



Streamlining Compliance in 2025

How RapidRatings Simplifies Third-Party Risk
Management for US Banks and Financial Institutions

Introduction

This document summarizes the Interagency Guidance on Third-Party Relationships, particularly focusing on financial risk management. Issued on June 6, 2023, by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC), this guidance outlines the expectations for banking organizations to manage risks associated with third-party relationships. This summary highlights the critical elements relevant to financial oversight and provides key takeaways for banks to align with the guidance by implementing a proven solution that simplifies the process.

This summary is based on the official document "Interagency Guidance on Third-Party Relationships: Risk Management," accessible in full at [Federal Register Link](#).



Purpose of Guidance

The Interagency Guidance is directed at all banking organizations, including national banks, federal savings associations, covered savings associations, and federal branches/agencies of foreign banking organizations operating in the US. The guidance emphasizes that failure to manage third-party risk can lead to severe financial losses and operational disruptions.



Key Takeaway

All banks and financial institutions must mitigate the risks of substantial financial loss and operational disruption stemming from poorly managed third-party relationships.

Prominence of Financial Condition

The financial condition of third-parties is a central aspect of the guidance. Banks must manage third-party risks throughout the entire relationship life cycle, paying particular attention to critical third-parties whose failure could cause significant operational or financial impacts. Financial condition oversight is emphasized both during due diligence process and ongoing monitoring.

Due Diligence

Banks are required to evaluate the financial condition of third-parties during initial due diligence to ensure that the third-party can meet contractual and operational requirements. This includes a comprehensive review of financial statements, business strategies, legal compliance, and operational resilience.

Ongoing Monitoring

Financial oversight continues post-onboarding, requiring ongoing assessments of third-parties' financial health. Banks should be vigilant about changes in financial condition that could pose risks to business continuity, compliance, or service delivery.



Key Takeaway

Financial condition is one of the top risk factors banks need to manage. **Banks must ask: “Does this third-party have the financial stability to meet my needs?”**



Financial Statement Analysis

Assessing a third-party's financial condition through a detailed analysis of their financial statements is fundamental. This includes the review of audited financial reports, annual filings with the SEC, and other financial disclosures.

Why Financial Health Matters

The analysis of financial statements allows banks to identify third-parties that may pose a disruption risk due to an inability to deliver services. The guidance also mandates that contracts with third-parties should specify access to relevant financial information, such as performance reports and financial health data.



Key Takeaway

Oversight of financial condition requires thorough financial statement analysis. RapidRatings partners with leading U.S. banks to gather and analyze financial statements of their private and public third-parties, producing predictive risk ratings, actionable reports, and ongoing monitoring that meet the guidelines—simply and efficiently.

Critical Third-Parties

Not all third-party relationships pose the same level of risk. The guidance acknowledges that higher levels of scrutiny are warranted for critical third-parties—those whose failure could cause significant operational or financial harm to the bank. These relationships require comprehensive financial oversight and documentation.

Critical Segmentation

Banks need to identify critical third-party relationships that could significantly impact their operations. These include third-parties that perform critical services or those that, if they failed to meet expectations, could cause substantial risk.



Key Takeaway

Banks need a solution that allows them separate critical from transactional third-parties. RapidRatings solution provides in-platform customization to segment third-party relationships, aiding in the requirement for heightened scrutiny of their most critical partners.

Managing Risk Across the Life Cycle

Risk management is essential at all stages of the third-party relationship, from initial selection through ongoing monitoring. Due diligence is particularly important when a third-party supports high-risk or critical activities. The guidance underscores the need for monitoring of financial health throughout the relationship.

End-to-End Monitoring

For critical third-parties, end-to-end due diligence is essential. Banks are expected to assess and understand third-parties from selection and onboarding, and then on an ongoing basis. This ongoing monitoring ensures that the third-party can meet both short- and long-term obligations.

Adequate Surveillance

Ongoing monitoring ensures that banks and financial institutions are adequately prepared to respond to issues such as financial deterioration, operational failures, or compliance lapses – and more importantly to prevent them occurring or impacting operations in the first instance. Monitoring must be conducted periodically to ensure risk levels are not increasing.



Key Takeaway

Ongoing financial oversight of critical third-parties is required. RapidRatings' FHR[®] provides banks with the analysis and rating of third-parties during the due diligence and procurement process, and in the ongoing oversight of their financial health.

Partnering with RapidRatings

RapidRatings helps banks meet the financial condition oversight requirements of the Interagency Guidance. Our financial health ratings are based on third-party financial statements and meet Interagency Guidance on managing third-party risk arising from financial health.

How RapidRatings Simplifies Third-Party Risk Assessment

Financial Health Ratings

We gather and analyze the financial statements of private and public third-parties to produce accurate and predictive ratings, reports, and guidance.

Reports and Guidance

Our program supports the management of third-party risk with personalized reports and guidance based on each third-party's financial health.



Ongoing Monitoring & Management

In-platform customizations allow you segment, monitor, and manage cohorts of third-parties according to criticality and your business needs.

Conclusion

The Interagency Guidance on Third-Party Relationships places significant emphasis on the financial condition of critical third-parties.

RapidRatings offers comprehensive financial health analysis of third-parties that help banks fulfill these obligations. Our partnership with multiple leading U.S. banks ensures these institutions can manage third-party risk effectively, safeguard operations, and meet Interagency Guidance and best practice requirements.

If your organization would benefit from RapidRatings' solution, **please schedule a consultation at:**

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