A photograph of three business professionals in a modern office setting. A man in a grey suit and glasses is shaking hands with a woman in a dark blazer. Another man in a white shirt and tie stands behind them, smiling. The background shows a blurred office environment with blue lighting and modern decor.

Reimagining your
TPRM program:
accelerating
efficiency with
generative AI and
scalable operations

The EY logo, consisting of the letters 'EY' in a bold, white, sans-serif font, with a yellow diagonal line above the 'Y'.

EY

Building a better
working world

Over the recent past, transformations of third-party risk management (TPRM) programs were focused on governance, risk and compliance (GRC) technology, with automated workflows, reporting and analytics across an organization's third-party base.

Now, with the increased adoption of technology-enabled capabilities, the focus in the market has shifted to operating tech-led TPRM programs and enabling processes at scale.

Historically, TPRM programs have approached expanded risk coverage by adding additional resources focused on reviewing fairly basic documentation provided by third parties to identify risks. An emerging disruptive capability, generative AI (GenAI) is creating significant opportunity for improving the TPRM space. Initial GenAI capabilities have already revealed the next frontier of TPRM programs. By reducing the effort on manual document validation, resource time is being unlocked, and through greater dynamic decision-making within their TPRM programs, companies are achieving elevated risk coverage and enhancing strategic value. With the injection of technology-enabled capabilities and GenAI and the increased usage of all available data comes the need for robust and scalable operations that can keep up with higher expectations in ongoing monitoring and greater depth and breadth across an expanding population of third parties.





Moving beyond point-in-time assessments

TPRM assessments have traditionally been performed periodically, typically annually or biennially.

However, in the current business environment, with a greater reliance on third parties and the ever-changing landscape driven by world events, increased regulations and cybersecurity incidents, boards are asking for more than a point-in-time approach to assess third-party risk.

Today, leaders are asking TPRM program owners to do more with less, while also encouraging them to be more proactive, ongoing and agile. Continuous and trigger-based risk monitoring allows for real-time identification and mitigation of risks.

The introduction of artificial intelligence (AI) and machine learning further enhances this continuous risk monitoring, enabling a more predictive approach to risk management. AI can aggregate data from multiple sources, analyze it for patterns and anomalies, and provide insights that humans might miss or find time-consuming to unearth. These data sources can include disparate internal data points and external data feeds to inform your program.

Examples of how AI can be leveraged across the TPRM lifecycle include:

- ▶ **Planning:** enabling business users to complete sourcing and risk profiling activities to identify any errors in real time
- ▶ **Due diligence:** automating third-party evidence ingestion and reviewing against control standards for expedited assessments
- ▶ **Contracting:** reviewing contract terms against standard terms and conditions to automatically identify discrepancies and provide suggested updates instantaneously to de-risk the engagement
- ▶ **Ongoing monitoring:** triaging automated alerts generated by cybersecurity, geopolitical, reputational, ESG (environmental, social and governance) or other external events against a supplier base
- ▶ **Issue management:** reviewing remediation plans and flagging potential discrepancies against control standards
- ▶ **Termination:** parsing agreements for termination clauses, early termination fees and data rights to optimize the business position



Why technology is not enough

While technology has improved the speed and efficiency of TPRM, specifically traditional workflow automation, GRC tools and analytics, it has not solved all the execution challenges.

