



BMO Quickly Incorporates Pandemic Concerns into its Digital 3rd-Party Risk Management Program

Industry: Financial Services

Geography: North America

Challenges:

- 3rd-Party Risk Management
- Regulatory Compliance
- CSR Program Management
- Pandemic Risk Management

Solutions:

- Suppliers and Risk Management
- Procure-to-Pay

Results:

- 75% Reduction in Cycle Time for 3rd-Party Risk Assessments
- Streamlined Regulatory Compliance
- Centralized 3rd-Party Risk and CSR Data
- Quickly Managed Pandemic Risk

Bank of Montreal (BMO) is one of the largest banks in North America, with total assets of \$987 billion. BMO faces a high bar of oversight across its 3rd-party risk management program, which is even greater now as regulators perform stress-tests to ensure that the pandemic does not disrupt the financial system. Due to its investments in digitizing risk management with the Coupa Business Spend Management (BSM) platform, the bank was able to quickly understand the measures that suppliers and 3rd parties are taking to stay safe and resilient. With this data in hand, the bank's supplier performance and risk teams have been able to respond promptly and easily to inquiries on pandemic preparedness risk.

A Legacy of Innovation in Digital 3rd-Party Risk Management

BMO is a complex, international organization with multiple business units and multiple compliance teams evaluating all types of risk. Over the last 10 years, BMO has worked to fully digitize their processes for managing supplier risk and compliance with regulations and company policy. This effort began with the realization that digital initiatives common across the industry had introduced numerous new suppliers (3rd-parties) who needed highly secure and controlled access to the bank's critical intellectual property and critical data to do their work. Similar initiatives at suppliers to the bank's suppliers (4th parties) could also create risk for the bank if not carefully controlled.

BMO's Twin Mandates of Compliance and Responsibility

BMO's focus on effective 3rd-party management stems not only from its obligations to regulators in the geographies it serves—including guidance from the U.S. OCC, FRB, and others—but also from its internal focus on corporate social responsibility (CSR). The bank runs a variety of programs including innovation initiatives, supplier diversity, and sustainability such as reducing the carbon footprint of its supply chain. Both types of compliance—regulatory and company policy—require suppliers to submit accurate, up-to-date records on their policies and procedures.

A Vision for Digital 3rd-Party Risk Management Across the Supplier Relationship

Under the leadership of Pam Schott, a 20-year BMO veteran and leader of the bank's global Supplier Risk and Performance Management (SRPM) efforts, the bank developed a strategy to centralize and embed digital SRPM across the entire supplier lifecycle. According to this strategy, each engagement with a new supplier starts with a simple, digital, internal questionnaire that allows the business to determine the inherent risk of the engagement, before the actual sourcing process starts. Each engagement with a new supplier also starts with a simple questionnaire, with follow-up questions asked as needed, to eliminate overlapping and duplicative requests from different business units and compliance teams within the bank. All information and documentation is sent automatically for expert validation as needed and automatically scored for risk.

Suppliers are monitored according to risk mitigation plans and reassessed periodically. Embedding an ongoing, accurate picture of 3rd-party risk in the platforms used for sourcing and purchasing at the bank ensures that only pre-vetted suppliers within the bank's predefined, acceptable risk tolerances are engaged and given access to any resources.

Digitizing and centralizing control and record-keeping for 3rd-party risk management helped BMO manage the complexity it faced—as well as unforeseen challenges facing all companies today.

BMO Accelerates Support of the Business, Mitigates Risk

Under Pam's leadership, BMO implemented Coupa to execute on its digital vision for embedding 3rd-party risk management with spending. Now, several years down the road, BMO has seen vast improvements in its ability to quickly vet new suppliers, improving service levels to the business. Even small suppliers such as fin-techs who may not have worked with a large bank before are able to complete the digital process. By reducing supplier vetting cycle times across 600+ assessments per year by nearly 75%, the SRPM team has been able to improve service levels to the business and avoid high-risk workarounds by business leaders frustrated with delays in the process.

Supplier risk and performance management is now institutionalized across BMO. Compliance and risk are integrated across the end-to-end process for sourcing, contracting, and purchasing to let the bank move quickly while protecting its stakeholders. Easy, self-service tools for employees to buy from vetted suppliers have helped to improve buying compliance to meet company benchmarks. Risk and performance are monitored at the appropriate intervals. If there's an issue and a supplier doesn't meet risk or performance standards, the platform enables swift removal of that supplier from further buying.

Central Repository of Risk, Compliance, and CSR Data

The digital platform used to assess compliance and risk mitigation with all 3rd-parties has become a central repository for supplier risk, regulatory, and CSR compliance data serving all parts of BMO's business and all compliance needs. When the bank wants to work with a supplier, they have easy access to data that's already been collected so there's no need to ask the supplier for the same information again.

Preparation for controls and regulator audits is now much easier. Whenever additional data is needed, due to a change in regulation, policy, or outside circumstances, the bank can easily update digital assessment configurations so that new assessments going forward—and reassessments—systematically collect all necessary data.

Addressing Pandemic Challenges in Short Order

The digitally enabled program allowed BMO to stand up the 3rd-party risk aspects of its pandemic response very quickly. The team could understand supplier financial viability risk simply by pulling the latest viability assessment from the global risk repository, or by running new assessments as needed. BMO's team was able to quickly assess how suppliers and 3rd-parties are supporting work-from-home and social distancing requirements by adding a supplemental COVID-19 risk assessment provided from the Coupa BSM community to their digital 3rd-party management program. With the information gathered, BMO has been able to swiftly respond to frequent requests from regulators "pressure-testing" pandemic preparedness.

BMO's Path Forward

As with all companies in today's uncertain times, BMO will continue monitoring pandemic risk closely. In addition, the team will continue working to ensure that all BSM processes are even more tightly integrated, especially around risk mitigation in vendor contracts, utilizing community-powered risk management and predictive monitoring tools.

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“ The maturity of our digital 3rd-party risk program has allowed BMO to adapt quickly to this global pandemic and feel confident in our ability to proactively identify and mitigate potential risk. ”

— **Pamela Schott**,
VP, Global Third-Party Risk
Management & Supplier
Performance, BMO

Find out more about
BMO's Road to Resilience