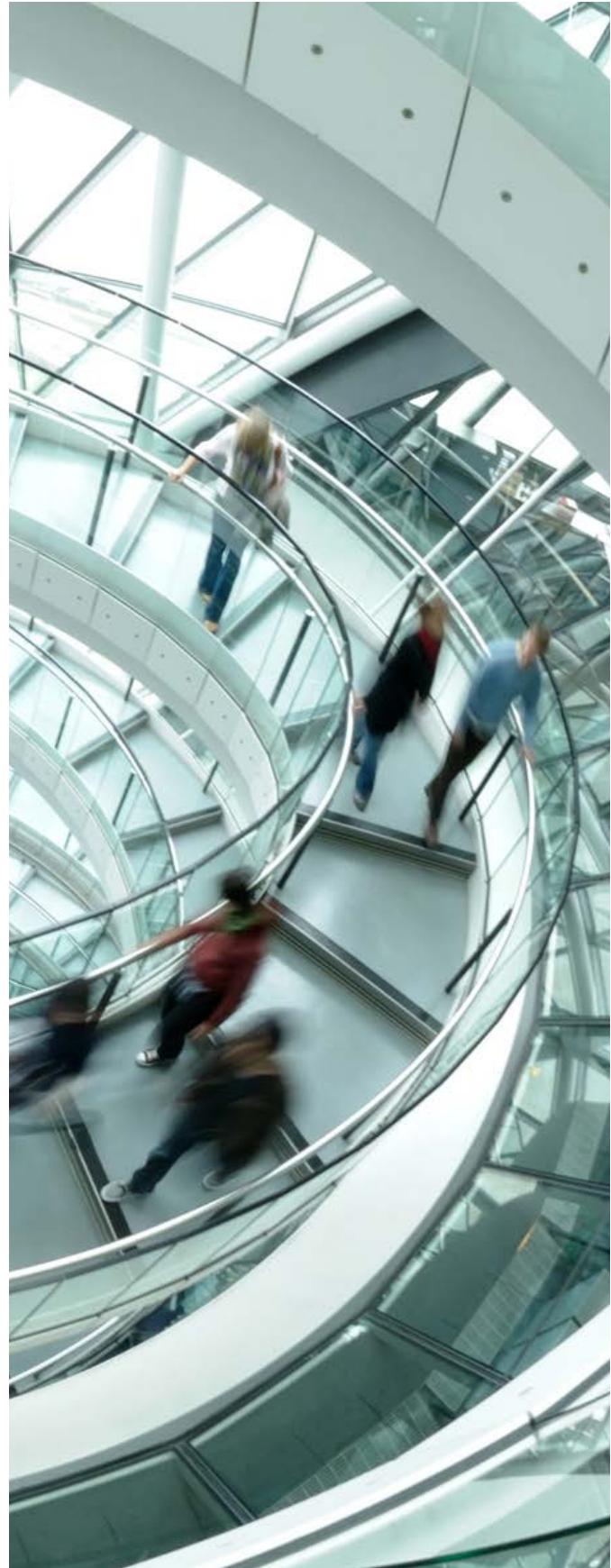
FTI Consulting led a three-month effort to fundamentally redesign the Third-Party Risk program for the bank. The FTI Consulting team drafted an in-depth Target Operating Model outlining the processes that would take place under the new program and achieved buy-in across all C-level leaders in the entity. We then carried the model forward to new policy and procedures, and a set of form templates to be used under the new TPRM program to manage each stage in the TPRM lifecycle.

#### OUR IMPACT

The bank implemented the program designed by FTI Consulting to positive feedback from its Board of Directors and regulatory supervisors.

The onboarding backlog was reduced through improved reporting and a refined due diligence process designed by FTI Consulting that applied the correct level of enhanced due diligence based on risk assessments.

A new set of reporting was implemented capturing the onboarding and ongoing monitoring processes in detail, organized around KPIs and KRIs, improving understanding of the TPRM program by the Board and senior management.



# Our Expertise

FTI Consulting professionals have assisted in the design and refinement of TPRM capabilities. Our practitioner team of former risk and compliance experts, former regulators, and subject matter experts.

