



# **GRC Summer School**

## **Session 4: Outsourced, Not Out-of-Mind**

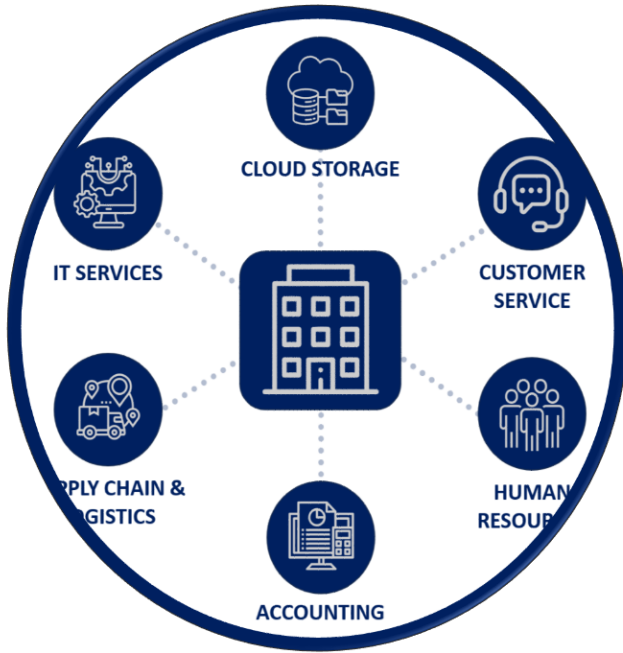
**Presented by Fiona Kiely**

**Wednesday, July 23<sup>rd</sup> 2025**

# About Us

- ⚙️ Experienced Risk & Compliance Professionals
- ⚙️ We offer GRC software solutions and services
- ⚙️ We offer ESG Software Solution - GreenFeet
- ⚙️ Headquartered in Ireland
- ⚙️ Client base in Financial Services, Public Sector and Not-for-Profit, among others





# Agenda

- 🌀 What is OSP Risk Management?
- 🌀 Why Does it Matter?
- 🌀 When & How to Do Due Diligence?
- 🌀 Who Should Be Involved?
- 🌀 What is Good OSP Governance?

# What is Outsourcing?

A relationship in which one party engages another to carry out a business activity or function, rather than having its own employees do it



All Outsourced Service Providers are  
Third Parties

**but**

Not all Third Parties are  
Outsourced Service Providers

# What is Outsourcing?

A relationship in which one party engages another to carry out a business activity or function, rather than having its own employees do it

- Accounting Services
- Contract Cleaning
- Customer Service
- Data Storage
- Facilities Management
- Fund Services
- Human Resources
- Internal Control
- IT Support
- KYC
- Logistics & Distribution
- Marketing
- Payroll
- Payment Services
- Research & Development
- Risk Management
- Translation Services
- Website Development
- etc...

# What the Regulators say



Outsourced Service Provider: a third-party entity that is undertaking an outsourced process, service or activity, or parts thereof, under an outsourcing arrangement

(European Banking Authority)

Outsourcing and Delegation are not different concepts

(Central Bank of Ireland)

Firms cannot simply contract out their regulatory responsibilities

(Financial Conduct Authority)

