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Third-Party Breaches

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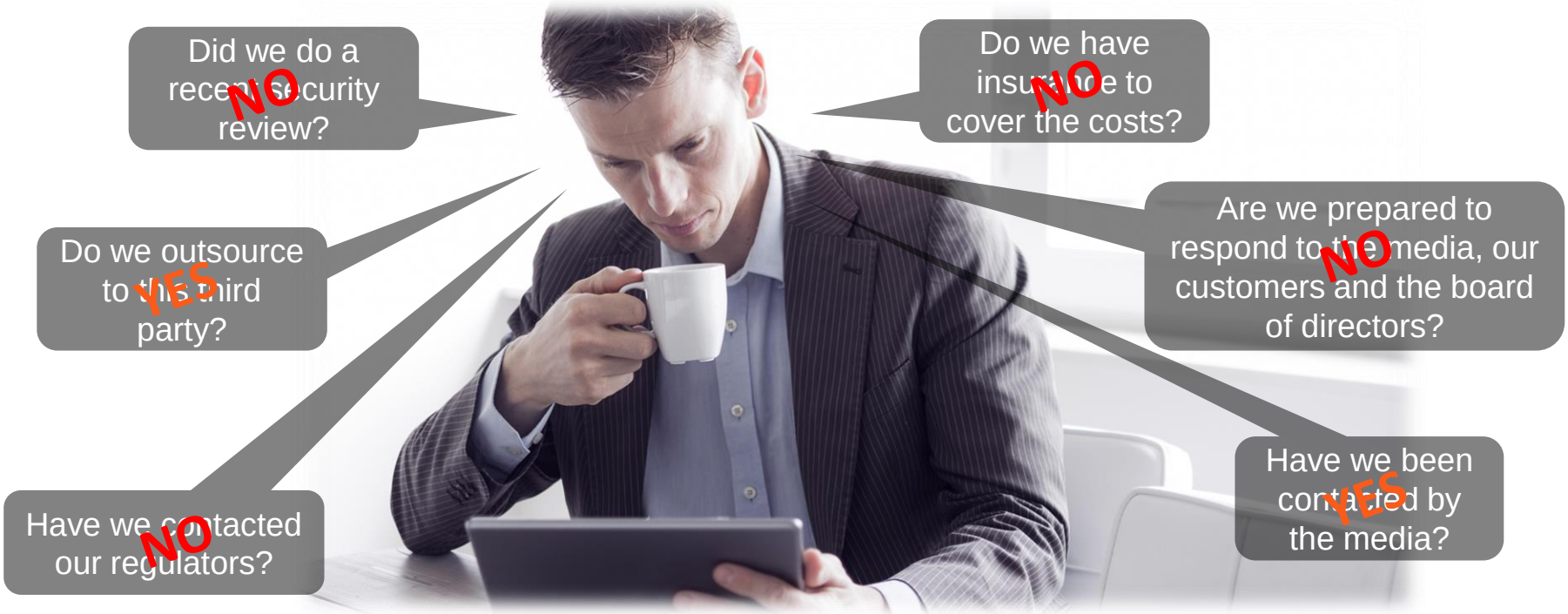
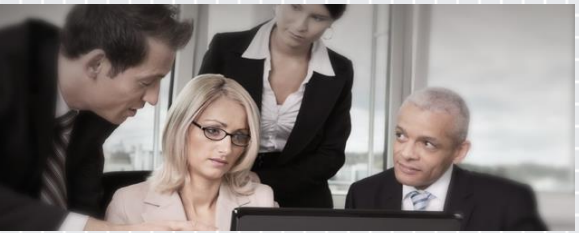
Polling Question

The Beginning of a Bad Day

CEO reads in the news that a major third-party provider had a security breach.



Planning, Managing and Reporting



Planning

- Steps to take to understand the inherent risk in the third-party base

Managing

- How to effectively manage the residual risk of your third parties

Reporting

- Reporting on third-party risk management process

Managing Third-Party Risk

Process for Managing Third-Party Risk

1
- Regulatory or Contract Exposure
- Data Exposure
- Business Process Exposure

2
- Financial Strength
- Geopolitical / Country Risk
- Breach History or Indication

3
- Standardized, Service Type
- ISO27001/NIST
- HIPAA/PCI

4
- Electronic Validation
- Onsite Validation
- Control Evidence

5
- Changes in Relationship
- Changes in Business
- Changes in Controls

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Risk Tiers Based on Inherent Risk

Inherent Risk is a Function of Relationship and Profile Risk

Match the Level of Due Diligence to Inherent Risk

Tier 1

- Strategic accounts (high revenue dependence)
- Regulatory/contract requirements
- High reputation risk
- “Trusted” relationships

