

# Considerations for Robust and Resilient Vendor Management and Oversight

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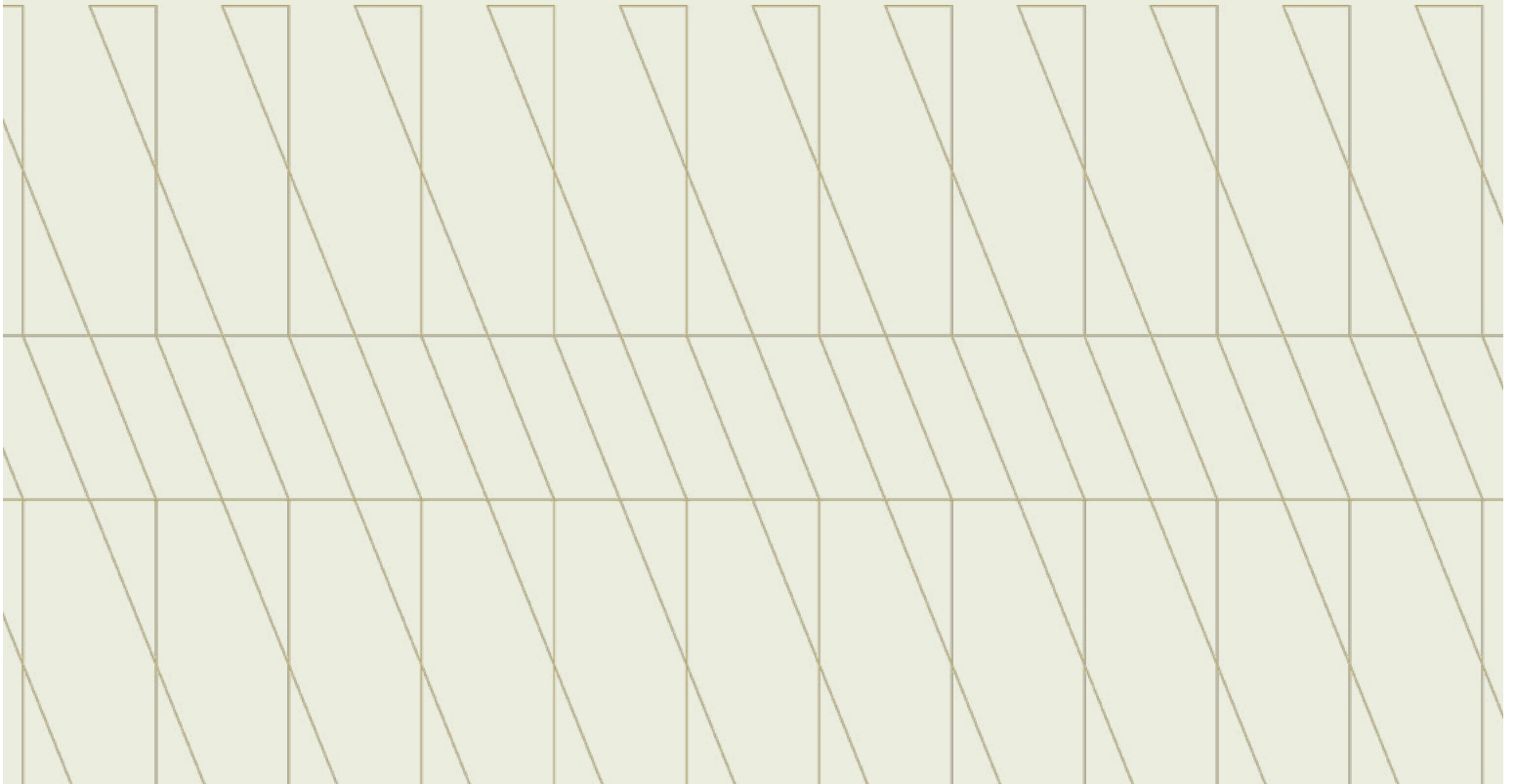




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Carolin is Senior Manager, Vendor Management and Outsourcing, at CIBC Mellon. Carolin is responsible for managing the vendor relationship network at CIBC Mellon and for ensuring adherence to the corporate Vendor Management and Outsourcing policies and procedures.

Even the largest asset owners, asset managers and insurance companies recognize they lack the scale and resources to be the very best at everything for which they are ultimately accountable. As a result, they turn to vendors as crucial components of their ability to ensure excellent client service delivery and overall success while affording them the opportunity to focus their time and resources on the areas where they can drive greatest value.



Canada has a well-established and strong governance and regulatory framework for market participants: an organization can outsource an activity or its execution but they cannot outsource their ultimate responsibility or oversight duties that their clients delegate to them. To this end, a robust and thoughtful approach to vendor management empowers an organization to take appropriate measures for reducing potential risks, managing costs, and increase efficiencies – and demonstrate to its stakeholders that appropriate care, oversight and diligence has been undertaken regarding external providers.

