

3rd Party Agreements & SLAs

Your agreements and SLAs with the 3rd parties you work with: are they right for your business and do they properly allow you to monitor and control TCF compliance?

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October 2009



Introduction

- West Brom's experience and learning points (health warning)
- Why outsource?
- TCF & FSA
- Win - Win
- Agreeing and defining agreements to include SLAs
- 3rd Party Relationship Cycle
- Measuring Performance
- Results
- Actions & Evidence
- Conclusion

Why outsource?

- Increased Workload – is it temporary
- Business Focus – sticking to what you know
- Skills & expertise of 3rd party
- Costs
- Examples – Asset Management
Field Agents, Tracing

TCF & FSA

- “If a firm outsources critical or important operational functions or any relevant services or activities it remains fully responsible for discharging all its obligations under the regulatory system”
- FSA Systems & Controls (SYSC 8)
- Firms must embed the 6 outcomes of Treating Customers Fairly (TCF) in every aspect of their operations

Win - Win

Benefits in ensuring 3rd parties are discharging all their regulatory and SLA obligations

- Organisational benefits –
 - Evidence TCF
 - Better control
 - Increased ability to influence outcomes
 - Value For Money
 - Striving for best practice – champion challenge
- Customer Benefits –
 - Better servicing of their needs
 - Value for money
 - Clear guidelines
 - Feedback via complaints

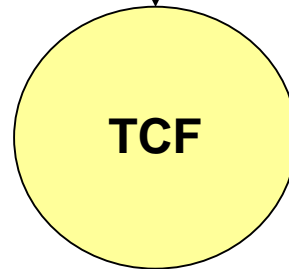
Agreeing and defining agreements to include SLAs

- On what terms the relationship will be conducted, ensuring TCF compliance
- The expectations of both parties
- Consistency/uniformity for similar providers
- Sets out how communication will operate i.e. Monthly meetings

3rd Party Relationship Cycle

STEP 1

Define
Define requirements of both parties and SLAs
Set out clear expectations
SLAs uniform and consistent for similar providers

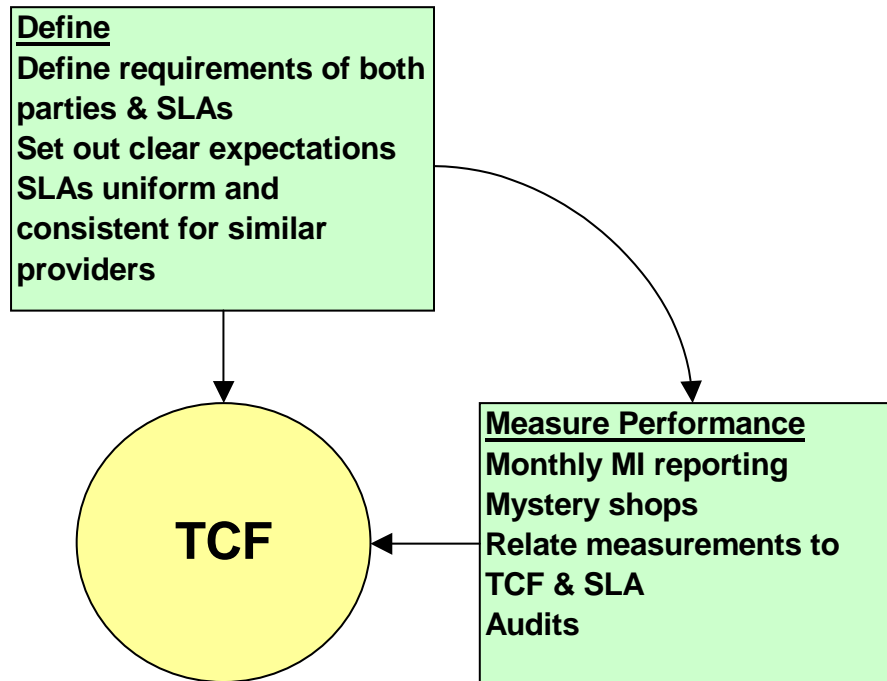


Measuring performance

- Monthly MI reporting (internal / external) against SLAs
- Identify areas of concern
- Audits
- Customer questionnaires/ mystery shopping

