

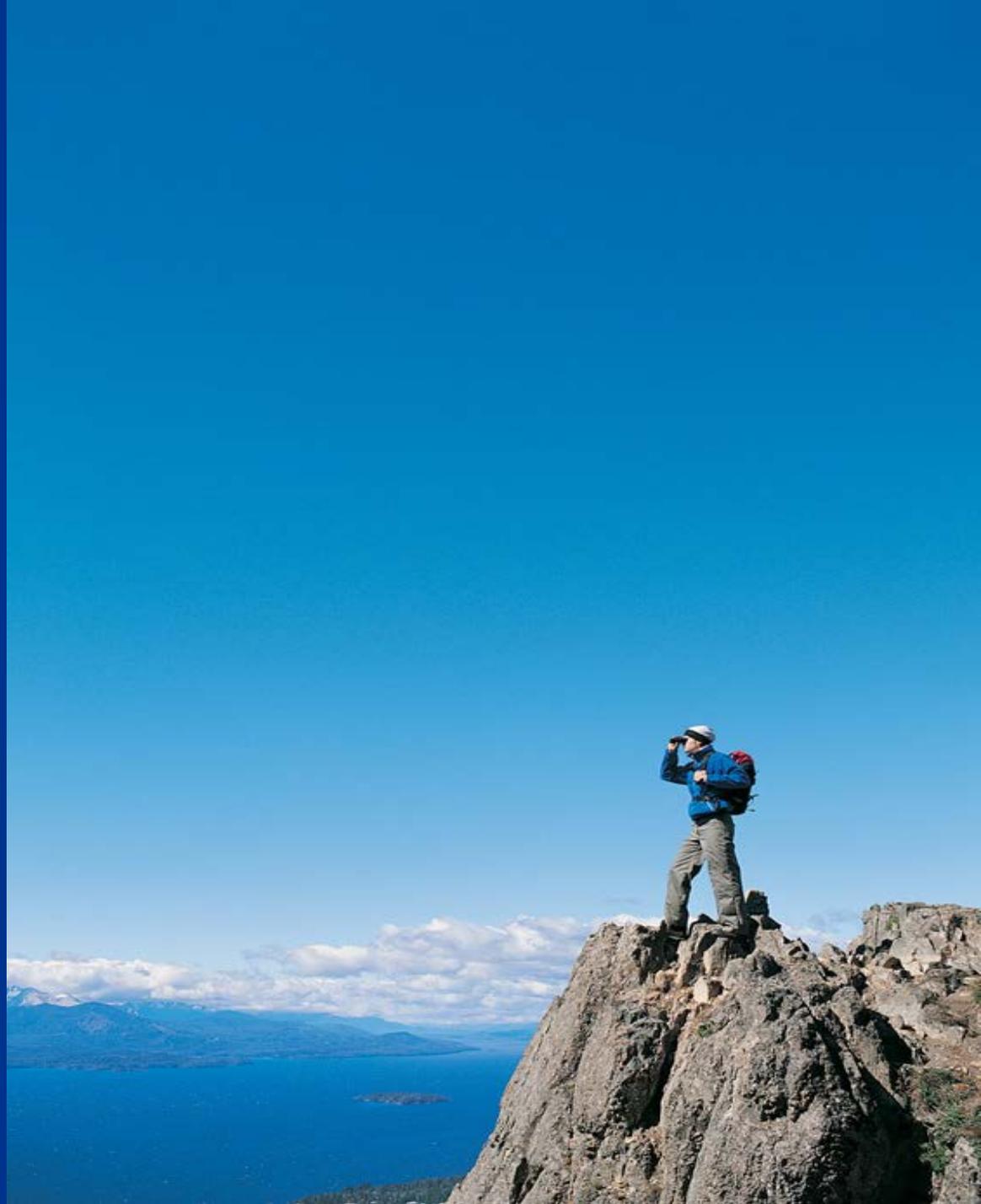


Third Party Risk Management

Presenter:

Edmund Green, Managing Director
KPMG LLP

May 8, 2018



Discussion Outline

- **With You Today**
- **What is Third Party Risk Management (TPRM)?**
- **Why Focus on TPRM?**
- **Elements of the TPRM Framework/TOM**
- **TPRM Implementation – Key Success Factors**
- **Q&A**

With You Today



Edmund is a leader in KPMG's Risk Consulting practice, focusing on the areas of Risk and Controls, Enterprise Risk Management (ERM), GRC, Credit Risk, Operational Risk and Third Party Risk Management.

