

Industry Outreach on Third-party Risk Management and Oversight

Friday 21 July 2023, 13:00 – 15:00 CEST (12:00 – 14:00 BST)

Summary Agenda

Background

As part of its work programme for 2023, the Financial Stability Board (FSB) has published its [consultative report on enhancing third-party risk management and oversight](#). The consultative report covers:

- (i) a toolkit for financial authorities' oversight of financial institutions' reliance on service providers that authorities or financial institutions deem critical; as well as
- (ii) common terminologies and definitions on third-party risk management and outsourcing.

The toolkit aims to:

- (i) reduce fragmentation in regulatory and supervisory approaches to financial institutions' third-party risk management and outsourcing across jurisdictions and sections;
- (ii) strengthen financial institutions' and authorities' ability to manage third-party risks with a focus on those deemed critical, and, by extension, the resilience of the financial system as a whole; and
- (iii) facilitate coordination among relevant stakeholders.

The work builds on engagement with external stakeholders in relation to the FSB discussion paper on [Regulatory and Supervisory Issues Relating to Outsourcing and Third-Party Relationships](#) published in November 2020, and recent industry outreach events in July 2022 and April 2023. The FSB recognises the importance of obtaining further inputs from industry stakeholders. At this outreach event, the FSB will seek industry feedback on its consultative report on enhancing third-party risk management and oversight.

This virtual meeting will be chaired by Sam Woods (Deputy Governor of the Bank of England and Chair of this FSB working group). Participants are asked to provide views based on their experience and understanding of the topic, rather than represent the interests or views of the institution you are affiliated with.

Welcome remarks and introduction (13:00 – 13:05)

Sam Woods (Deputy Governor, Bank of England) will introduce the objectives of the meeting.

1. Financial institutions' identification of critical services and assessment of criticality (13:05 – 13:35)

Objectives: To receive feedback from industry stakeholders on the proposed approach to identify critical services and assess criticality, as outlined in section 3.1 of the consultative document, and hear views on the proposed definitions of 'critical services' and 'critical service provider' in section 1.

Discussion topics:

- Are the definitions for 'critical service' and 'critical service provider' sufficiently clear and easily understood?
- Is the focus on critical services and critical service providers appropriate and useful?
- Does the toolkit provide sufficient tools for financial institutions to identify critical services? Do these tools rightly balance consistency and flexibility?
- Is the discussion on proportionality clear?

2. Proposed tools to enhance financial institutions' third-party risk management (13:35 – 14:15)

Objectives: To receive feedback from industry stakeholders on the proposed tools to help financial institutions manage the potential risks throughout the lifecycle of a third-party service relationship. Industry participants should focus feedback on tools relating to supply chain risk management (section 3.5), business continuity plans for critical services (section 3.6), and the identification and management of concentration and related risks at the individual institution level (section 3.6), as well as any feedback of tools or considerations that are not fully captured in section 3.

Discussion topics:

- Are the tools appropriate and proportionate to manage supply chain risks? Are there any other actionable, effective and proportionate tools based on best practices that financial institutions could leverage? Are there any other challenges not identified in the toolkit?
- What do effective business continuity plans for critical services look like? Are there any best practices in the development and testing of these plans that could be included as tools? Are there any additional challenges or barriers not covered in the toolkit?

- How can financial institutions effectively identify and manage concentration and related risks at the individual institution level? Are there any additional tools or effective practices that the toolkit could consider?
- Are there practical issues with financial institutions' third-party risk management that have not been fully considered that merit further consideration within the proportionate toolkit approach?

3. Approaches and tools for financial authorities' oversight of third-party risks (14:15 – 14:55)

Objectives: To receive feedback from industry stakeholders on the approaches and tools (detailed in section 4) for supervising how financial institutions manage third-party risks, as well as for identifying and monitoring systemic third-party dependencies, which are aimed at promoting interoperability in regulatory and supervisory approaches across jurisdictions.

Discussion topics:

- Is the concept of “systemic third-party dependencies” readily understood? Is the scope of this term appropriate or should it be amended?
- Are there any thoughts on financial authorities' identification/designation of service providers as critical from a financial stability perspective?
- Are there any views on (i) cross border information sharing among financial authorities on the areas covered in this toolkit (ii) including certain third-party service providers in cross-border resilience testing and exercises, including participation in pooled audits and?
- Are there specific forms of cross-border cooperation that financial authorities should consider to address the challenges faced by financial institutions or service providers?

Wrap-up and closing remarks (14:55 – 15:00)

Sam Woods (Bank of England) will discuss the next steps of the FSB's work to finalise the toolkit.