



Office of the Superintendent of  
Financial Institutions Canada

Bureau du surintendant des  
institutions financières Canada

# Draft Guideline B-10 Third-Party Risk Management

Launch of Public Consultation Process

4 May 2022



OSFI  
BSIF

Canada 

# Slido and Zoom

## Slido: Ask, view and vote on questions

- ▶ Questions with the most votes will be prioritized for responses
- ▶ Following the session, summary responses to unanswered questions will be provided to participants

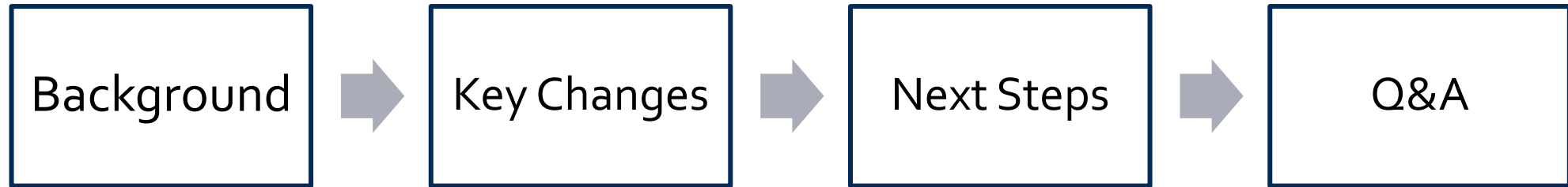
**Join at Slido.com**  
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## Zoom: Simultaneous interpretation available

- ▶ “Interpretation” button at the bottom right corner of Zoom screen (English or French)



# Agenda



# Background



The financial industry has long made use of third-party arrangements to introduce efficiency, drive innovation, manage shifting operational needs, and improve service.



Increasingly, FRFIs are relying on an expanded third-party ecosystem to execute on and deliver more of their critical activities. This increases the likelihood that these arrangements could impact a FRFI's operational and financial resilience.



# Background

## Current B-10 focuses on outsourcing – last updated in 2009

- ▶ Memorandum on new technology-based outsourcing arrangements in 2012 confirming that B-10 principles should be applied with respect to Cloud and other technology-based outsourcing arrangements

## Recent initiatives to address the changing landscape

- ▶ Third-Party Risk Study results posted in September 2020
- ▶ Tech Risk Discussion Paper issued in September 2020
- ▶ Draft B-13 issued for public consultation in November 2021
- ▶ Upcoming draft guidance on operational resilience later this calendar year



# Key Changes

	Current Guideline B-10	New Revised Guideline B-10
1. Expanded Scope	APPLIES TO OUTSOURCING ARRANGEMENTS	APPLIES TO THIRD-PARTY ARRANGEMENTS
2. Widened Risk Lens	FOCUS ON OUTSOURCING RISK	FOCUS ON THIRD-PARTY RISK & RELATED RISKS
3. Enhanced Risk Focus	RELIANCE ON CONTRACTUAL PROVISIONS TO MANAGE RISK	EMPHASIS ON GOVERNANCE & RISK MANAGEMENT PROGRAMS
4. Modernized Guidance	LEGAL LANGUAGE, DATED GUIDANCE STYLE	REORGANISED & STREAMLINED, SETS CLEAR OUTCOMES & PRINCIPLES



# Key Change #1 – Expanded Scope

## Scope of B-10 has expanded

- ▶ From outsourcing to third party arrangements

## Applies to all business and strategic arrangements, by contract or otherwise

- ▶ Definition excludes arrangements with customers
- ▶ Expanded scope is consistent with international principles, which encompass the entire third-party ecosystem



# Key Change #2 – Widened Risk Lens

## Guideline extends significantly beyond outsourcing risk

- ▶ Expanded scope to mitigate disruption at the FRFI from a wider range of risk factors

## Also encompasses related risks at third parties:

- ▶ Financial
- ▶ Business continuity
- ▶ Data
- ▶ Subcontracting/supply chain
- ▶ Concentration
- ▶ Technology and cyber





# Key Change #3 – Enhanced Risk Focus

## Introduces the concepts of risk and criticality for third parties

- Replaces binary (material/non-material outsourcing) approach to managing risk with a risk-based approach

## Encourages FRFIs to adopt a 'lifecycle' of risk management practices for third parties

- Underlines the importance of an adequate risk assessment process to adjust the intensity of FRFI management and oversight

## Contemplates situations where a contract may not be issued

## Implements findings from supervisory work



# Key Change #4 – Modernized Guidance

## Outcomes-focused, principles-based expectations

- ▶ 5 high-level outcomes and 11 related principles

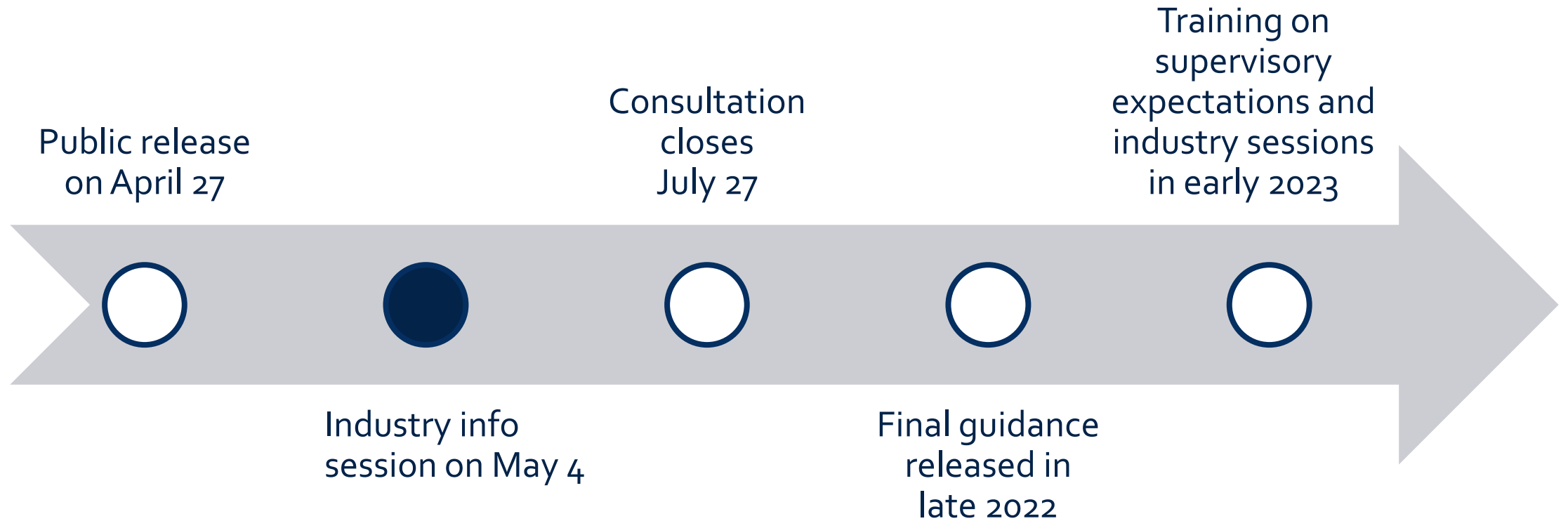
## Simplified concepts and more streamlined

## Aligned expectations with other OSFI guidance

- ▶ Incorporates expectations on tech and cyber in third party arrangements from draft Guideline B-13 (including Cloud)
- ▶ Excludes arrangements between a Canadian branch and its foreign-based head office as these arrangements are covered by revised Guideline E-4



# Next Steps



# Slido

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