Why Focus on TPRM? - Regulatory Drivers

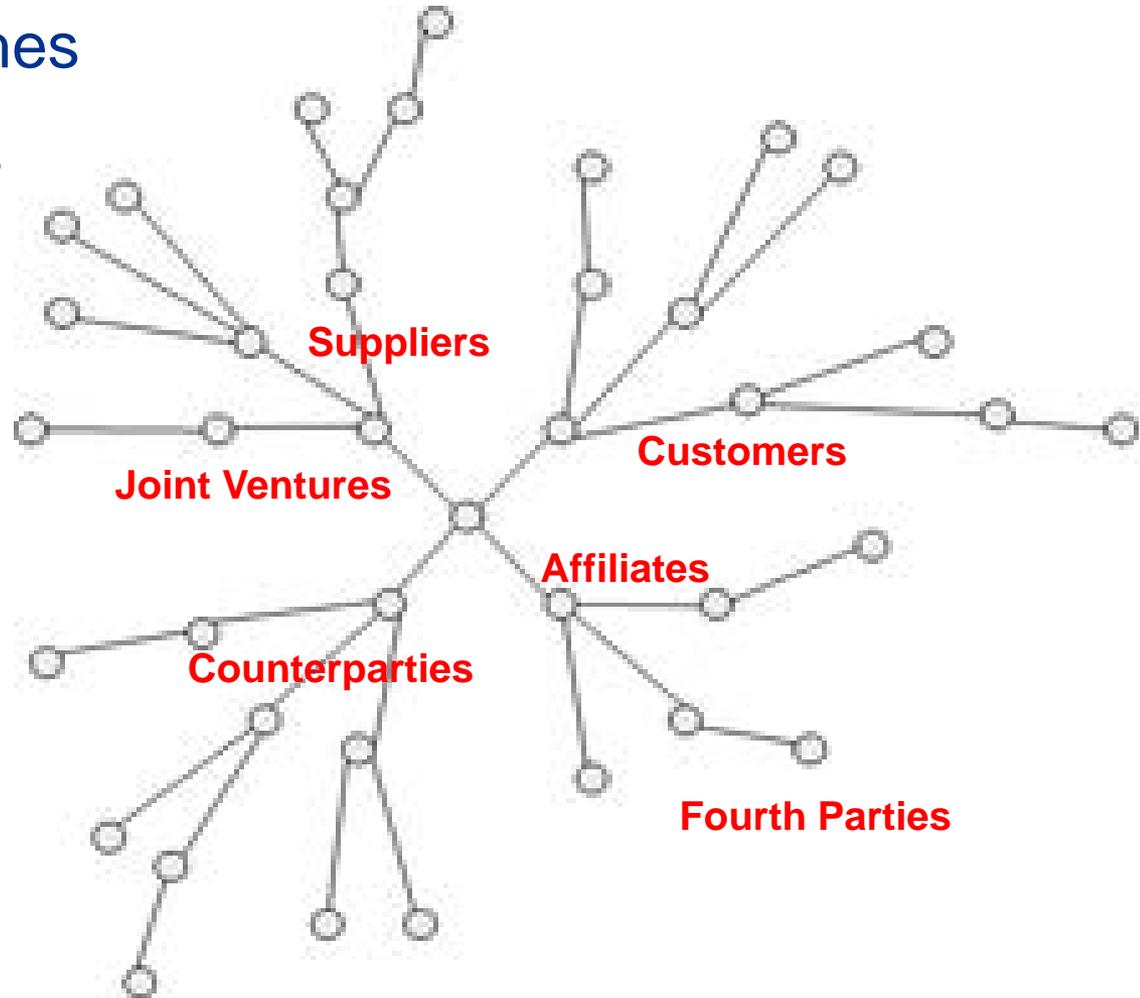
OCC 2013-29

- Comprehensive guidance requiring banks to proactively manage ALL risk to ALL TPs
- Sets expectation that banks will practice effective risk management, regardless of whether an activity is performed internally or through a TP
- Use of TP does NOT diminish responsibility of Mgt and BoD to activities are performed in a safe and sound mananer
- Other TP related regulations, include but not limited to HIPAA, KYC, FCPA, State data breach laws



