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DECODING RISK

Leveraging ERM, IRM, and GRC to Tackle Third-Party Risk

Key Questions Answered

- What's in a name?
- How are these risk methodologies different?
- How each methodology connects with TPRM?
- What are the key challenges faced in TPRM?
- How is risk management evolution supported by survey results?

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About the Survey

- 9th annual survey
- Data collection occurred between November 2024 and January 2025
- The survey covered Financial Services, Fintech, Healthcare, Retail, IT & others
- Respondents from small businesses to large enterprises
- Utilizing multiple channels
- Responses kept anonymous to ensure authentic and unfiltered feedback

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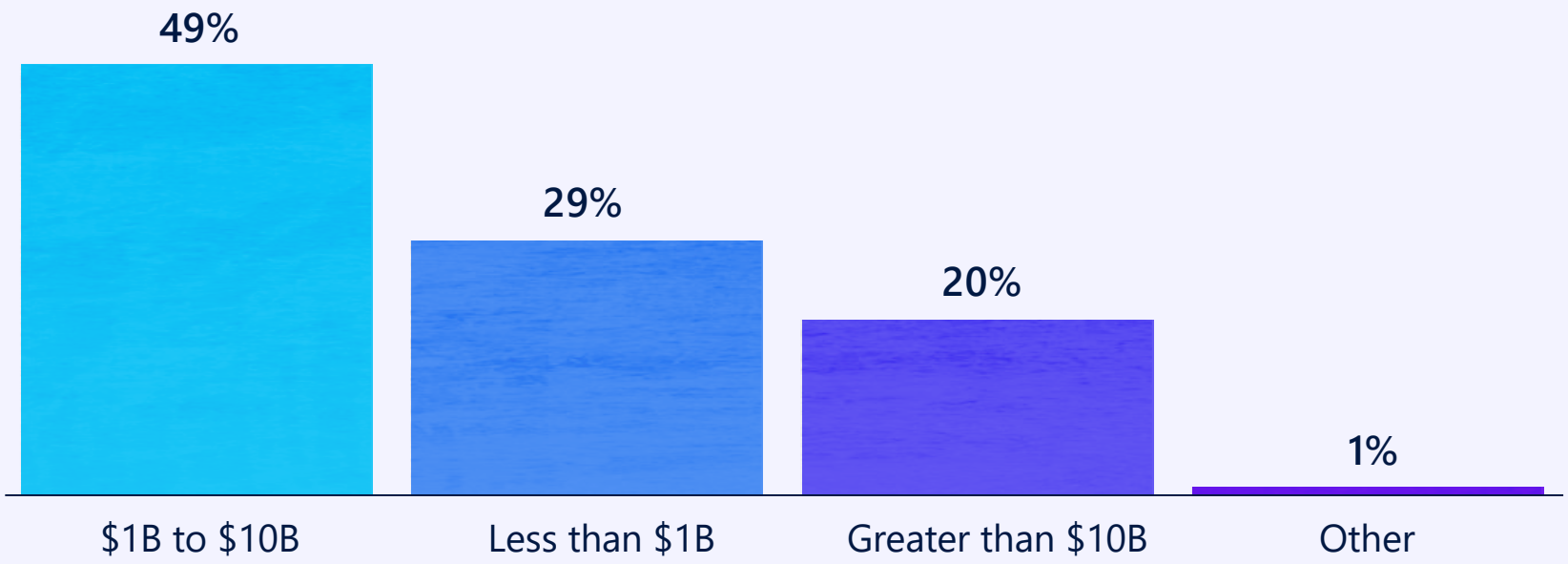
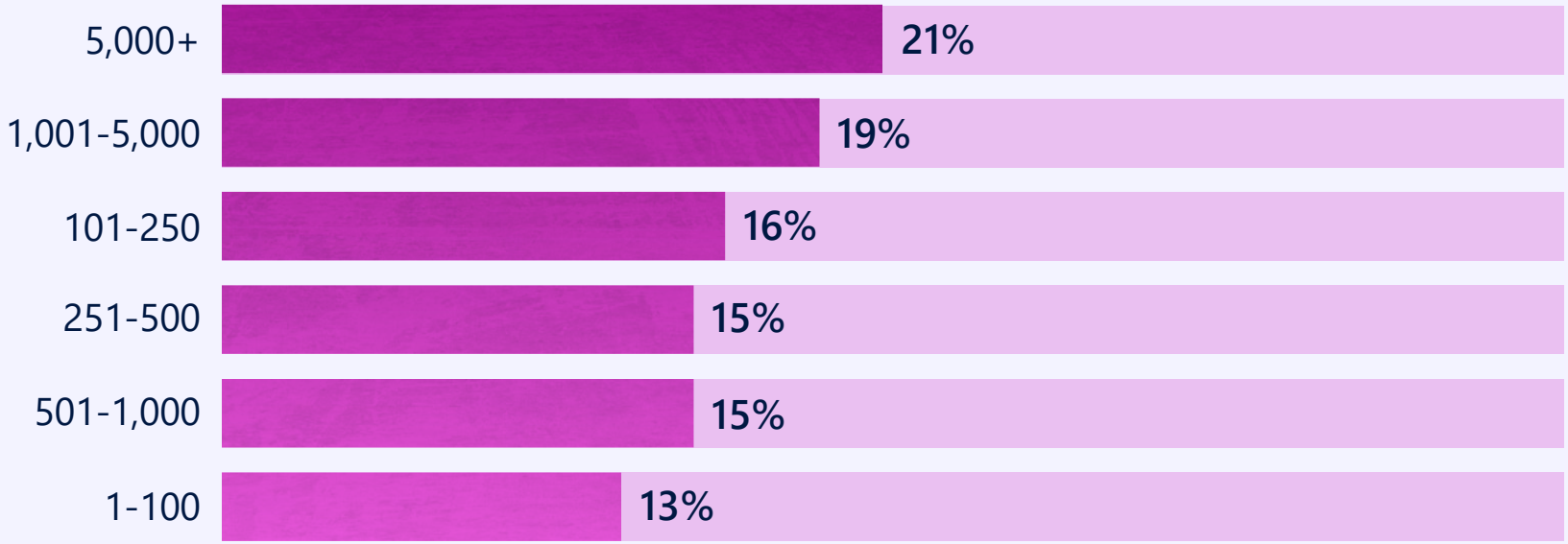
About the Respondent

What is your asset size? (if applicable)



About the Respondent

How many employees do you have?