## TPRM PROGRAM DESIGN & IMPLEMENTATION

### Onboarding processes

- Risk assessment processes and escalation controls to relevant SMEs
- “Fast track” for non-critical vendors that do not introduce key enterprise risks
- Approval process workflow

### Inventory management processes

- Taxonomy classification and metadata
- Third-party portfolio inventory reporting
- Complaint management / incident response
- SLA reviews

### TPRM policies, procedures and controls

- Escalation controls to relevant SMEs
- Internal management tools
- Right to conduct onsite visits; right to audit, accept or reject work product
- Integration with other risk policies
- Board and senior mgmt. governance

## SITUATIONAL RISK ADVISORY

### Third-party risk assessments, including:

- SLA nonperformance
- Pricing/fee increase vulnerabilities
- Fourth-party (or Nth-party) risks
- Evolving conflict risks
- Information/data leakage risks
- Market intelligence, pricing negotiations
- KPI/KRI design

### TPRM program reviews supporting M&A or private equity situations

### Regulatory examiner engagement

- Feedback response management
- Meeting preparation

### Procurement review

- Function gap assessment and refinement
- Vendor evaluation matrices
- Build vs. buy assessments

# Illustrative Steps to Refine a TPRM Program

FTI Consulting follows a structured methodology to understand the current state before taking steps to enhance the approach to managing third-party risk.



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|--|--|--|---|
| <ul style="list-style-type: none"><li>— Conduct “deep dive” assessment of current TPRM program, strategy, requirements, and related processes</li><li>— Define taxonomy for third parties</li><li>— Identify risk exposures resulting from third-party relationships</li><li>— Develop requirements for the future state of the TPRM program</li></ul> | <ul style="list-style-type: none"><li>— Develop Company’s strategy to mitigate the risk of the universe of third parties</li><li>— Develop and document a procedure-based TPRM program that aligns to strategy (e.g., fair bidding, third party code of conduct, etc.)</li><li>— Develop requirements for technology platform that align to strategy</li></ul> | <ul style="list-style-type: none"><li>— Select appropriate TPRM technology platform</li><li>— Configure platform to align with Company’s TPRM strategy and program</li></ul> | <ul style="list-style-type: none"><li>— Train user group to execute the functions of the TPRM program</li><li>— Deploy enhanced process and technology</li><li>— Implement change-management activities</li></ul> |
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## CASE STUDY

Global Social Technology Company

### SITUATION

A global social technology company required support with enhancing its controls regarding data privacy, data security, and TPRM; and assistance with responses to related U.S. and international regulatory requests.

### OUR ROLE

During a year-long secondment, FTI Consulting assisted the company with drafting and developing controls, policy, procedures, and training, particularly with respect to engaging third parties. FTI Consulting assisted in globalizing certain policy documents to demonstrate compliance with U.S. and international data privacy regulations. The effort involved coordinating and aligning numerous stakeholders in U.S. and international locations in operations, compliance and legal. We managed the development and launching of multiple trainings for internal consumers about internal controls, policies, and procedures for managing the risk of engaging with third parties.

