

# FIELDREPORT

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## **Alert!** OCC Issues Bulletin about Third-Party Relationships

On October 30, 2013, the Office of the Comptroller of the Currency issued a bulletin to financial institutions providing specific guidance for managing the risks associated with third-party relationships.



### **Highlights**

The OCC's bulletin emphasizes the need for financial institutions to properly evaluate and manage the risks of outsourcing. The OCC highlighted the following key points from the bulletin:

- A bank should adopt risk management processes commensurate with the level of risk and complexity of its third-party relationships.
- A bank should ensure comprehensive risk management and oversight of third-party relationships involving critical activities.

### **Digging Deeper**

The OCC outlines a number of key elements necessary for managing and mitigating the risks associated with third-party relationships. At the BettenField Group, we want to put further emphasis on these OCC recommendations:

**Contract Requirements** – Contracts should outline the rights and responsibilities of all involved parties. In addition, contracts should cover matters such as: the Bank's right to audit; performance standards (SLAs); the vendor's obligations for maintaining security, confidentiality, and internal controls; and compliance expectations for applicable regulatory requirements.

**Roles and Responsibilities** – Bank policies and procedures should clearly establish the roles and responsibilities for overseeing the vendor relationship and managing the associated risk. The Bank should ensure proper training is available to Bank employees to enable them to fulfill their responsibilities.

**Documentation and Reporting** – The vendor management program should maintain a single system of record that allows the Bank to further facilitate vendor oversight. Regular reporting on critical vendor activities to relevant committees and the Board allows for increased oversight.

*The BettenField Group can help you design, implement, and maintain a vendor management program that complies with the OCC's regulatory expectations. Please contact us with your vendor management questions.*

*Regards,  
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