# Outsourcing Risk Management

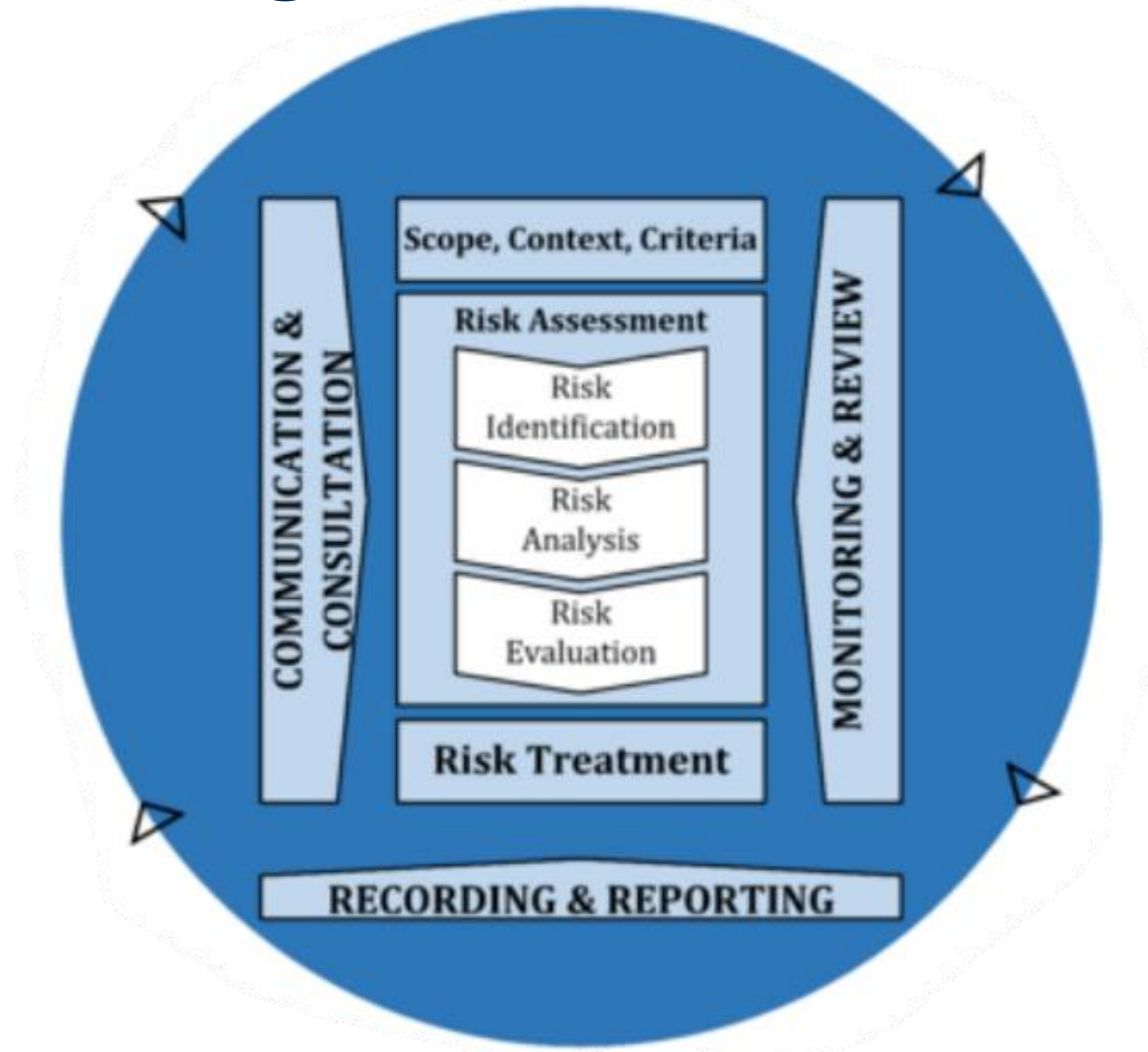


**A chain is only as strong  
as its weakest link**

Thomas Reid, 1786



# The Risk Management Process



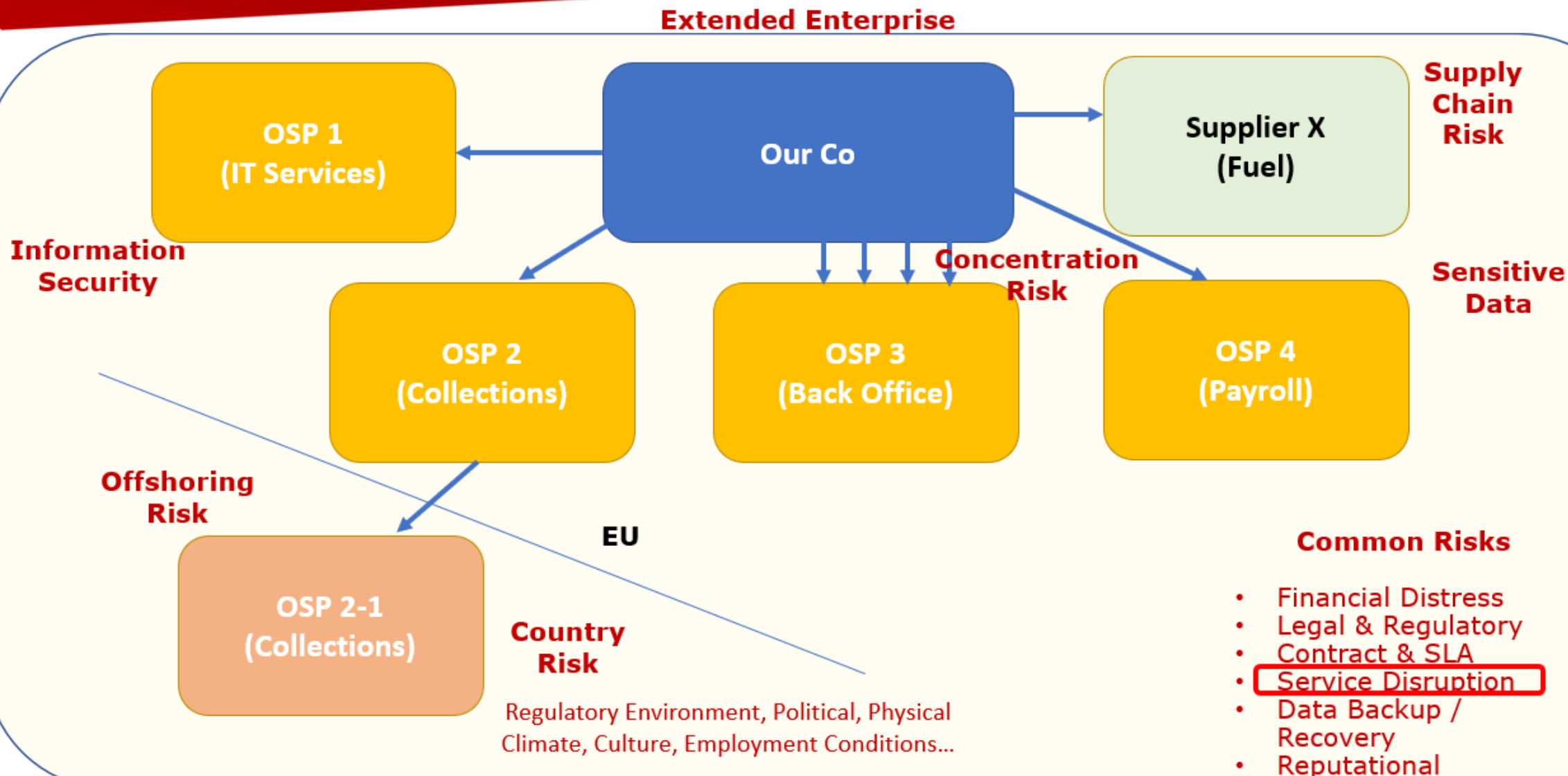


# Outsourcing Risk Management – Why?

There are many reasons why managing outsourcing risk is important to your organisation

- ❁ Satisfy Accountability Obligations
- ❁ Preserve Data Security
- ❁ Support Data Protection
- ❁ Avoid Concentration Risk
- ❁ Navigate Geopolitical Issues
- ❁ Secure Supply Chain
- ❁ Ensure Service Quality & Continuity
- ❁ Address Environmental Concerns
- ❁ Maintain Compliance
- ❁ Uphold Reputation

# What are the Risks?



# Do Due Diligence!



## GOVERNANCE & RISK MANAGEMENT

· Policies · Compliance · Oversight

## PROCUREMENT & ONBOARDING

· Vetting · Contracts · Risk Assessment

## PERFORMANCE MONITORING

· SLAs · KPIs · Audits

## TERMINATION & EXIT STRATEGY

· Offboarding · Data Return · Continuity

# OSP Due Diligence Criteria (a non-exhaustive list)

- ❏ Organisational Structure, Business Model, Financial Health, etc.
- ❏ Previous or Existing Relationship; Reputation
- ❏ Regulated / Non-regulated?
- ❏ Critical or Important / Other?
- ❏ External / Intra-Group?
- ❏ Home Jurisdiction / Third Country?
- ❏ Sub-Contracting Arrangements
- ❏ Internal Control Effectiveness
- ❏ Data Protection Compliance
- ❏ Conflicts of Interest

# OSP Due Diligence - Key Stakeholders

- ❁ The Board

- ❁ The Senior Leadership Team

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- ❁ Procurement Team

- ❁ OSP Relationship Managers

- ❁ Relevant Business Function Team Leads

- ❁ Team Members

# Good OSP Governance

Governance encompasses the systems and processes by which organisations are directed, controlled and held to account

- ⦿ Good Oversight Mechanisms
- ⦿ Informed Strategy