Why Focus on TPRM? - Business Drivers

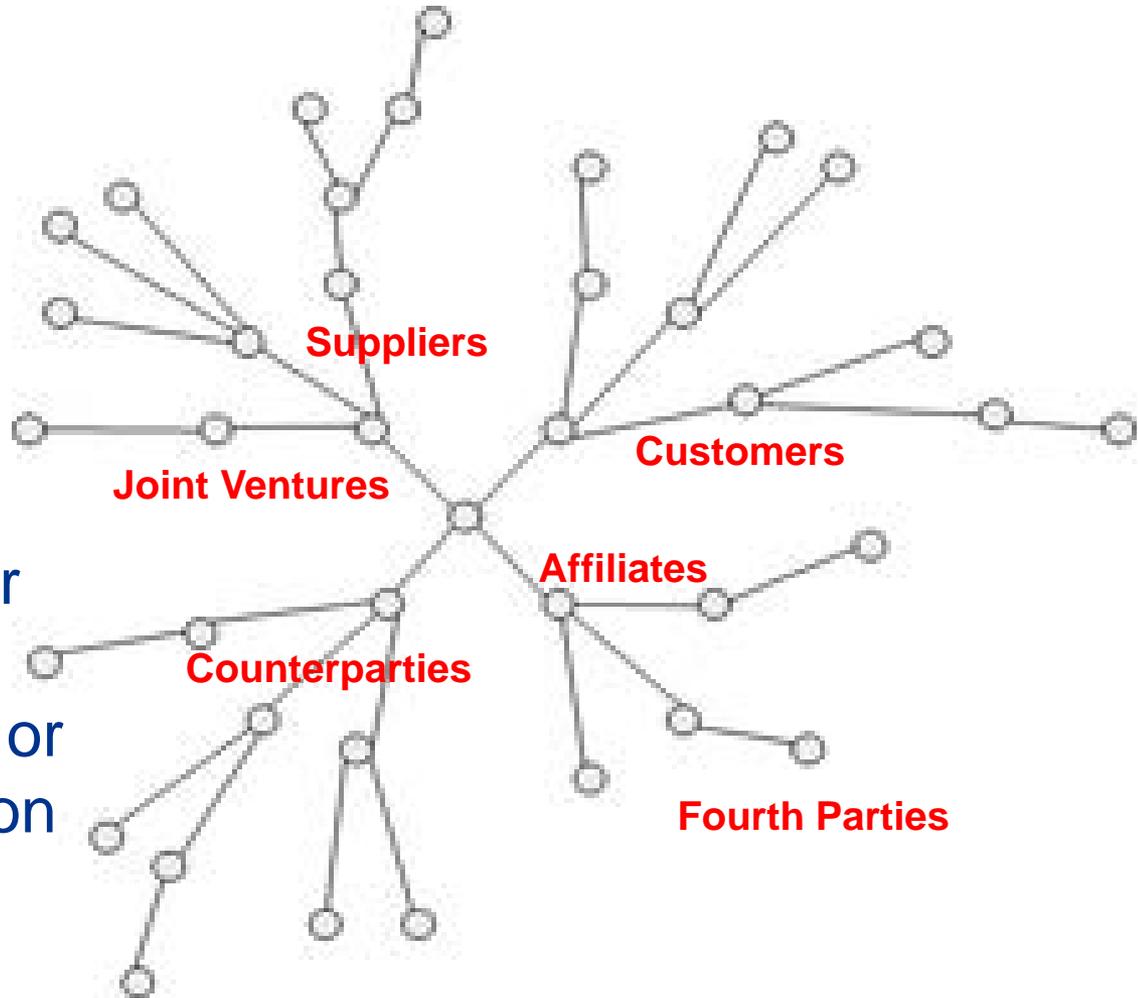
- ~40-60%+ of Breaches
- ~70% of Companies Fail to adequately manage TP risk
- ~90%+ planned to increase use of TPs
- Interconnectedness
- Interdependency
- Mobile/Open Architecture
- Innovation/Speed to Market/Omni-channel



