



TOPICS:

Third-Party risk

SOURCE:

European Banking Authority

The EBA Publishes Its Final Guidelines on the Management of Third-Party Risk, Delivering a More Proportionate and Consistent Framework Aligned with DO

- The Guidelines establish a **harmonised framework** for managing risks arising from financial entities' use of **third-party service providers (TPSPs) for non-ICT services**. They complement DORA, which covers ICT third-party risk, and replace the EBA's 2019 outsourcing guidelines. The Guidelines cover credit institutions, relevant investment firms, payment and electronic money institutions, issuers of asset-referenced tokens, certain mortgage creditors and third-country branches. Outsourcing is treated as a subset of the broader concept of third-party arrangements.
- Financial entities must implement proportionate governance and risk-management frameworks covering third-party arrangements. **Management bodies retain full responsibility** for compliance and must ensure adequate resources, oversight and controls.

Enhanced requirements apply to TPSPs supporting **critical or important functions**, including pre-contractual risk assessments and due diligence, contractual safeguards, monitoring, business continuity, audit and access rights, subcontracting controls, termination provisions and exit strategies.

- Particular attention is required for **third-country providers and concentration risk**. Third-party arrangements must not prevent compliance with EU requirements, undermine operational resilience or restrict effective supervision by competent authorities. Financial entities must also maintain appropriate documentation of their arrangements.
- **Existing arrangements must be reviewed** for compliance, with transitional provisions allowing additional time for remediation of arrangements supporting critical or important functions.