



STATE OF CONNECTICUT  
**DEPARTMENT OF BANKING**  
FINANCIAL INSTITUTIONS DIVISION  
260 CONSTITUTION PLAZA – HARTFORD, CT 06103



**Jorge L. Perez**  
Commissioner

October 12, 2021

Ann E. Misback  
Secretary, Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

James P. Sheesley  
Assistant Executive Secretary  
Attention: Comments-RIN 3064-ZA26  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429

Chief Counsel's Office  
Attention: Comment Processing  
Office of the Comptroller of the Currency  
400 7th Street, SW  
Suite 3E-218  
Washington, DC 20219

**Re: Connecticut Department of Banking Comments on Proposed Interagency  
Guidance on Third-Party Relationships: Risk Management (Docket No. OP-1752;  
FDIC RIN 3064-ZA026; Docket ID OCC-2021-0011)**

To whom it may concern:

The Connecticut Department of Banking (the "Department")<sup>1</sup> submits the following

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<sup>1</sup> We note that the Department is an agency accredited by both the Conference of State Bank Supervisors (CSBS) and National Association of State Credit Union Supervisors (NASCUS). The accreditations issued by CSBS and NASCUS afford the Department with the ability to conduct alternating and joint examinations with our federal agency counterparts, signaling a recognition of the Department's strong examination program. The

comments in response to the request for comments on the Proposed Interagency Guidance on Third-Party Relationships: Risk Management (the “Proposed Guidance”).

We support the efforts to create a uniform framework among the federal banking agencies for banking organizations to consider when managing risks associated with third-party relationships. In the interest of greater uniformity among risk management expectations, we also urge additional collaboration with the National Credit Union Administration (“NCUA”) so that the same framework can be applied to credit unions. Finally, we suggest that any final guidance include additional clarification around the description of “critical activities” to create more certainty for the banking industry.

**The Proposed Guidance laudably creates a more uniform framework and additional collaboration with the NCUA should be pursued in order to apply the same framework to credit unions.**

The Department fully supports efforts to consistently apply a clearly articulated framework for third-party risk management across all banking organizations regulated by the Federal Reserve, FDIC, and OCC. Uniformity of risk management expectations eases regulatory burdens for banks. It also eliminates any potential disparities in charter types by imposing the same framework of third-party relationship risk management, regardless of which agency is a bank’s primary federal regulator. The proposed consolidation of separately issued guidance into a single resource for all banking organizations is a positive development.

In furtherance of the goal of uniformity across the financial services industry, we urge the Federal Reserve, FDIC, and OCC to include the NCUA in discussions regarding the Proposed Guidance. We believe that the entire financial services industry would be better served if expectations regarding third-party relationships were consistent across all types of institutions. The Proposed Guidance is, by and large, comprehensive and provides a strong framework through which a financial institution should assess risks related to its various third-party relationships. Extending the coverage of this framework to credit unions would help promote safety and soundness across the financial services industry. Accordingly, the NCUA should be engaged prior to issuance of final guidance and included in the issuance of any such final guidance so that credit unions are expected to adhere to a similar risk management framework.

**Additional clarification around what constitutes “critical activities” will strengthen the Proposed Guidance.**

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Department’s examiners’ and managers’ significant regulatory experience also includes the supervision of systemically important financial institutions. In addition to banks and credit unions, the Department is also the primary state regulator for the securities and consumer credit industries in Connecticut and the Banking Commissioner administers state banking, consumer credit, and securities laws.

The Proposed Guidance notes that more comprehensive and rigorous oversight and management should occur with respect to third-party relationships associated with “critical activities.” The Proposed Guidance defines “critical activities” as “significant bank functions or other activities that: [(1)] Could cause a banking organization to face significant risk if the third party fails to meet expectations; [(2)] could have significant customer impacts; [(3)] require significant investment in resources to implement the third-party relationship and manage the risk; or [(4)] could have a major impact on bank operations if the banking organization has to find an alternate third party or if the outsourced activity has to be brought in-house.”<sup>2</sup>

We certainly agree with the concept that such activities should receive a heightened level of attention due to the additional risk associated with those activities. However, we suggest that any final guidance provide some further definition regarding the types of activities that are considered “critical.” While we appreciate that such an analysis is fact-specific, greater clarity will reduce the amount of a financial institution’s “guess work” on the issue and reduce regulatory burden. The agencies may want to consider providing illustrative examples in any final issued guidance of types of activities that are considered “critical.” Alternatively, establishing a process whereby an institution can seek the opinion of its respective regulator regarding whether an activity is “critical” could help resolve uncertainty on the issue.

We thank you for the opportunity to comment on the Proposed Guidance and are available to answer any questions and work with the agencies in developing final guidance that clearly and consistently provides a framework for financial institutions to manage risks associated with their third-party relationships.

Sincerely,



JORGE L. PEREZ  
BANKING COMMISSIONER

cc: U.S. Senator Richard Blumenthal  
U.S. Senator Christopher Murphy  
Congressman John Larson  
Congressman Joseph Courtney  
Congresswoman Rosa DeLauro  
Congressman Jim Himes  
Congresswoman Jahana Hayes  
Dan DeSimone, Director of the Governor’s Washington D.C. Office

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<sup>2</sup> 86 FR 38187.