### **CIBC MELLON'S APPROACH TO VENDOR GOVERNANCE**

CIBC Mellon has an established vendor governance program through which it defines the requirements and frequency of oversight of our vendors. Through this program, we document and hold vendors accountable to standards for performance with regular due diligence reviews and appropriate reporting requirements. For vendors whose services are deemed critical to CIBC Mellon – including technology-related vendors – we implement additional controls and monitoring to provide further assurance that risks related to our vendors and supply chain are being managed in accordance with CIBC Mellon's requirements – this is all part of our goal to carry out our client service and business operations with the highest standards for resiliency, governance and operational excellence.

As part of our global enterprise, we also work closely and collaboratively with our parent companies, CIBC and BNY Mellon, to leverage their scale, governance and vendor relationships, when appropriate. Indeed, an element of our vendor governance is supporting governance over the services our parents deliver to us, just as they exercise governance over the functions CIBC Mellon performs on their behalf.

### **VENDOR MANAGEMENT GUIDANCE AND CONSIDERATIONS**

A good policy includes direction and guidance to ensure that outsourcing risks are identified and managed prudently, consistently, and in compliance with laws and regulations. Policies should address the key requirements in the selection, classification, performance measurement, purchasing standards, negotiation, and management of vendors. In essence, the policy should contain enough information that individuals coming into the process can clearly understand the expectation, outcome, process and accountabilities.

For any organization relying on external vendors for key tasks and functions, an established vendor governance program can help exercise oversight of vendors in a well-ordered manner. Documentation should hold vendors accountable to standards for performance with regular due diligence reviews and appropriate reporting requirements. For vendors whose services are deemed critical – for example technology-related vendors, those supporting transaction processing, or handling confidential information – additional controls and monitoring can provide further assurance that risks related to the vendors and the supply chain are being managed.

## **Remote Operations and Vendor Diligence ("Keeping a close eye from a remote location")**

In 2020, many organizations shifted their teams and processes to digital and remote activities to protect the health and safety of their teams amid the pandemic. Exercising sound governance amid this remote environment should not only include changes to the execution of diligence, but also enquiries regarding how the remote environment impacted a vendor's operations. To learn more about how CIBC Mellon conducted vendor diligence remotely as well as how we supported our clients in exercising governance over the services we provide, contact your relationship manager.

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- Carolin Broadbridge

For more information, read [“Risk Culture at CIBC Mellon: Governance, Confidence and Client Focus.”](#)



### VENDOR DUE DILIGENCE: POINT IN TIME AND ONGOING PROCESS

The appropriate review of service providers is not a one-time activity, but an ongoing process. While careful review is an important component of vendor selection and onboarding, it is imperative to continue to review vendors throughout the duration of the relationship. There are multiple ways vendors can provide assurance.

For example, a review of technology vendors should include clear assurances that data is properly secured. A vendor could point to multiple redundant data centres, detailed disaster recovery planning and high standards for information security. In addition to reviewing these assurances as part of the selection process, an annual review process will assist in uncovering recent changes while providing assurance that the protections remaining in place adhere to the requirements set out in the contract and meet current industry standards.

### WHAT VENDOR MANAGEMENT QUESTIONS SHOULD CLIENTS BE ASKING THEMSELVES?

Vendor due diligence should be rooted in an organization’s own accountabilities and responsibilities to its stakeholders.

- 1 What are my regulatory, Board, legal and policy requirements?
- 2 What are the expectations of stakeholders like clients, investors and pensioners?
- 3 Who are the critical vendors?
- 4 What services, functions and activities depend on these vendors?
- 5 How have you worked to satisfy yourself and your own stakeholders that those vendors are prepared to deliver the services in keeping with organizational accountabilities?

## GOVERNANCE AND SUPPORTING OUR CLIENTS

At CIBC Mellon, we understand that our clients face increasing pressure from stakeholders and regulators to demonstrate prudent governance and oversight across their operations, and that governance must include oversight of outsourced services.

We are responsible for our outsourced services, and for making sure they are performed properly and in compliance with applicable policies, laws and regulations. CIBC Mellon employs a tiered approach to vendor management in an effort to provide the highest quality solutions.

Our Vendor Management and Outsourcing (VMO) team is responsible for governance and oversight of all vendor relationships. This team has policies and procedures in place designed to maximize our vendor relationships and give our clients access to many benefits, including options to address your complex needs, flexibility and customization, adaptability to regulatory requirements and reduced risk. The VMO team continually reviews all of our vendor relationships and works to identify potential areas of improvement whenever possible.

CIBC Mellon also has various committees focused on ensuring appropriate outsourcing governance is in place with all significant vendor relationships. Some committees are narrowly focused on the services of a critical vendor while other committees look at governance holistically across the organization. The Vendor Management Committee focuses on vendor governance activities across the entire organization to provide oversight, executive guidance and approvals of all vendor management activities. The Senior Manager, Vendor Management and Outsourcing (VMO) is the chairperson and is accountable to report back items or issues that are relevant to the committee's mandate.