Risk Management

Maturity Level: Baseline

"The systematic process of identifying, assessing, and mitigating threats or uncertainties that can affect your organization."

Key Components

- Analyzing likelihood & impact
- Developing risk mitigation strategies
- Monitoring program effectiveness

Key Benefits

- Minimizing reputational damage
- Minimizing losses
- Promote innovation & growth
- Enhance decision making

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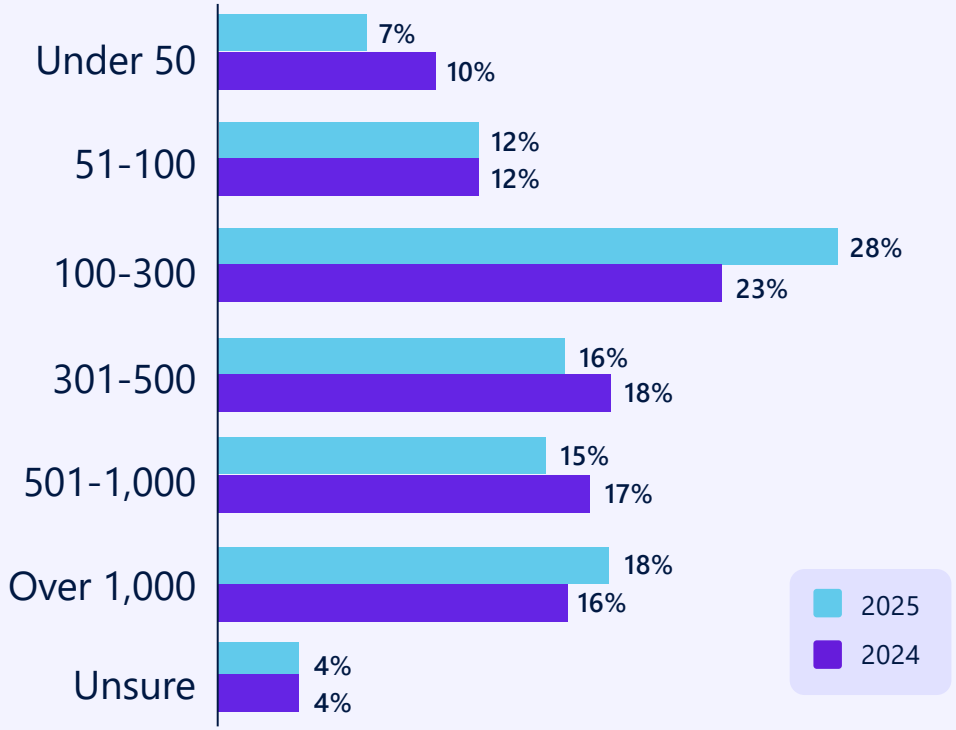
More Vendors Than Ever

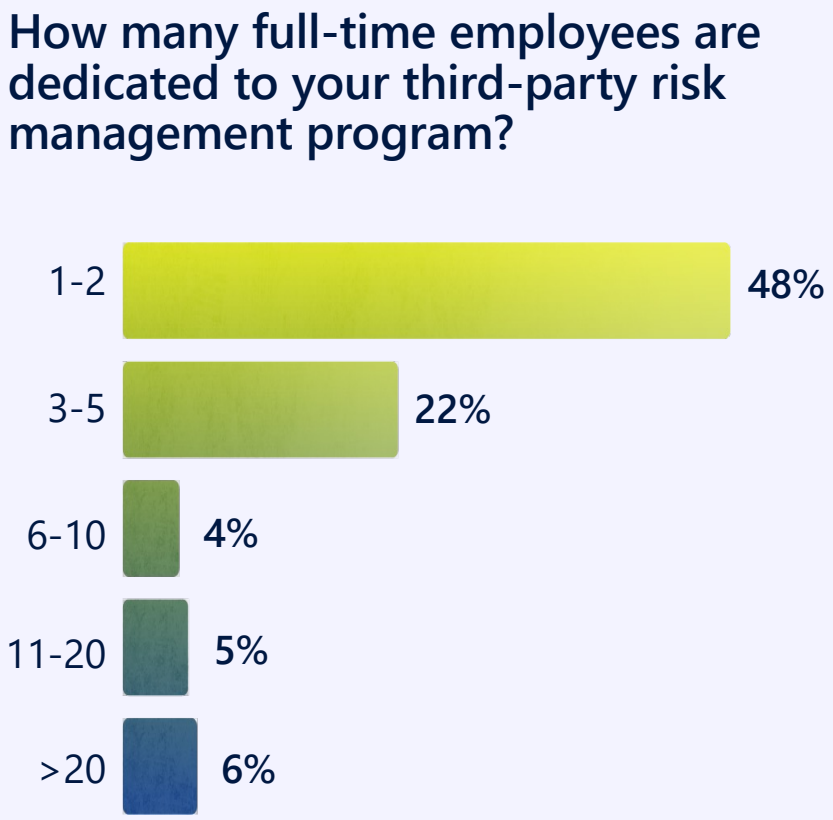
- Respondents with between 101-300 vendors increased from 23% to 28%
- Increase in programs with 1,000 or more vendors (16% to 18%)
- Decline in organizations managing fewer than 50 vendors (from 10% to 7%)

How many total vendors are included in your third-party risk management program?

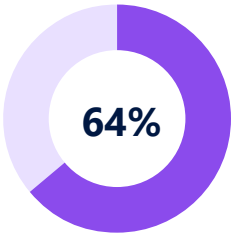


TPRM Staffing

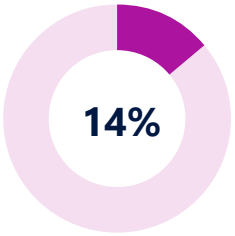
- The number of programs with 1-2 full-time staff employees (FTEs) rose from 43% to 48%
- Yet, the number of programs where there is no single staff member dedicated to TPRM remained steady.
- Why the increase? It's likely some of it stems from a significant decrease in the number of programs with 6-10 FTEs, which dropped 60% (from 10% to 4%).



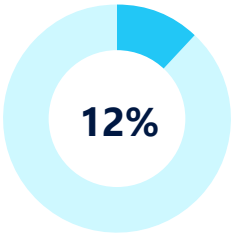
What Is Your Primary Tool for Managing Vendor Risk?