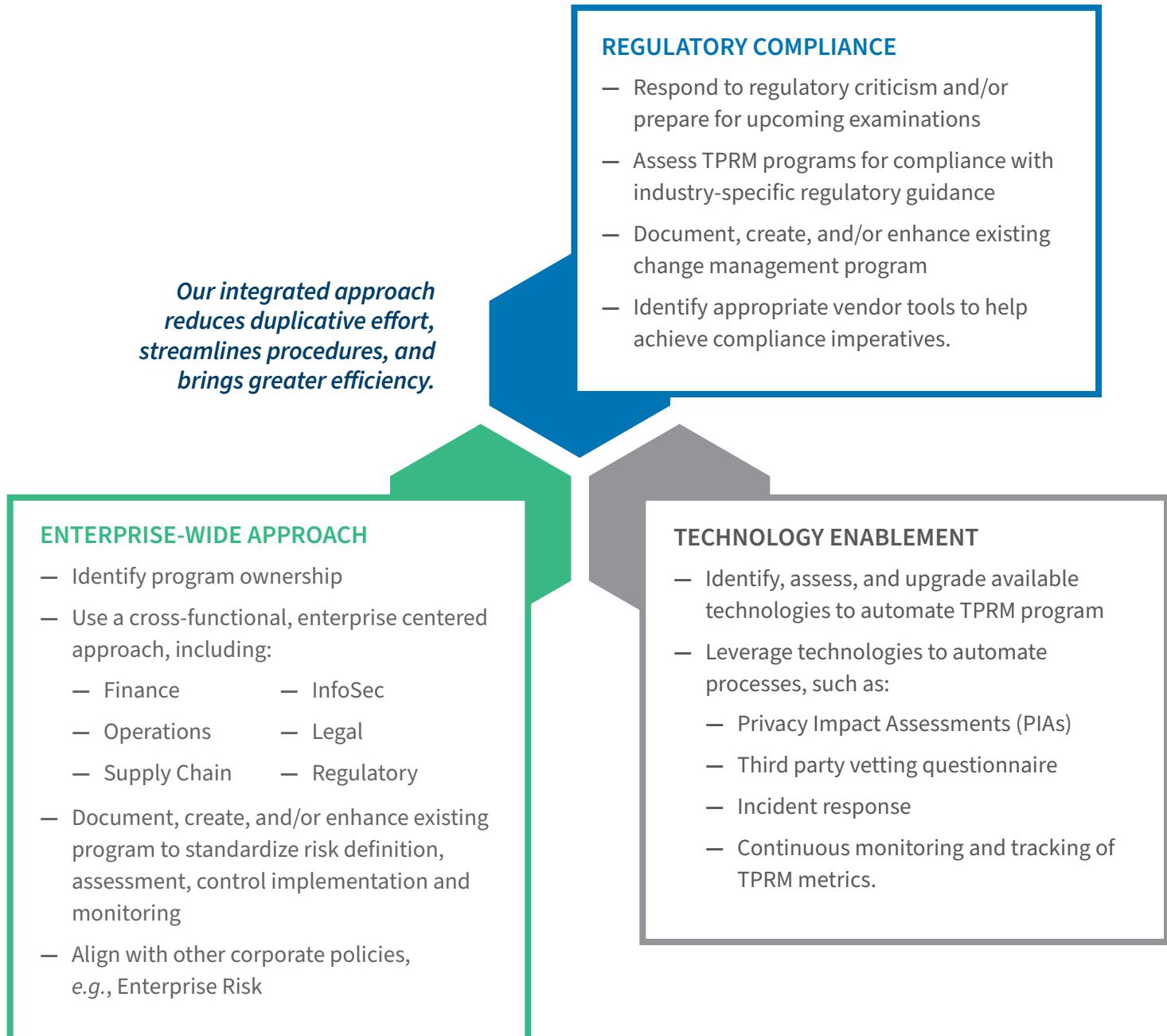
### OUR IMPACT

FTI's effort enhanced the company's readiness to provide evidence demonstrating compliance with U.S. and international data privacy regulations and improve the training and awareness of internal stakeholders engaging with third parties.

A new set of reporting was implemented capturing the onboarding and ongoing monitoring processes in detail, organized around KPIs and KRI, greatly improving understanding of the TPRM program by the Board and senior management.

# Addressing TPRM Elements in Change Management Programs

We apply a data-driven approach to identify and evaluate areas of risk and work with you to right-size your investment in addressing those areas. In doing so, prioritized action plans are designed and tailored to your environment, processes, and culture.



# Technology Assessment and Selection

The development and delivery of own TPRM software solution (FTI COMPLY™) has established FTI Consulting as a knowledgeable player in TPRM technology. Our experts also have experience with most leading vendor products and help our clients make the best choice for their needs.

## — ABOUT FTI COMPLY™

Global presence means exposure to the unknown. Increased scrutiny by regulators brings increased risk of fines and reputational damage. Growing data volumes in different jurisdictions makes it hard for corporates to maintain visibility of their own organization and employees – and even harder to oversee third-party vendor operations.

Developed by the data analytics, anti-corruption, investigation and compliance professionals of FTI Consulting, FTI COMPLY™ can be fully customized to almost any desired level of automation, system integration, special functionality and workflow to accommodate unique company profiles and resource availability and achieve greater due diligence process efficiencies.