3rd Party Relationship Cycle

STEP 2



Results

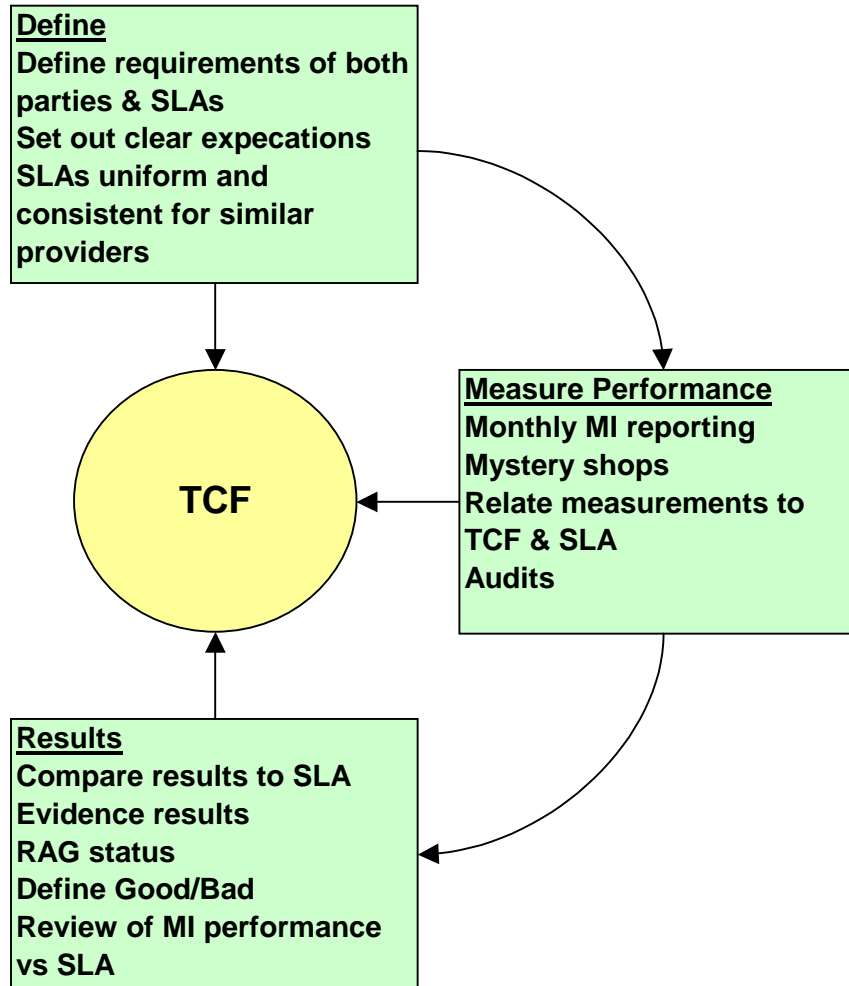
- Relate results to SLA/TCF
- Discuss results with 3rd party
- Define good/bad measures

MEASURE	TCF OUTCOME	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
1 Time taken to receive information	Performed as expected	●	●	●	●	●	●
2 Letter sent prior to authorisation	Clear information	●	●	●	●	●	●
3 Complaints	No barriers to complaints	●	●	●	●	●	●
4 Audit	Performed as expected	●	●	●	●	●	●
5	●	●	●	●	●	●
6	●	●	●	●	●	●
7	●	●	●	●	●	●
8	●	●	●	●	●	●
Overall		●	●	●	●	●	●