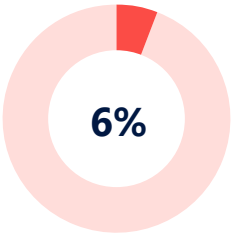
Dedicated vendor risk management software platform



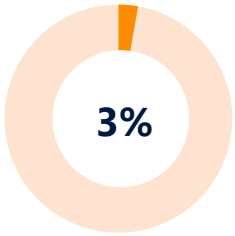
Vendor risk management module inside of an ERM, GRC, or other platform



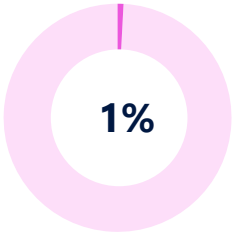
Excel/Google Sheets



Other



SharePoint



Access Database

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Enterprise Risk Management (ERM)

Maturity Level: Intermediate

- "A **continuous process, led by senior leadership**, that extends the concepts of risk management"
- "A **systematic approach** to identifying risks…"
- "A **holistic approach, requiring communication and coordination between business units** to identify and manage risks…"
- "The process of **identifying and addressing methodically** the potential events that represent risks…"
- "The methods and processes used by organizations to **manage risks and seize opportunities**…"

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Reporting Structures

- Nearly half (47%) of organizations follow the best practice of having their TPRM program report to
  - Risk Management or Risk Committee
- Aligning TPRM with risk-focused departments enhances visibility, boosts credibility & fosters stronger internal compliance.

What department does TPRM report to?

Integrated Risk Management (IRM)

Maturity Level: Advanced

An organization-wide discipline informed by certain attributes, including **strategy**, assessment, response, communication and reporting, monitoring and **technology**. IRM is underpinned by a framework of practices, processes and enabling technologies that **support a risk-aware culture, improved decision making and performance."**

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Integrated Risk Management (IRM)

"By **combining past, present and future oriented data points**, IRM acts as the connecting tissue bringing together all relevant elements that **allow informed decision making** to remain in control of the organizations direction of travel"

Key Benefits

- Lower cost of compliance
- Significantly reduced fraud and remediation costs
- Lower reputation risks
- Increased strategic risk insight driving business agility and accountability
- Rapid decision making

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Operating Models

Hybrid

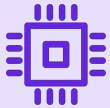
Dedicated TPRM team responsible for framework, task assignment, quality control, and oversight. Vendor risk and performance management are the responsibility of vendor owners across the organization.

Centralized

The same team handles all TPRM functions, including risk and performance management.

Decentralized

No dedicated TPRM team, responsibilities for TPRM are distributed across the organization.



Totally Outsourced

All TPRM functions and tasks are performed by external vendors.

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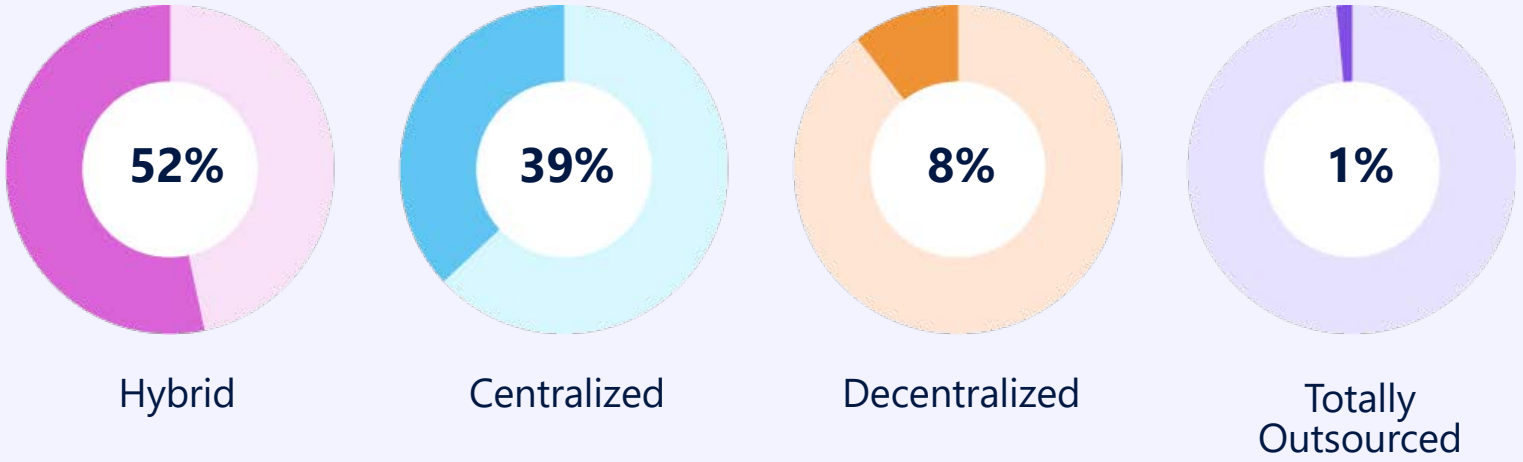
What Operating Model Do You Use for Your TPRM Program?



Governance, Risk & Compliance (GRC)

"Integrates these three crucial functions into the processes of every department within an organization."

Key Takeaways:

- Intended to correct the "silo mentality" that leads departments within an organization to hoard information and resources.
- GRC systems are integrated into every department for greater efficiency.
- Purpose is to reduce risks, costs, and duplication of effort.

