

Dear FSB Secretariat,

Thank you for the opportunity to comment on the *Enhancing Third-Party Risk Management and Oversight: A toolkit for financial institutions and financial authorities* Consultative Document.

EBA CLEARING's comments below are from two perspectives: (1) as an FMI that obtains assurance from service providers it has identified as critical; (2) as an FMI that provides assurance to its users regarding the services EBA CLEARING provides.

Overall, EBA CLEARING supports the tools the FSB suggests can enhance third party risk management and oversight.

In particular, as the FSB proposes in section 4.3.5, financial authorities should leverage "*international, jurisdiction-specific or bespoke principles*" such as Annex F of the CPMI-IOSCO Principles for financial market infrastructures. In EBA CLEARING's experience, Annex F provides a solid basis through which to obtain assurance from critical service providers to FMIs across five essential areas of risk management (risk identification and management, robust information security management, reliability and resilience, effective technology planning, and strong communications with users). More generally, the PFMI, including Annex F, provide a global common language across FMIs and critical service providers, which increases efficiency and streamlines third party assurance processes.

Regarding the supply chains of third parties ("nth-party service providers"), in EBA CLEARING's experience it should not be necessary for financial institutions to maintain "*a list of key nth-party service providers, such as those deemed critical to the continuity of the critical service(s) they receive, or to the viability of the third-party service provider*" or "*A risk rating of critical service providers' supply chains based on factors such as their complexity, length and geographic concentration*" (Section 3.5.4). This is not necessary because the contractual arrangement between the FI and the 3rd party providers includes the agreed service levels. The third party provider must meet these service levels, but how they meet these service levels is a commercial decision of the third party provider. It is also not clear what the purpose of this list would be – it is not typically possible for FIs to require 3rd party providers to change from one supplier to another. Rather, FIs should focus on the service levels they expect from 3rd party providers, and ensure that the 3rd party provider has robust supplier management processes.

Similarly, in EBA CLEARING's view, it should not be necessary to alter incident reporting frameworks with a view to enhancing third party risk management. An incident – by definition – impacts a (critical) service provided by an FI, and will be reported to the authorities by the FI under the relevant incident reporting framework, irrespective of the cause of the incident (i.e. irrespective of whether the malfunctioning component is operated in-house or by a third party provider).

EBA CLEARING looks forward to further engagement with the FSB on this topic.