- ⦿ Robust Risk Management & Due Diligence
- ⦿ Outsourcing Policy
- ⦿ Clear Roles and Responsibilities
- ⦿ Well defined Service Level Agreements
- ⦿ Regular Monitoring
- ⦿ Open Communication
- ⦿ Periodic Reporting

# The Future of OSP Risk Management

Consultation Paper on EBA Draft Guidelines on the sound management of third-party risk (EBA/CP/2025/12) open until 8<sup>th</sup> October 2025

Increasing reliance on third-party service providers noted by EBA

Notable recommendations:

- ⦿ Evolution of traditional notion of outsourcing is required
- ⦿ All forms of third-party reliance should be managed
- ⦿ A Register of all existing third-party arrangements should be maintained
  - ⦿ Fulfilling DORA Requirements + EBA Expectations



# Useful Links

- ❁ Central Bank of Ireland, Cross-Industry Guidance on Outsourcing - <https://www.centralbank.ie/docs/default-source/publications/consultation-papers/cp138/cross-industry-guidance-on-outsourcing.pdf>
- ❁ Financial Conduct Authority, Outsourcing and Operational Resilience - <https://www.fca.org.uk/firms/outsourcing-and-operational-resilience>
- ❁ European Banking Authority, Guidelines on Outsourcing Arrangements (2019) - <https://www.eba.europa.eu/sites/default/files/documents/10180/2551996/38c80601-f5d7-4855-8ba3-702423665479/EBA%20revised%20Guidelines%20on%20outsourcing%20arrangements.pdf>
- ❁ European Banking Authority, Consultation Paper on EBA Draft Guidelines on the sound management of third-party risk - <https://www.eba.europa.eu/sites/default/files/2025-07/33a0ee15-9601-4c2b-828e-1b09201a6e9f/CP%20on%20Draft%20Guidelines%20on%20sound%20management%20of%20third%20party%20risk.pdf>



# Thank You

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Session 5: Rolling Up the Detail: What to Report in Risk Management

Wednesday, July 30<sup>th</sup>, 2025