

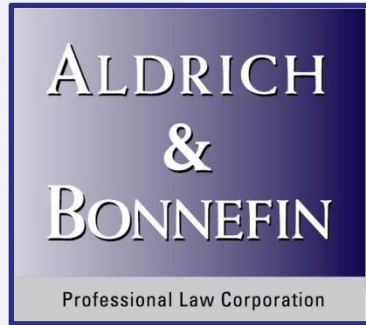


Aldrich & Bonnefin, PLC
Counsel to Bankers' Compliance Group presents

VENDOR CONTRACTS & MONITORING



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DISCLAIMER

This presentation is intended solely for educational purposes to provide you general information about laws and regulations and not to provide legal advice. There is no attorney-client relationship intended or formed between you and the presenters or you and the authors of these materials. Consult your institution's legal counsel for advice about how this information impacts your institution.



Vendor Contracts

- Generally: Ensure specific expectations and obligations of both parties
- Lessons Learned: How your effective due diligence in selecting the vendor will ultimately benefit contract negotiations



CONTRACT REVIEW

**We're their first
"financial" client!**

**What
complaints?**

"Selection" Lessons Learned!

**Where
have
all the
reports
gone?**

**You want how
much to
retrieve that
document?**

**What
do you
mean
ASP?**



CONTRACT REVIEW

- When to involve legal counsel



CONTRACT REVIEW

- Exhibit A- sample vendor contract checklist



Ongoing Monitoring



Ongoing Monitoring in General

- Extent of oversight depends on the potential risks and scope relationship
- Frequency
- Documentation



Ongoing Monitoring Items

- Effectiveness of relationship
- Review licenses
- Insurance
- Audits



Ongoing Monitoring Items (cont.)

- Vendor's internal policies and controls
- Compliance with laws
- Business resumption planning
- Changes in vendor's key personnel
- Training



Ongoing Monitoring Items (cont.)

- Testing vendor's interaction with customers
- Customer complaints
- Meetings and onsite visits
- Monitor activities and performance



Ongoing Monitoring Items (cont.)

- Escalation
- Financial condition
- Subcontractors
- Information technology services



Vendor Oversight by the Regulators

- Regulators have the authority to supervise all activities, even those performed by vendors
- Regulators may examine vendors
- Required notice to regulators
- Address issues in vendor contract



Recent Informal FRB Guidance

- Historical focus on IT vendors
- Moved to more holistic approach
- Cannot “outsource” compliance
- Risk-based program needed



Recent Informal FRB Guidance

- Most common issues
 - No vendor management program
 - Inadequate analysis/ID of critical vendors
 - Vendors not captured in inventory
 - Inadequate monitoring (critical) vendors
 - Program too IT-centric
 - Broad access to sensitive customer info



QUESTION & ANSWER SESSION