**Using a risk-based approach, the VMO team uses a tiered governance model based on the results of a Vendor Classification Assessment. The due diligence process conducted as part of vendor sourcing and ongoing monitoring activities is defined based on each vendor's classification or risk rating. All governance requirements are documented in the Vendor Management Corporate Policy and Guidelines, which include:**

- Expectations for relationship and performance management meetings
- Annual review requirements, which may include information and cyber security, financial health, privacy policies, performance reviews, KPI/KRI statistics, and business continuity plans
- An annual review of existing SLAs and/or SOWs to ensure agreements are current
- This tiered approach establishes the depth and frequency of monitoring that is required for CIBC Mellon to responsibly manage the work under contract with each vendor while meeting or exceeding any regulatory requirements



Finally, our Designated Governance Officers (DGOs) are accountable for the day-to-day management of their assigned vendor relationships in accordance with our policies, guidelines and regulatory requirements, and are responsible for reporting back to the VMO team and to CIBC Mellon's Risk and Compliance team on a regular basis. This reporting is intended to demonstrate that the vendor is performing to expectations. Our approach to vendor management leads to collaboration, accountability and most importantly, client satisfaction.

**As you evaluate governance of vendors used to support your business, the following questions are worth considering:**

1. What should you expect from your vendor in order to meet your governance reporting needs?
2. How can you assess your firm's ability and readiness to meet regulatory requirements with respect to outsourcing?
3. How are you providing and demonstrating prudent oversight of your vendors?

#### CIBC MELLON CASE STUDY

## Leveraging LTI Technology to Enhance the Investor Experience at Scale – while demonstrating sound governance to clients

The stakes continue to grow, with rising data, operational, reporting and regulatory complexities. Fund companies face an increasing number of internal and external stakeholders – boards, investment management teams, compliance teams, regulators and more – looking to their providers to support operational transaction processes that streamline the investor, advisor and fund sponsor processes across locations, systems, and teams. Fund companies and their stakeholders want to provide an excellent service experience, improve access to relevant data and achieve efficiencies.

Our organization works to support clients across a spectrum of solutions, enabling clients to advance along a continuum and scale up as their businesses and fund offerings grow – without compromising the investor and advisor experience in a competitive landscape.

Over the years, CIBC Mellon has experienced significant growth in its fund services and Recordkeeping business. CIBC Mellon leverages technology provided by L&T Infotech (LTI) to support transfer agency solutions and workflow technology. The robust capabilities of these platforms have enabled CIBC Mellon to scale up with its clients growing needs. CIBC Mellon exercised deep due diligence over the company as part of our technology selection process, and we continue to execute our strong governance program to oversee the functions and technology offerings that LTI provides.

**If you would like to learn more about CIBC Mellon's governance program, please contact your relationship manager.**



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Let's Solve

Registered Trademark  
Group Company

**Case Study**

**Transforming Investment Product Creation Process for Large Canadian Back Office Provider**

A leading Canadian asset servicing organization, with over 70 record-keeping clients on LTI's proprietary Unitrac<sup>®</sup> platform.



## Vendor Oversight Questions To Consider

### Selection and ongoing due diligence questions:

- Do you have an active and ongoing business continuity process?
  - If so, what is it?
- What measures do you have in place to protect my data?
- Do you encrypt your data?
- How do you secure the transmission of data?
- How and when will I be notified as a client of any incidents?
- Who are the essential employees on my account and what is their contact information?
- Who are your critical vendors, and how have you worked to satisfy yourself and your own stakeholders that those vendors are prepared?
- Who are their critical vendors (4th & 5th party relationships) and how do they impact your ability to maintain operations?– for example, which of those vendors can access or hold our data?
- What certifications do you have?
- What regulations and/or measures do you use to ensure your incident preparedness?
- How do you keep employees informed and prepared of updated business continuity processes, cyber security procedures, and similar matters? What policies do you have in place?

### You may also wish to ask event-driven questions:

- Questions related to a specific IT security matter (e.g., virus, malware that has been identified in the media).
- How has a recent technology change impacted your organization?
- How are you managing a recent key person or leadership change?
- What is the impact on business continuity planning of remote operations amid the pandemic?



## For more information

We are committed to working in collaboration with clients to take steps to support vendor oversight – including oversight over our vendors and providers, as well as to support clients in having governance and oversight over us as a provider. If you require additional information from CIBC Mellon, please refer to these resources or contact your CIBC Mellon relationship manager.

[CIBC Mellon Statement on Preparations Regarding the 2019 Coronavirus \(COVID-19\)](#)

[Business Continuity Considerations: Pandemic Preparedness](#)

[Post-Pandemic Planning and Office Reoccupation Considerations](#)

**CIBC MELLON**

➤ A BNY MELLON AND CIBC JOINT VENTURE COMPANY<sup>SM</sup>

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