**FTI COMPLY™**, developed with global anti-corruption regulation guidance in mind, facilitates third-party onboarding, information intake, risk ranking, vetting, due diligence assessment approval, ongoing monitoring and renewal due diligence assessments.

- **Customizable Platform:** An interactive and customizable platform that allows companies to organize, track and centrally manage third-party relationships. A modern UI/UX compatible with various devices provides quick access on the go.
- **Automatic Monitoring:** An investigations tool that allows users to conduct due diligence research and analysis, and automatically monitors third parties against risk databases.
- **Workflow Management:** An adaptable workflow management function that organizes, reviews and controls the entire due diligence process to ensure a positive user experience.
- **Risk Profiling:** A proprietary risk profiling methodology that can be customized to ensure compliance resources are utilized with maximum efficiency.
- **Secure:** A secure, web-based solution, enabling personnel to collaborate with confidence across the globe in different jurisdictions.

FTI Consulting helps clients assess, vet and select the appropriate TPRM technology platform/software solution with the best combination of technology attributes, including functionality, automation, and system interfaces.





## CASE STUDY

### Enhancement of TPRM Program for a Financial Services Institution

#### SITUATION

A company's management and audit committee had become increasingly less comfortable that the company was applying sufficient rigor to identifying and managing the full scope of its TPRM risks. The client requested a comprehensive third-party risk assessment plan that included enhancements to planning, due diligence, contract negotiation, ongoing monitoring, and termination.

#### OUR ROLE

As part of this engagement, an FTI Consulting team member led a team to enhance key components of a TPRM program that consisted of governance, third-party service risk in context of organizational objectives (strategic, operational, financial, and compliance), identified key stakeholders, adherence to compliance standards, and the third-party assessment approach. Also advised client management to perform "deep dives" into the top four identified risks (operational, technology, financial, and business continuity & resiliency); and to enhance the planning and budgeting processes to capture third-party risk information to be reported to the audit committee and management.

#### OUR IMPACT

Management and the Board developed a greater degree of comfort and assurance in TPRM program outcomes through an improved understanding of how its TPRM program was managed.



## CASE STUDY

### U.S. Global Oil & Gas Company

#### SITUATION

Client with a very large (100,000+) portfolio of third-party relationships implemented FTI COMPLY™ to deliver a fully automated and right-sized due diligence solution.

#### OUR ROLE

FTI Consulting designed and implemented an automated and customized workflow in FTI COMPLY™ to manage extremely high third-party volume, reducing time and personnel needs. FTI Consulting built application programming interfaces (APIs) and customized the workflow to 1) systematically pull third-party data from the company's internal system, 2) automatically calculate a risk level, 3) transmit the third-party data to the compliance/risk database for varying levels of due diligence screening, and 4) return a due diligence report into FTI COMPLY™.

#### OUR IMPACT

Due diligence processes were executed in a more time and resource-efficient manner, and TPRM management reporting was dramatically improved.



## About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes. Due to our unique mix of expertise, culture, breadth of services and industry experience, we have a tangible impact on our clients' most complex opportunities and challenges.

Individually, each practice is a leader in its specific field, staffed with experts recognized for the depth of their knowledge and a track record of making an impact. Collectively, FTI Consulting offers a comprehensive suite of services designed to assist clients across the business cycle – from proactive risk management to the ability to respond rapidly to unexpected events and dynamic environments.