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Risk Framework Hierarchy

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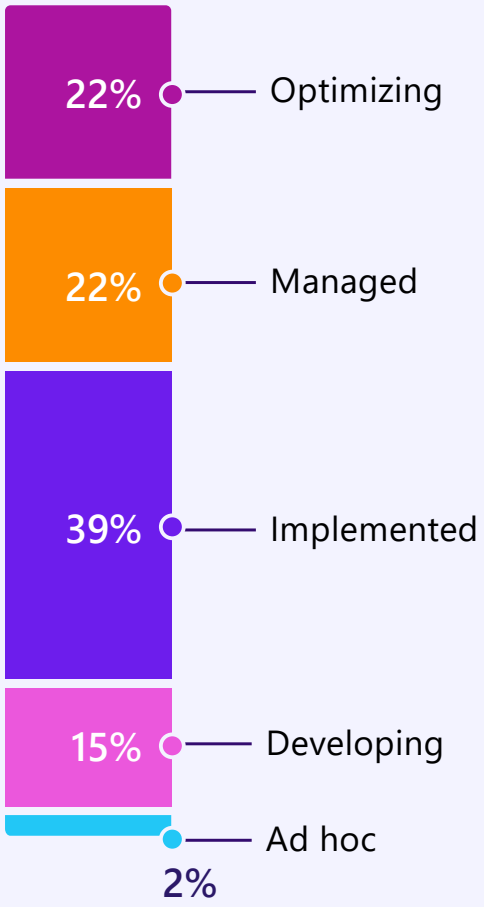
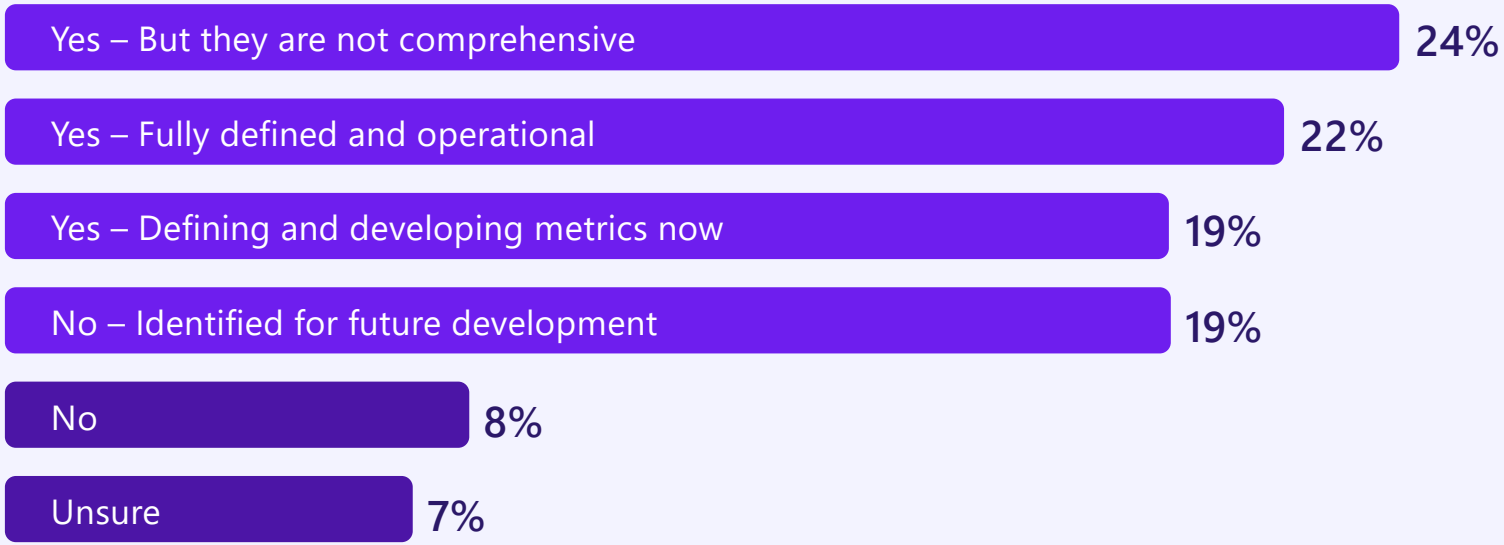
Stage of Development

- This is a sign that TPRM is maturing at organizations.
- The vast majority of respondents (83%) say their TPRM program is established — though to varying degrees



Does your organization have defined metrics to measure the health, stability, and effectiveness of the TPRM program?



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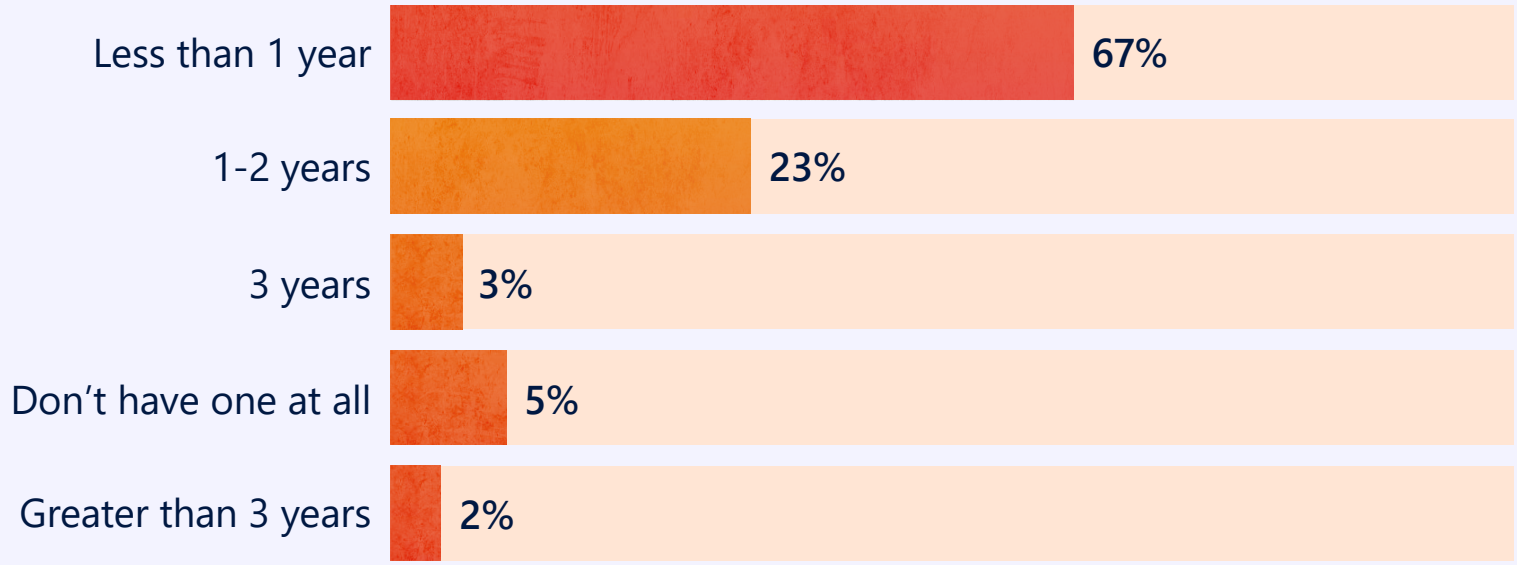
When did you last update your TPRM policy?



