

Press Releases

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OTS 03-10 - OTS Releases Guidance on Third Party Arrangements

Office of Thrift Supervision

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For further information

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OTS Releases Guidance on Third Party Arrangements

WASHINGTON - The Office of Thrift Supervision (OTS) today issued general guidance for savings associations and examiners on outsourcing relationships.

Like other depository institutions, thrifts increasingly rely on services provided by third parties, including affiliates and subsidiaries, to support a range of activities, such as accounting, external audits, investment management and human resources. "Outsourcing arrangements can help improve earnings, assist in managing costs and provide additional expertise," noted OTS Director James E. Gilleran. "At the same time, institutions must be aware that the reduced financial and operational control over third party activities poses additional risk."

Today's issuance complements existing OTS guidance on two other prominent outsourcing activities, information technology and internal audits.

The guidance cautions institutions to exercise appropriate due diligence before entering into third party arrangements, and to maintain effective oversight and controls throughout the arrangement. The assessment of risk from these arrangements depends upon the significance of the activity to the association's operations, and how well the institution and third party provider manage, monitor and control risks associated with the arrangement.

OTS examiners will review internal controls and management of third party arrangements during the course of regularly recurring safety and soundness examinations.

Thrift Bulletin 82, Third Party Arrangements, is available on the OTS website.

Thrift Bulletin 82 - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2003-10a.pdf>

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders

and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.