

2021 Third-party risk management benchmark study: Summary and results

November 2021

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Introduction

We had a unique vision and purpose in mind for our 2021 third-party risk management (TPRM) benchmark study. We wanted to benchmark organizations against their closest peers based on metrics like asset size, complexity, number of employees, and regulators. And we fulfilled that vision by providing each organization that participated in this study a personalized report benchmarking them against their closest peers.

In addition to the personalized reports for study participants, we also decided to publish this full-study report for organizations and TPRM professionals who want to know how a wide range of companies are thinking about TPRM in 2021. But the true value of this benchmark study is in the personalized peer comparison – and if you want to access that value, we can provide it.

If you're interested in having your bank compared to our benchmark data, send us an email at acino@crowe.com



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Methodology

We created a benchmark-targeting survey to compare peer banks. Thirty-nine banks participated in the survey¹, which included 25 questions. The organizations ranged in asset size from \$5 billion to about \$500 billion.

The study compared each bank to closest peers (by asset size) on key TPRM metrics like number of third parties, resourcing for TPRM, and due diligence process duration.

¹ Survey conducted February 2021–April 2021

Summary

The survey took place during the ongoing COVID-19 pandemic, so it's perhaps not surprising many banks said they were adding numerous third parties to their extended organizations. It's likely that many of these vendors came on board to help organizations better optimize their changing work processes as employees transitioned to partial or full remote work.

In general, we found that automation for TPRM programs remains limited. Slightly more than half of respondents said their processes were partially automated, while only a small percentage said their processes were fully automated in a central tool.

Both in survey responses and in follow-up conversations, we learned that banks are approaching procurement in different ways. Many of the banks we spoke with are rethinking their strategy for how they align and connect TPRM and procurement, and many of those banks are also exploring technology solutions that could help mature their procurement function. Some organizations are exploring a "procure to pay" life cycle where TPRM resides in the middle of the process.

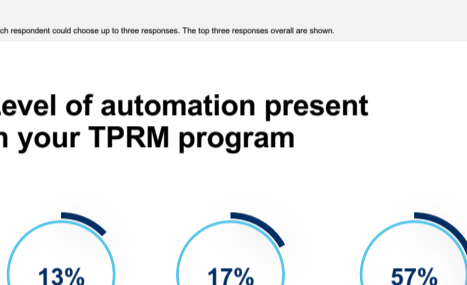
A number of organizations also said they were already thinking about the new [interagency regulatory guidance](https://www.fdic.gov/news/financial-institution-letters/2021/fi211050.html)² that's currently in draft form. Although this new guidance isn't expected to reach a final form until 2022, banks are already considering whether their TPRM programs will need to change in light of the pending regulatory updates.

² <https://www.fdic.gov/news/financial-institution-letters/2021/fi211050.html>

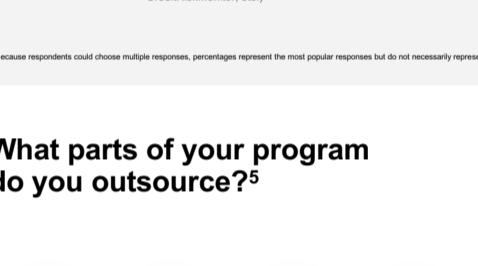
Benchmark study results

Preliminary survey results (top answers)

Level of regulatory scrutiny expected for TPRM in 2021

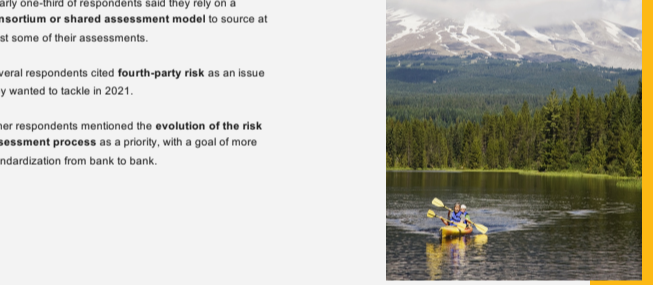


3 biggest challenges your TPRM program faces in 2021³



³ Each respondent could choose up to three responses. The top three responses overall are shown.

