



TOPICS:

Operational risk

SOURCE

European Banking Authority

The EBA Launches Consultation on its Draft Guidelines on Third-party Risk Management with Regard to non-ICT Related Services

- EBA has issued Draft Guidelines on the **sound management of third-party risk**, aiming to establish a harmonized framework: the consultation runs until 8 October 2025. The core purpose is to ensure that while financial entities leverage third-party service providers (TPSPs) for expertise or efficiency, they **effectively manage the associated risks** and maintain robust governance arrangements, including operational resilience. The Guidelines explicitly cover **non-ICT related services**, ensuring consistency with Regulation (EU) 2022/2554 (DORA), which addresses ICT services.
- The scope of application is broad, extending beyond credit institutions and investment firms to include payment and electronic money institutions, issuers of Asset-Referenced Tokens (ARTs), and certain creditors, ensuring a **level playing field** across the financial sector.
- A central tenet is that the financial entity's **management body remains fully responsible and accountable** for all its activities, meaning the use of TPSPs must not lead to the entity becoming an "empty shell" lacking substance to remain authorized.
- The Guidelines introduce stricter requirements for arrangements involving **critical or important functions**—those whose disruption would materially impair the financial entity's performance, service continuity, or compliance with authorization conditions.
- Financial entities must: 1) Establish a **holistic risk management framework** to identify, assess, monitor, and manage all TPSP-related risks; 2) Conduct **due diligence** on prospective TPSPs, proportionate to the criticality of the function; 3) Ensure **contractual agreements** clearly define rights and obligations, including audit, information, and termination rights, and specify conditions for subcontracting critical functions; 4) Develop and test **business continuity plans** and **documented exit strategies** for critical or important functions; 5) Maintain a **comprehensive register of all third-party arrangements** to enable effective internal management and external supervisory oversight, particularly for identifying concentration risks.

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