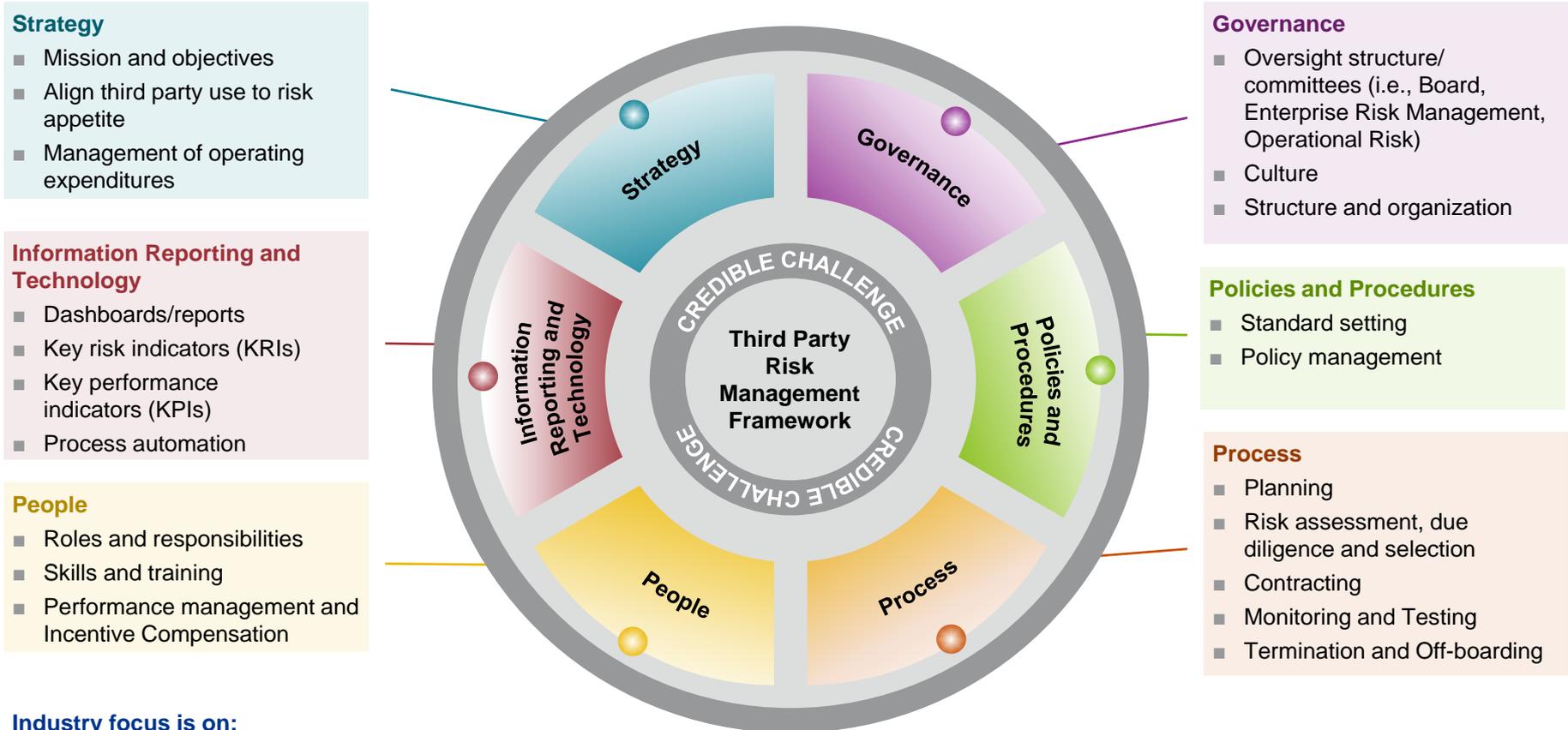
Why Focus on TPRM? - Business Justification

Reduce likelihood of:

- Data breaches and related costs
- Operational Failures
- Reputation risk
- Adverse Financial impact due to vendor bankruptcy, counterparty default or unplanned termination
- Adverse member experience



