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**MEMORANDUM**

July 14, 2021

To Our Clients and Friends

Re: Agencies Request Comment on Proposed Risk Management Guidance for Third-Party Relationships

The Federal Reserve Board, the FDIC, and the Comptroller of the Currency are requesting comment on proposed guidance on managing risks associated with third-party relationships. The proposed guidance provides a framework that banking organizations should consider in developing risk management practices associated with third-party relationships. Comments are due within 60 days after publication in the *Federal Register*.

The proposed guidance provides that a banking organization's use of third parties to support banking activities does not diminish the organization's responsibility to perform such activities in a safe and sound manner and in compliance with applicable laws and regulations. Third-party relationships are defined as business arrangements between a banking organization and another entity, by contract or otherwise. Third-party relationships may include relationships with vendors, fintech companies, affiliates, and the banking organization's holding company.

The proposed guidance indicates that a banking organization should adopt third-party risk management processes that are commensurate with the organization's level of risk and complexity from third-party relationships and with its organizational structure. While intended for all third-party relationships, the proposed guidance provides that more comprehensive and rigorous oversight is required for third-party relationships that support critical activities, which include significant bank functions or other activities that could cause a banking organization to face significant risk if the third party fails to meet expectations or could have a significant impact on customers.

A copy of the proposed guidance is available on our website at <http://schwartzandballen.com/news.html>.

For more information, please call Gilbert Schwartz, Robert Ballen, Heidi Wicker, or Eric Knight at (202) 776-0700.