Level of automation present in your TPRM program



What data feeds or ratings tools do you use?⁴



⁴ Because respondents could choose multiple responses, percentages represent the most popular responses but do not necessarily represent how many companies use a given tool.

What parts of your program do you outsource?⁵



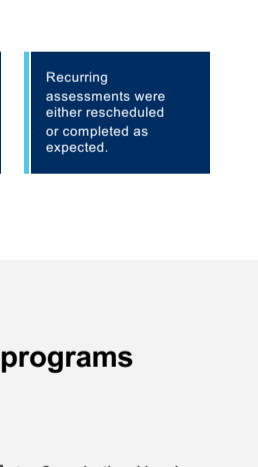
⁵ Because respondents could choose multiple responses, percentages represent the most popular responses but do not necessarily represent how many companies use outsourcing. Some respondents did not answer, which could suggest they do not outsource any part of their TPRM program.

Additional insights

Nearly one-third of respondents said they rely on a **consortium or shared assessment model** to source at least some of their assessments.

Several respondents cited **fourth-party risk** as an issue they wanted to tackle in 2021.

Other respondents mentioned the **evolution of the risk assessment process** as a priority, with a goal of more standardization from bank to bank.



Trends and outlook

2020 presented unique challenges to all organizations.

Third-party risk management operations showed resilience throughout these challenges, but TPRM leaders discovered gaps as well.

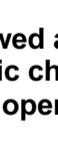
TPRM 2020 lookback

The COVID-19 pandemic redefined what business as usual means for organizations across the globe.



Risk landscape

- Sudden and dramatic increase in online activity
- Steep rise in cybercrime



Operational landscape

- Disruptions led to a plethora of new suppliers
- Increased due diligence requirements and workload

Most TPRM programs showed adaptiveness and navigated the pandemic challenges with little impact to overall operations.

Programs generally met due diligence requirements for new vendors.

Some programs provided conditional approval while completing full assessments.

Recurring assessments were either rescheduled or completed as expected.

2021 areas of focus for organizations with TPRM programs



Technology enablement

New technology partners/platforms designed to centralize and automate TPRM functions



Organizational buy-in

Establish buy-in and cooperation from business-line owners and relationship owners



TPRM program enhancements and changes

Many program enhancements, some major overhauls



Fourth-party monitoring

Understand and execute rights to monitor and evaluate fourth parties

2021 trends in the third-party risk landscape



Increased regulatory scrutiny

More attention on TPRM operations as data breach stories come to light



Larger focus on data privacy

Improve evaluations of third parties' practices for data handling, encryption, and storage



Closer monitoring of critical third parties

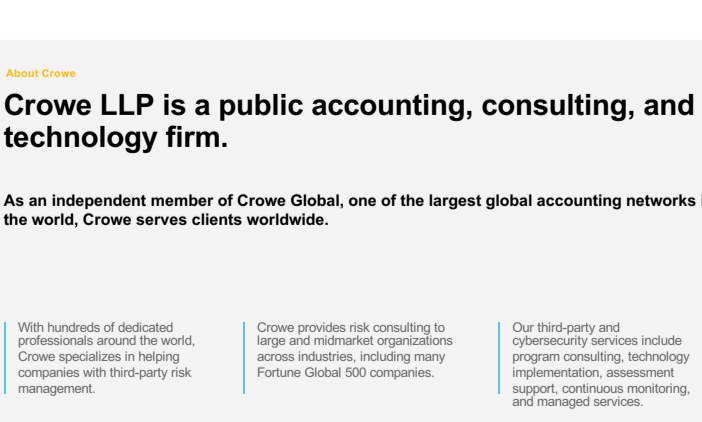
Critical third parties with access to sensitive and confidential data pose the greatest risk



Move toward managed services/continuous monitoring

Ability to evaluate and identify potential risks in real-time

Spotlight on ongoing monitoring



2021 TPRM outlook

Successful TPRM programs will continue to rely upon the convergence of people, systems, and data.