Tier 2

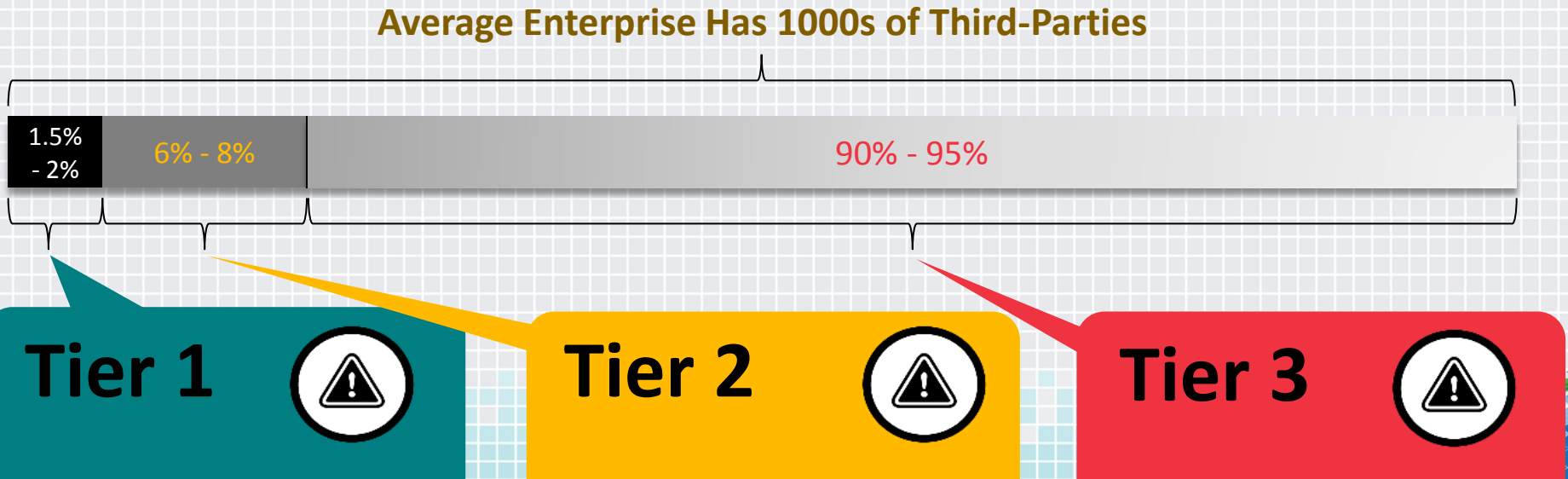
- Lower volume with no or minimal sensitive data
- Lower revenue risk
- Business operations risk
- Some business profile risk

Tier 3

- No sensitive data
- Minimal reputation risk
- Minimal or no revenue dependence
- “Trusted” relationship with low-level access

Managing Third-Party Risk

- *USA Today* survey of 40 banks found:
  - 30% don't require third-party vendors to notify of security breach
  - Less than 50% conduct onsite assessments of third-parties
  - Approximately 20% do not conduct on-site assessments of service providers

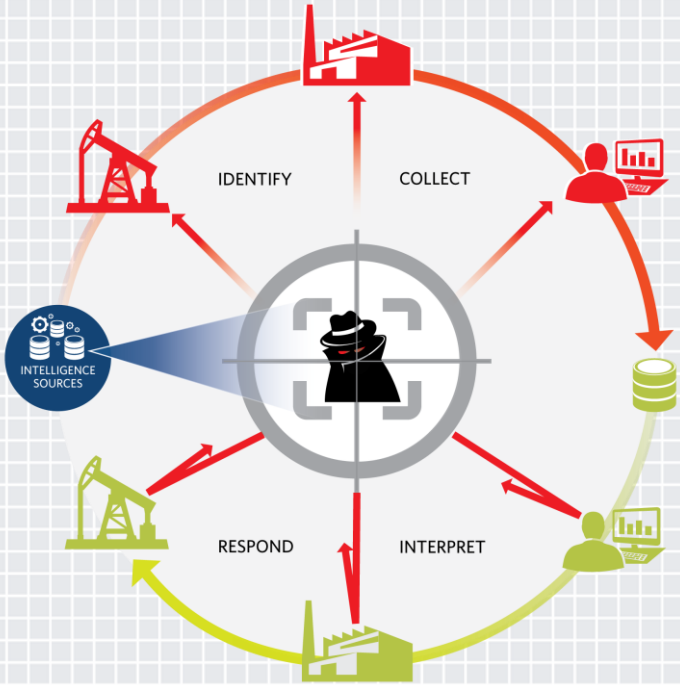


Polling Question

Validating IT Controls

- Onsite Third-Party Validation
- SSAE16 SOC 2
  - A SSAE16 SOC 2 provides information pertaining to the IT controls that has been certified by an accredited firm

  Tip: Make sure the scope match the services being provided.
- Third Party Breach Intelligence
  - Service that monitors for bad traffic on the internet



Polling Question

Other Ideas on Third-Party Risk Management

- What other ideas do you have on best practices for third-party risk management?

(Please step up to the microphone and let's discuss)

Polling Question

Changing the Paradigm

- Third-party risk assessments are disruptive to your third party. Getting assessed 100's of times a year takes incredible resources!
- **It is Time For a Change!**
  - A standard set standard set of criteria that serves 90% of the needs
  - The ability to gather the information once and share many
  - Automating the process of audits and remediation

Polling Question

Big Question – Best Practice or Bust?

Apply It

- Assess your program to make sure you have a risk-based process
- Consider the alternatives we discussed today

- Complete your third-party risk inventory and classify third parties into tiers
- Formalize your plan

- Establish a monitoring and reporting practice for managing third-party risk

Questions?

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Test poll