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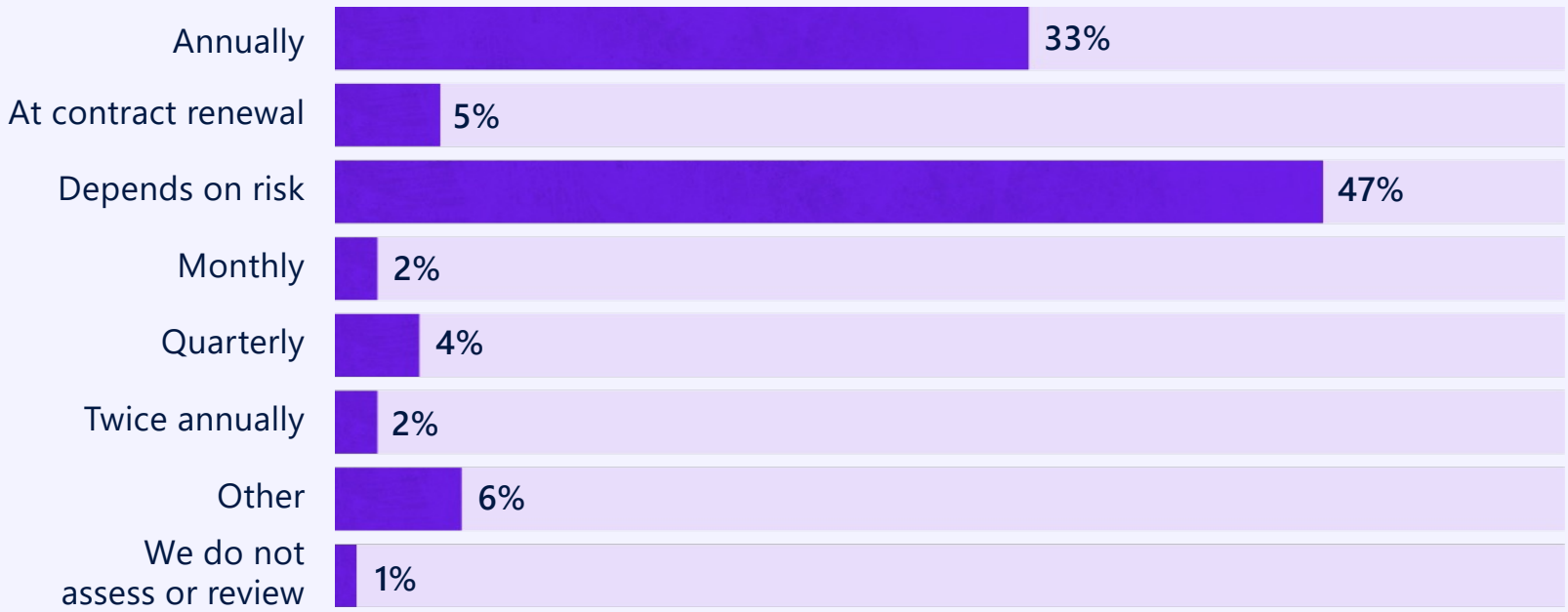
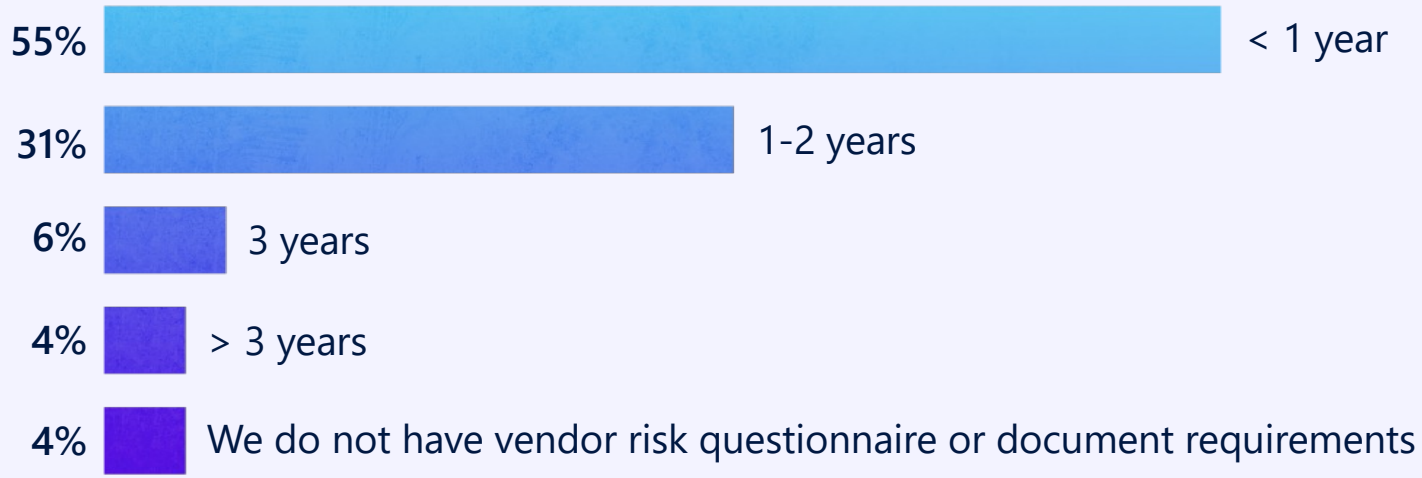
How often do you review vendor risk profiles?



When did you last update your vendor risk questionnaire and due diligence?