Elements of a TPRM framework / Target Operating Model



Industry focus is on:

- 1) Governance – Clarifying ownership of third party risk management and roles and responsibilities across the three lines of defense
- 2) End-to-end third party lifecycle – Integrating the oversight functions and risk acceptance into the process
- 3) Sustainability – Developing a program that is functional and sustainable for the long term

TPRM Implementation - Key Success Factors

—**Establish strong governance structure** – To provide clear and consistent tone from the top (i.e., communication from senior management and the Board) and drive implementation efforts

—**Sufficient Funding/Headcount** – Ensure sufficient funding and staffing

—**Enterprise-wide adoption and implementation** – Consistent processes are followed across the organization to drive efficiency and scale in managing third party risks

—**Technology enablement** – Timely configuration/implementation of a technology platform to support the third party risk management lifecycle processes

—**Quality data** – Availability of quality data to support the monitoring and reporting of risks associated with the third-party portfolio

—**Establish a realistic timeline for implementation** – Management needs to be aware and establish a realistic implementation timeline

Q & A





Speaker Bio



Engagement Executive



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Function and specialization

Edmund is a leader in KPMG's Risk Consulting practice, focusing on the areas of Risk and Controls, Enterprise Risk Management (ERM), GRC, Credit Risk, Operational Risk.

Professional and industry experience

Edmund is a Managing Director in KPMG LLP's Risk Consulting practice with nearly 30 years of cross-functional experience, including commercial and consumer credit, treasury operations, risk management, and internal controls, primarily with Fortune 500 Financial Services companies. His main focus at KPMG is on assisting clients with implementing or improving their Enterprise Risk Management (ERM) programs and processes, with emphasis on governance, risk assessment, reporting and training. He has also assisted clients in area of third party risk Management (TPRM), risk culture and incentive compensation risk assessment. His clients include both the commercial and government sector organizations.

Prior to joining KPMG in 2006, Edmund was a First Vice President in the CFO Risk and Control Division of a consumer credit card bank with assets of \$189 Billion, where he led the implementation of SOX §404 for several functional areas including Treasury, Investment and Funding, Third Party Risk Management and Affinity Compensation. His previous experience includes nine years in commercial banking specializing in commercial credit and cash management for large corporate and middle market companies in the manufacturing and distribution industries. He also served four years as a Division Treasurer and Director of Treasury Process and Technology for a multi-line Fortune 500 insurance company with assets of \$99 Billion. Edmund successfully led the development and implementation of the company's first corporate-wide treasury Business Continuity Program and shared services strategy development process. His prior experience includes nine years in commercial banking, lending to large corporate, middle-market customers, as well as specialized lending in transportation and equipment finance, construction and commercial leasing and commercial cash management.

Representative clients

USAA, Texas Capital Bank, Santander Consumer U.S.A., Fannie Mae, Freddie Mac, NationsStar, FDIC, World Financial Network Bank, Export-Import Bank, Frost Bank.

Edmund Green (Continued)

Engagement Executive

Education, licenses & certifications

- M.S. Engineering, Executive Masters of Technology Management, University of Pennsylvania, School of Engineering & Applied Sciences, Co-Sponsored by the Wharton School;
- M.B.A., Finance; B.S., Accounting, LaSalle University
- Certified Public Accountant (C.P.A.) – PA; MD; VA, DC
- Certified Treasury Professional (C.T.P.)

Publications and speaking engagements

Publications: Journal of Information Systems, Spring 2015. Topic: Systems Thinking and Its Implications for ERM. Villanova Quarterly Spring 2007. Topic: Blending of ERM and Systems Thinking.

Speaking Engagements: 2009, 2014-2015 - Association of Financial Professionals Annual Conference, Topic: “ERM: From Idea to Implementation”; 2016 Topic: “Risk Culture – The Heart and Soul of ERM”. Adjunct Professor at Villanova University, MBA Program. Course: Enterprise Risk Management (ERM) 2005-2012. 2017 IIA Conferences in Atlanta and San Antonio, topic: “Risk Culture”.

Other activities

Board memberships: United Way of Delaware (2006 to Present) – Chairman, Audit Committee (June 2013 to Present), Finance Committee Chair (2008 to 2013)