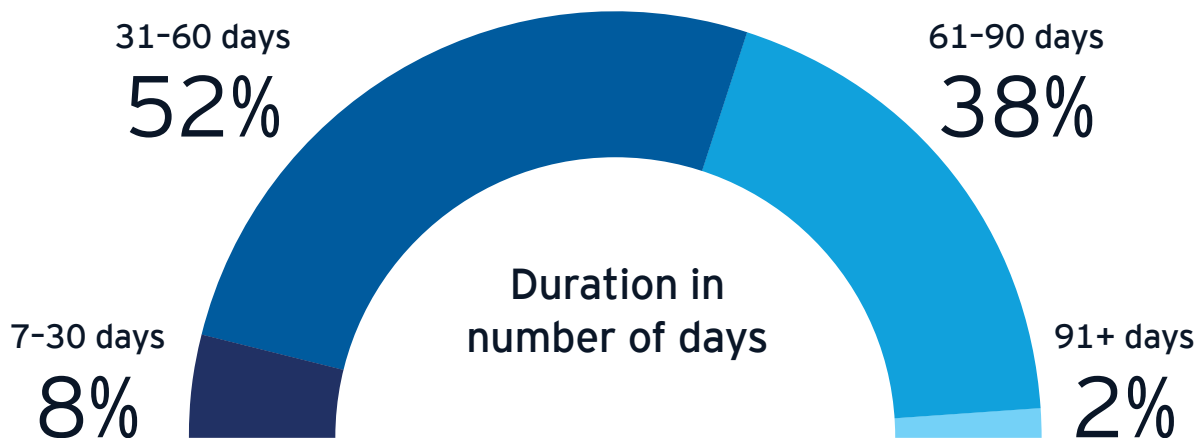
Due to the expanding risk landscape and increased requirements, the scope of TPRM programs continues to increase, driving traditional activities like control assessments to take longer than ever, resulting in disruptions to critical business operations.

As identified in the *2023 EY Global Third-Party Risk Management Survey*, which polled more than 500 institutions,

92% of organizations took at least 31 days to complete a control assessment, with 40% taking at least 61 days.

While the adoption of workflow and GRC technologies has undoubtedly helped TPRM programs become more efficient, the next generation of innovation will be fueled by the intersection of technology, AI and scalable operations to further reduce these timelines.

Approximately how long does it take your organization to perform control assessments of third parties?





Why scalable operations are critical in the GenAI era

Leveraging optical character recognition (OCR) technology, millions of lines of third-party documentation can now be ingested in seconds, advanced machine learning models can review those documents instantaneously, and GenAI can provide aggregated insights predicting potential vulnerabilities, simulating risk scenarios and helping risk managers understand potential consequences. This is the future of risk management.

More importantly, with new data, AI can improve and update its knowledge set and skills, ensuring that a TPRM program stays one step ahead of emerging threats.

But AI is not solving TPRM. In fact, AI is creating even more TPRM insights to be reviewed and actioned by risk managers.

This is why the scalable operations will be critical to TPRM programs in the next three years. Organizations will require resource elasticity and a shift in required skills and experiences to keep pace.

In the 2023 EY TPRM survey, 44% of organizations expect to use managed service providers in the next two to three years, while 59% plan to use more co-source arrangements. Leveraging managed services in TPRM allows risk managers and executives to focus on true risk management. This ability to dedicate time to risk decisioning and not on the operational minutiae will prove critical in the GenAI era where we will see an even greater increase in information within TPRM programs.

The intersection of people, processes, technology and GenAI forms the cornerstone of organizations future-proofing their TPRM programs. As third-party ecosystems continue to expand and the scale and complexity of risks grow, the strategic adoption of integrated TPRM solutions will define the success of organizations in managing third-party risks.

Combining people, process, technology (including AI) and data is the future of the TPRM. To simplify this landscape, EY Third-Party Risk Management Services brings all these elements in a simple-to-ingest solution for clients who need parts or all these capabilities. For a complex financial services client, we helped rapidly mature its TPRM program in under four months, while reducing end-to-end risk cycle times by 20% and increasing reporting and visibility to executive leadership.



Contacts

The EY Third-Party Risk Management team is focused on supporting clients throughout their TPRM journey, including design and creation, program transformation, technology implementation, and at-scale operations. To learn more about how we can support your agenda, please contact any of the following TPRM professionals or visit ey.com/en_us/consulting/third-party-risk-management-consulting-services.

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