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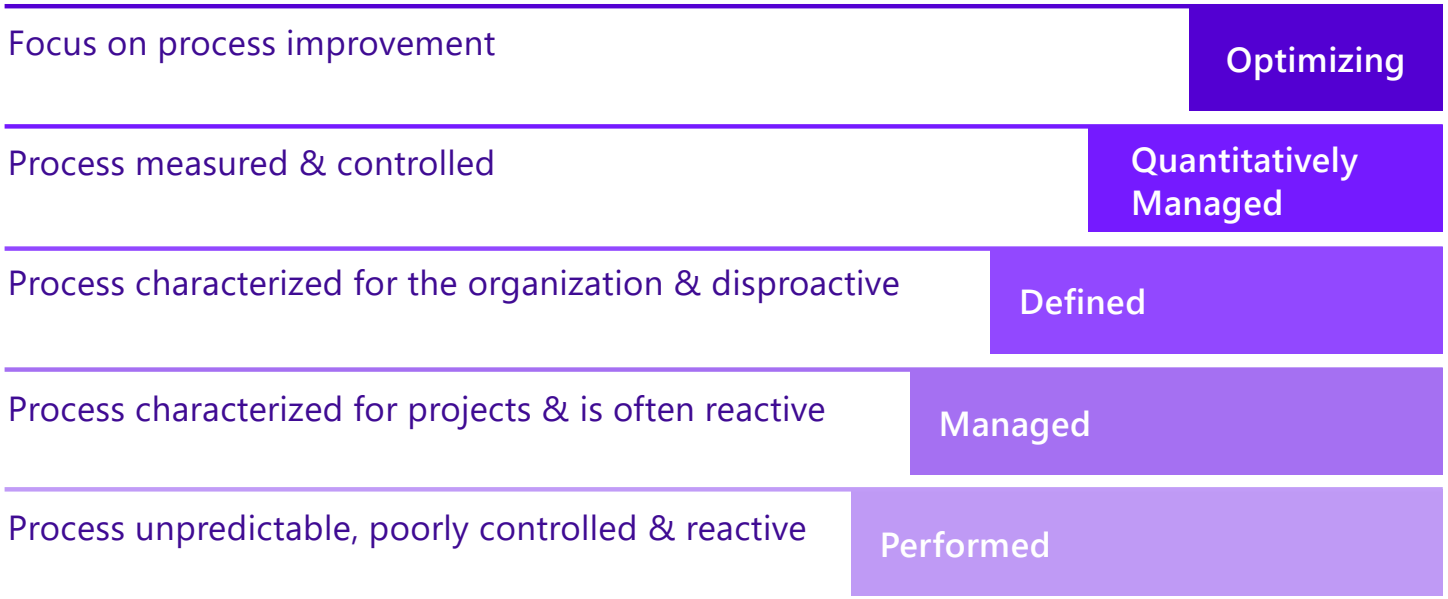
How Can I Mature My Program?

If you view risk as a project:

Maturity Ladder:



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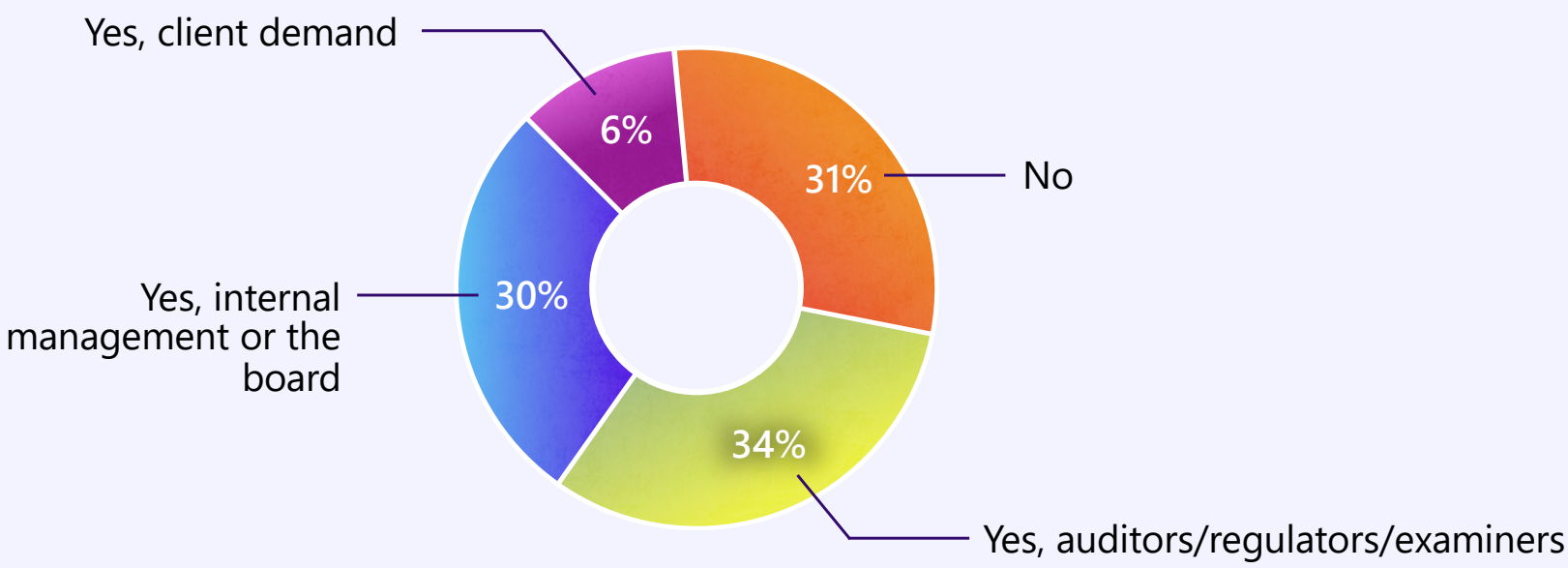
Top 5 TPRM Challenges

- Almost half (45%) said getting timely, accurate documentation from vendors ranks among their top three daily challenges.
- A close second is having the internal resources (33%) and time (27%) to tackle TPRM effectively.
- Automating the process (27%) and completing risk assessments (24%) also ranked high.