3rd Party Relationship Cycle

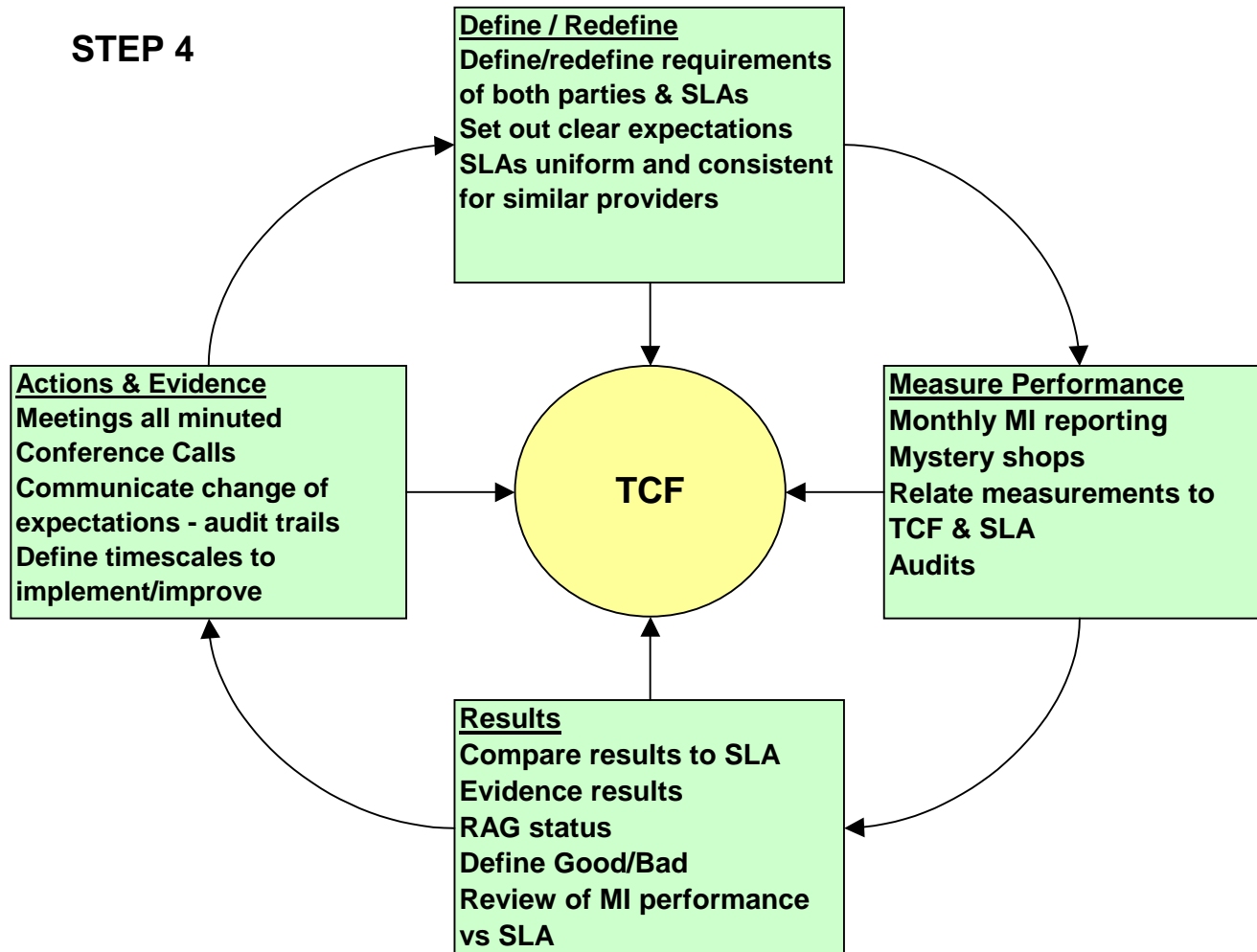
STEP 3



Actions & Evidence

- Clear communication on what corrective action is required
- Time frame for improvement
- Communicate change of expectations i.e. regulatory change
- Work with 3rd party
- Red – Either improve (action plan), give notice or change service level e.g. extend target days from possession to sale due to state of housing market

3rd Party Relationship Cycle



Conclusion

- West Brom's view – best practice to extend to other relationships
- Outsource for a reason so work with 3rd party
- You cannot contract out your regulatory obligations
- Win – Win
- SLA and agreements consistency and uniformity
- 3rd Party Relationship Cycle