



Shared Assessments and BNY Mellon *A Case Study*

BNY Mellon is a financial services powerhouse. A leader in asset management, corporate trust, treasury services, and securities servicing, the company operates via a variety of investment firms whose offerings are tailored to the needs of its global clients. Known for its innovative services and cutting-edge technology, BNY Mellon is a buyer of a broad spectrum of IT services, as well as an IT provider to more institutional clients worldwide, nearly 90 percent of which are Fortune 500 firms.

As both a consumer and provider of various outsourcing services, BNY Mellon management realized that the company had a unique opportunity to join with peer firms and provide thought leadership on outsourcing risks. As a result, BNY Mellon became a founding member of the Shared Assessments Program in 2006. Through this program, BNY Mellon and its peers pioneered a standardized means of assessing risks associated with outsourcing.

Evaluating the Shared Assessments Program

In 2008, BNY Mellon was in the midst of a major integration and needed a mechanism to identify, assess, and manage risks associated with outsourcing more efficiently than current work processes permitted. “We were asking: ‘How can we streamline assessments and implement a consistent approach that is backed by the industry?’” said Susan Koski, managing director and manager of IT risk assessments within the company’s Global Operations and Technology Risk Management division.

While Koski possessed a ten-year background in information security, she was new to the Shared Assessments Program. “I started asking my staff what the Shared Assessments Program was and how we would use this model instead of our own questionnaires and assessment templates.” She

believed that adopting the Shared Assessments questionnaire might help the company streamline key processes and facilitate its global corporate integrations. However, she wondered why Shared Assessments hadn't made more of an impact at the company to date. "We were a member of Shared Assessments, but we weren't using the tools. That was a real problem," she said. "Did that mean we didn't want to use them? That we didn't think they were good enough? What were the issues behind this decision?"

In the fall of 2008, the firm (now BNY Mellon) adopted the Shared Assessments Program for its provider self-assessments. At that time, Carmine Manfredi, managing director, became the manager of the service provider risk management function at BNY Mellon. Koski asked Manfredi to research Shared Assessments and plan its implementation in the newly merged company. Carmine and his team compared the Shared Assessments questionnaires to the firm's proprietary questionnaires and determined that both programs used a very similar set of questions and methodology for control testing. As a result, Manfredi advocated that the firm adopt the Shared Assessments Program for its service provider questionnaires. "Our peers were looking at Shared Assessments. Firms that possessed the same risk philosophy as BNY Mellon were behind it," said Manfredi. "Ultimately that's why we went with it. We were saying to clients, 'This is what we are doing, and this is what the industry is doing, too.'"

Adoption

During the months that followed, Koski and Manfredi did the heavy lifting to integrate the Shared Assessments program. "Our team worked hard to harmonize existing approaches into a single, centralized corporate program and get everyone up to the right level," said Manfredi.

As part of this process, Koski and Manfredi reviewed the Shared Assessments Standardized Information Gathering questionnaire (the "SIG") to determine which version offered the right fit. They also looked at their provider risk levels, scoring the services into risk pools ranging from lowest to highest risk. "We compared the SIG Lite and SIG Level 2 to our proprietary questionnaire, and determined that it was pretty much the same," said Manfredi. "So we decided on the SIG Lite for services that presented less risk and SIG Level 2 for services that represented greater risk."

During the adoption process, Koski and Manfredi held monthly meetings with the company's major businesses and shared services areas. "Every month, we offered information related to our

adoption of the Shared Assessments questionnaires across our provider risk levels. We also received updates on the businesses' outstanding issues," she said.

High-level management commitment and client recognition of these industry standards reinforced her team's efforts. "The fact that senior management championed this process was crucial to our success," said Koski. "That support, along with the diligence and commitment of our outstanding service provider risk management team and our businesses, brought us a long way in a very short time."

Additional Benefits

Shared Assessments can be a game changer for large enterprises. As a program developed by major industry players, it encompasses global standards for privacy, security, and business continuity. Before Shared Assessments was implemented, the number and types of questions requested by BNY Mellon clients varied. Assessing these questions required a significant effort for the company and resulted in inconsistencies. While the service provider management team could have rationalized its assessment processes on its own, Shared Assessments offered the company a swifter path to success.

Today, Shared Assessments is central to the discussions the service provider risk management team holds with clients, providers, and regulators. In these discussions, the team explains how the program is rationalizing the volume of assessment questions for the company and across financial services and other industries. "From an executive standpoint, you get results when you say this is an industry standard," said Koski. "The acceptance is much higher. It's not just, 'This is what Sue Koski thinks about risk.'" The Shared Assessments standards represent the best thinking of a broad range of industry experts from major organizations. "That kind of 'industry standard' stamp goes a long way," she said.

Shared Assessments membership also gives the team access to other member companies through the Shared Assessments Member Forum and member roundtables. "The other members bring a lot to the table," Koski said. "Being able to reach out to industry peers operating in the same kind of risk space is invaluable." By leveraging Shared Assessments, companies can establish a common set of expectations for their providers. This standardization process ultimately reduces duplication and assessment fatigue for these vendors.

Through The Santa Fe Group, which manages Shared Assessments industry-wide, Koski and her team have been able to interact with peer companies, service providers, regulators, and subject matter experts. “The Santa Fe Group brings members and experts together to talk about the big issues so that we don’t have to spend hours researching all of the issues. By participating in a one-hour Member Forum meeting, we can learn what others are currently thinking about and what other companies are doing to mitigate risk,” she said.

Moving Forward

BNY Mellon has also implemented the Agreed Upon Procedures (AUP) for its site visit program, leveraging industry accepted methods of validating provider controls identified during their self assessment questionnaire. The firm plans to continue this approach for the foreseeable future.

As BNY Mellon adopted the full Shared Assessments Program, Koski and her team received questions from the businesses about the international applicability of the questionnaire. The team is trying to determine whether the newest release of the questionnaire, version six, addresses those concerns. The businesses have also requested that the questionnaire be tailored to the types of services that are provided. The team is in the process of identifying those questions that are pertinent to service type, allowing the firm to further manage risk by service type and eliminate questions that are not germane to a particular service.

In addition, BNY Mellon’s Corporate Social Responsibility group has recommended new questions on this important emerging field, which is front and center in the media today. BNY Mellon shared this information with the Shared Assessments membership and anticipates that corporate social responsibility issues will be considered in future versions of the questionnaire.

Koski is satisfied with the excellent work her team has done to integrate Shared Assessments across BNY Mellon. Koski and Manfredi have been successful in translating a concept into a real implementation in the midst of major industry changes and a corporate merger. “We’re pleased to report that 1000 Shared Assessments evaluations are now complete,” said Manfredi.

An ambitious leader, Koski believes that there is still much left to be done to keep risk at the forefront and fully rationalize the company’s assessment processes. “We’ve been very successful,” she said, “But you don’t do this overnight.” Koski’s vision is for BNY Mellon to lead the industry with its innovative approach to assessments and provide thought leadership to

the Shared Assessments Steering Committee and Technology Development Committee, which oversee the Shared Assessments Program. BNY Mellon defines success as its ability to influence its providers to embrace sound risk management practices and controls as they seek to win or expand business from the firm.