1. Getting the right documents from vendors
2. Having enough internal resources
3. Automating the process
4. Time management
5. Completing risk assessments

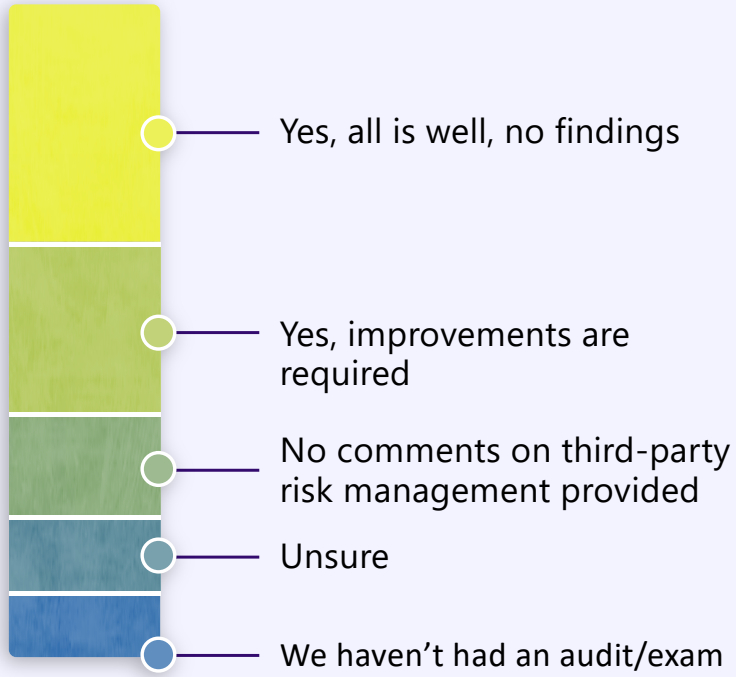
Are you pressured to improve your TPRM?



Feedback from Auditor or Regulators

- 14% said they had no comments on TPRM — down from 17% last year.
- 29% said regulators or auditors told them improvements were needed.
- 37% said all is well with no findings.
- 9% didn't have an audit or examination.

During your last exam/audit, did your regulator/auditors provide feedback on your current third-party risk management program?



How does your organization review fourth-party vendors/subcontracts (your vendors' vendors)?

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Evolution in the Risk Space

- Geopolitics
- Technology - Cyber, AI
- Macroeconomic factors - recession fears, interest rates
- Concentration risk - Crypto, CRE, mortgage
- Digitally assisted bank ‘runs’
- BaaS/Fintech partnerships
- Non-bank market entrants

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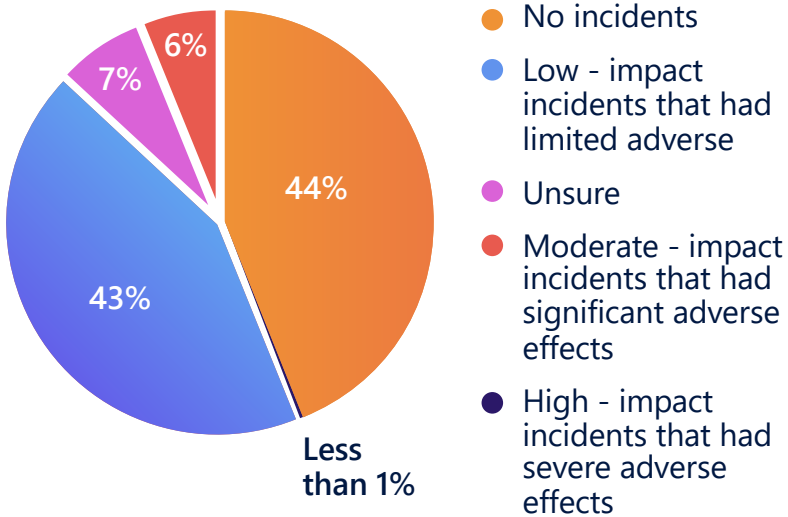
Over the past 12 months, has your organization experienced a third-party cyber incident?



How long was the recovery process after the third-party incident?

64% - Less than 60 days

10% - 60-90 days

9% - 90+ days

1% - Recovery is still ongoing

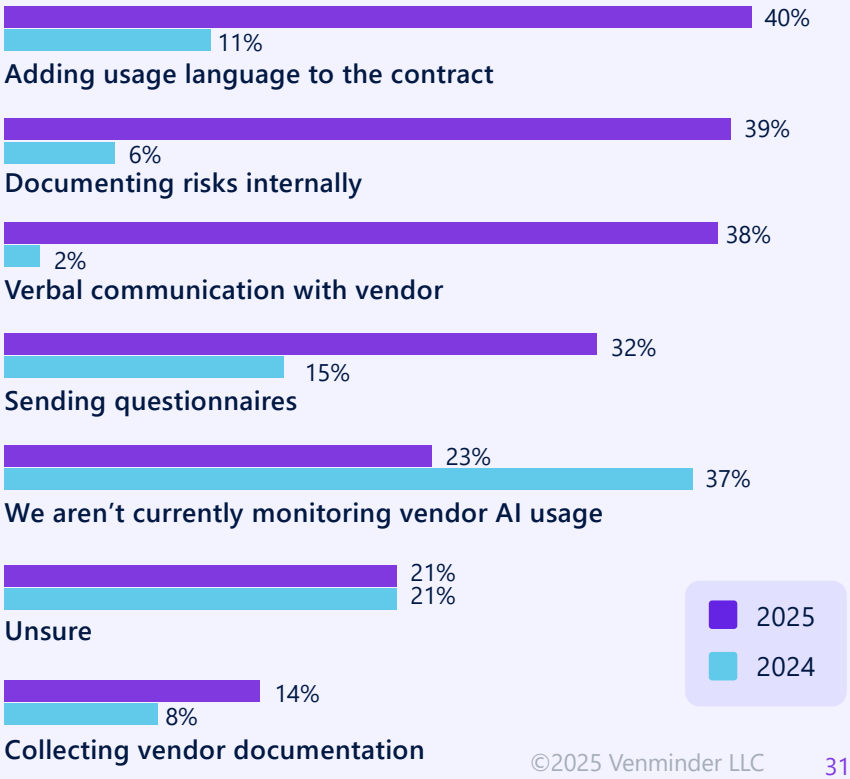
16% - Unsure

Top TPRM Concerns

1. Increase in cybersecurity attacks at vendors
2. Use of artificial intelligence (AI) by our vendors
3. Pending or anticipated regulatory changes
4. Our vendors' operational resilience during an unexpected event

Artificial Intelligence (AI)

- Vendor use of artificial intelligence is another top concern,
- In 2024, 37% of organizations weren't managing AI risk.
- That number has fallen dramatically in 2025 to just 23% — a 38% decline.