## Our Largest Industry Groups



# Transportation & Logistics



## Financial Services



Real Estate



## Healthcare & Life Sciences



## Energy, Power & Products (EPP)



Mining



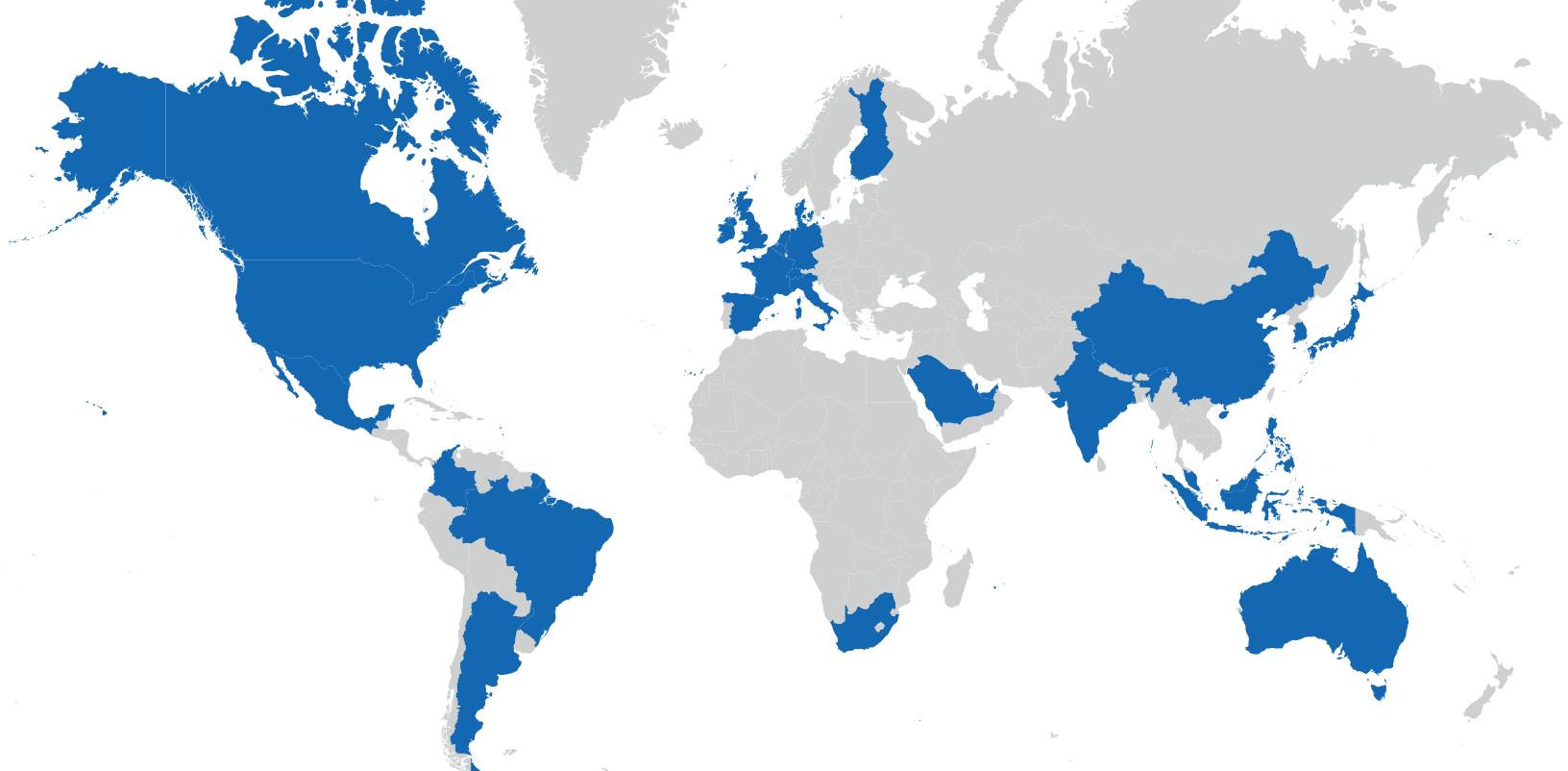
# Telecom, Media & Technology (TMT)



## Retail & Consumer Products



Insurance



## EXPERTS WITH IMPACT™

With offices in every major financial center and every corner of the globe, we successfully serve our clients wherever challenges and opportunities arise.

Our clients include Fortune 500 corporations, FTSE 100 companies, global banks, major and local law firms and state and national governments and agencies in the U.S. and other countries. In addition, major U.S. and international law firms refer us or engage us on behalf of their clients.

**31**

Countries

**1982**

Year Founded

**7,700+**

Employees Worldwide

**NYSE:FCN**

Publicly traded

**Top 50**

Advisor to the  
world's top 50 bank  
holding companies

**99/100**

Advisor to 99 of the  
world's top 100 law firms

**\$6.2B**

Equity Market Cap\*

**82/100**

82 of Fortune Global 100  
corporations are clients

\*Number of total shares outstanding as of April 20, 2023,  
by the closing price per share on April 20, 2023.

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**EXPERTS WITH IMPACT™**

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