



Lawyers Can't Fly

And Other Hard Truths About Third-Party Risk Management

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Our Speaker



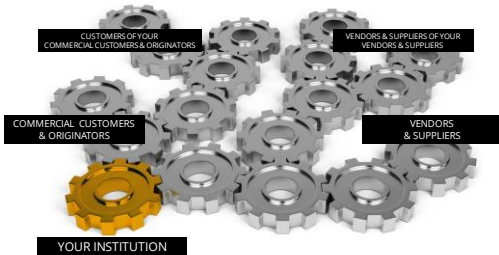
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- Permanent AAP
- Evangelist for Third-Party Due Diligence Solutions
- Chairman of the NEACH Fraud Committee
- Works with clients in over 30 industries in third-party risk mitigation.



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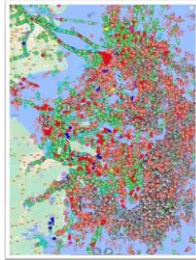
Third-Party Relationships



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Shanghai, China

- April, 2022
- City is in Lock Down
- Citizens Can Not Leave Home
- The Icons are Ships Waiting to Dock



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Third-Party Risks 2022



- | SUPPLY-CHAIN PROBLEMS | RANSOMWARE ATTACKS | 1,219 DATA BREACHES | TELEHEALTH FRAUD |
|--|---|---|--|
| What to Know <ul style="list-style-type: none"> • 4-Year Trend - Declining # of Suppliers • General Labor Shortage • Shortage of Truck Drivers/ Port Delays • Break / Visa Problems | What to Know <ul style="list-style-type: none"> • Avg. Ransom is > \$250,000 • If Ransom Paid + 9% Chance of Data Being Recovered • If a F1 helps pay the ransom + They have violated OFAC | What to Know <ul style="list-style-type: none"> • Third Parties Are Usually the Weak Link in High-Profile Cyber Attacks • Cyber Insurance Rates Are Sky-Rocketing • Source of Debate in Vendor Management Related to Fourth-Parties | What to Know <ul style="list-style-type: none"> • Telehealth is the future of healthcare • COVID drove demand from desperate care providers • Lack of Due Diligence led to BILLIONS in fraudulent claims |

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From the "No Kidding" Department



SOURCE: Veinrinder 2022 State of Third-Party Risk Management Whitepaper

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The Story of Garry Hoy When Safeguards Fail



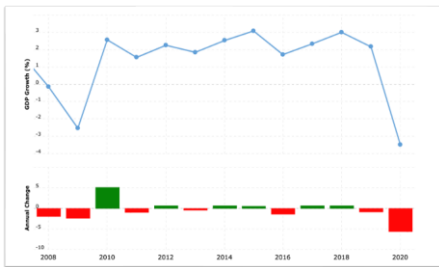
Garry Hoy
Lawyer

Garry's Office
Toronto



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2008 to 2020 U.S. GDP Growth



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2008 to 2020 U.S. GDP Growth

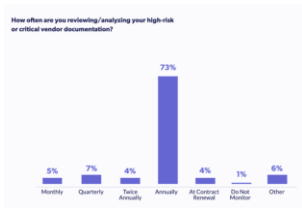


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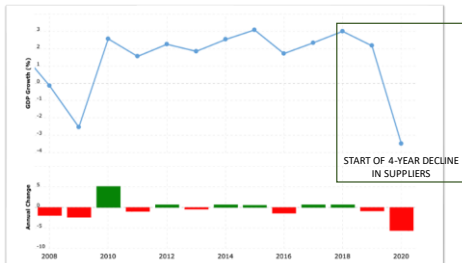
A Behavior That Will Change



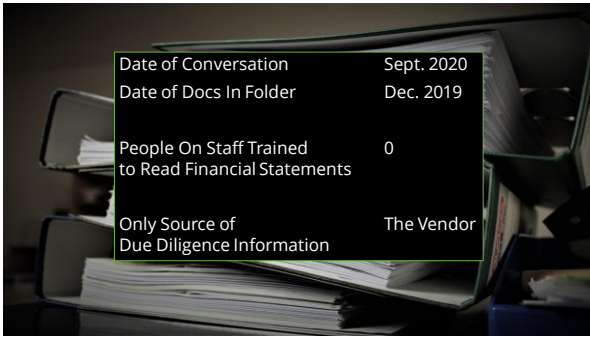
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2008 to 2020 U.S. GDP Growth

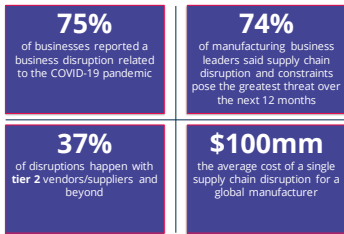


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Business Disruptions and Third-Party Risks



SOURCE: Shared Assessments

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Third-Party Vetting

BEST PRACTICES

ONGOING MONITORING
2017

- **COMPANY IDENTITY**
- **FINANCIAL VIABILITY**
 - Monitor for Legal Items
 - Alerts on Material Changes
- **SANCTIONS STATUS**
 - OFAC Check



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Third-Party Vetting

BEST PRACTICES

ONGOING MONITORING
TODAY

- **COMPANY IDENTITY**
 - FinCEN MSB Check
 - Diversity Identifiers
 - CPIS Compliance
- **FINANCIAL VIABILITY**
 - Monitor for Legal Items
 - Alerts on Material Changes
- **SANCTIONS STATUS**
 - OFAC Check
 - PEP Check of Vendors
- **CYBER SECURITY**
 - Commercial Third-Parties
 - 3rd Party Vendors
- **ENVIRONMENTAL, SOCIAL, & GOVERNANCE (ESG)**
- **INTERNATIONAL COMPANIES**



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Leadership



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The Delicate Balance



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The Current Environment

- Elevated Operational Risks
- Persistent Cyber Threats
- New Financial Products and Services
- Increased Use of Third-Parties
- Increased Mergers and Acquisitions

A photograph of a dirt path leading through a field of tall grass towards a sunset over the ocean. The sky is a mix of orange, yellow, and blue.

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The "We Need To Make Money" Tilt



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A Symptom of the Tilt

The New Zelle/Crypto Program



The Risk and Compliance Program



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How To Avoid New Customers



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Key Takeaway



SOURCE: independent.co.uk

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Key Takeaway

If You "Check The Box"
You Need to Mean It

- Know How Risks Are Defined
- Ensure LOB Procedures Align with ERM
- Validate System Performance and Configuration

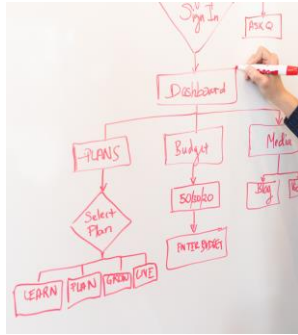


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Key Takeaway

Be Able to Prove to Regulators That What You Think Happens Actually Does

- Know How Risks Are Defined
- Ensure LOB Procedures Align with ERM
- Validate System Performance and Configuration



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