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Selecting the Best Model Fit

It depends on:

- FI Size and Complexity
- Strategic Plans for Growth
- Internal Core Competencies
- Resource Availability
- Board & Exec Level Support

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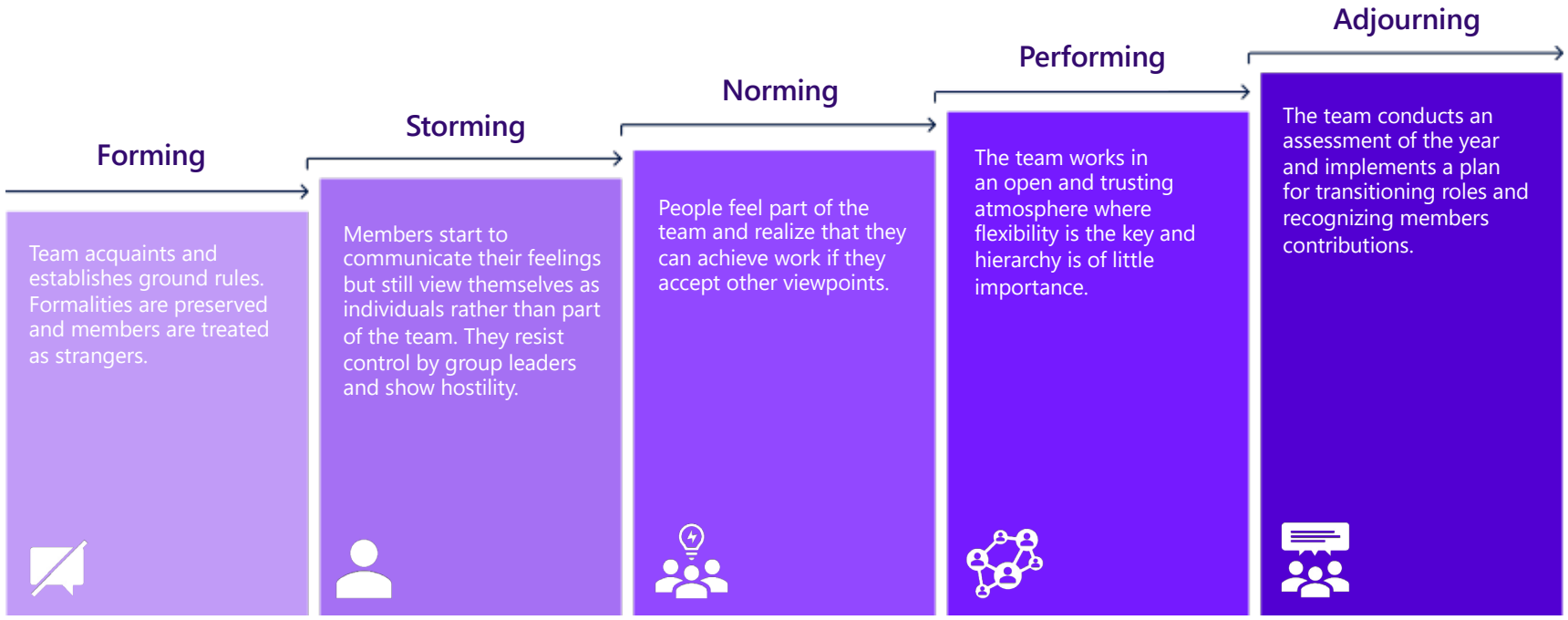
How Can I Mature My Program?

If you view risk as a team sport:



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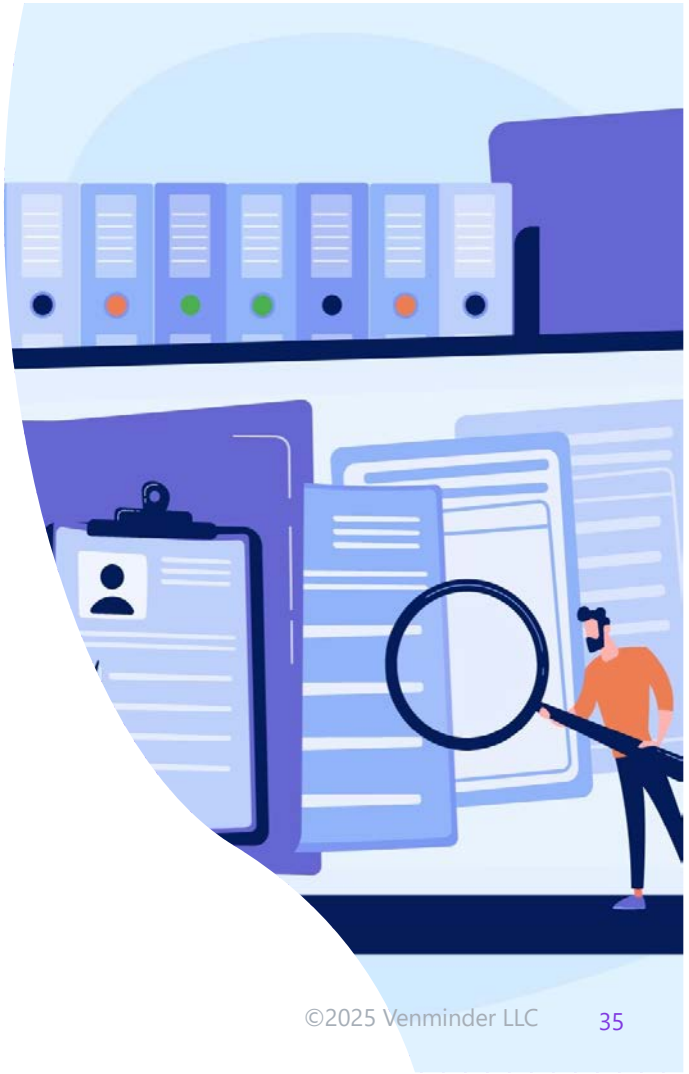
8 TPRM Best Practices for 2025

1. Evaluate Your TPRM Operating Model
2. Tie Oversight Frequency to Vendor Risk
3. Keep Your TPRM Policies and Procedures Up to Date
4. Stay on Top of Fourth-Party Risk
5. Strengthen Cybersecurity and AI Risk Oversight
6. Leverage TPRM Technology to Offset Vendor Growth
7. Implement Continuous Monitoring
8. Foster Program Maturity and Consistency



What's the Best Use of My Resources?

It depends:

- **Organizational culture**
  - Process v. people driven
- **Current level of program and/or team maturity**
- **Resource availability**
  - FTEs
  - Software
  - Consultants
- **Expected outcomes**
- **Internal core competencies**
- **Board & Exec level support**

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Questions & Answers

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