



AFB PRACTICE WORKSHOP

INTRAGROUP OUTSOURCING AND THIRD-PARTY RISK MANAGEMENT FOR NON-UK BANKS

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Association of Foreign Banks (AFB)

Welcome and session agenda



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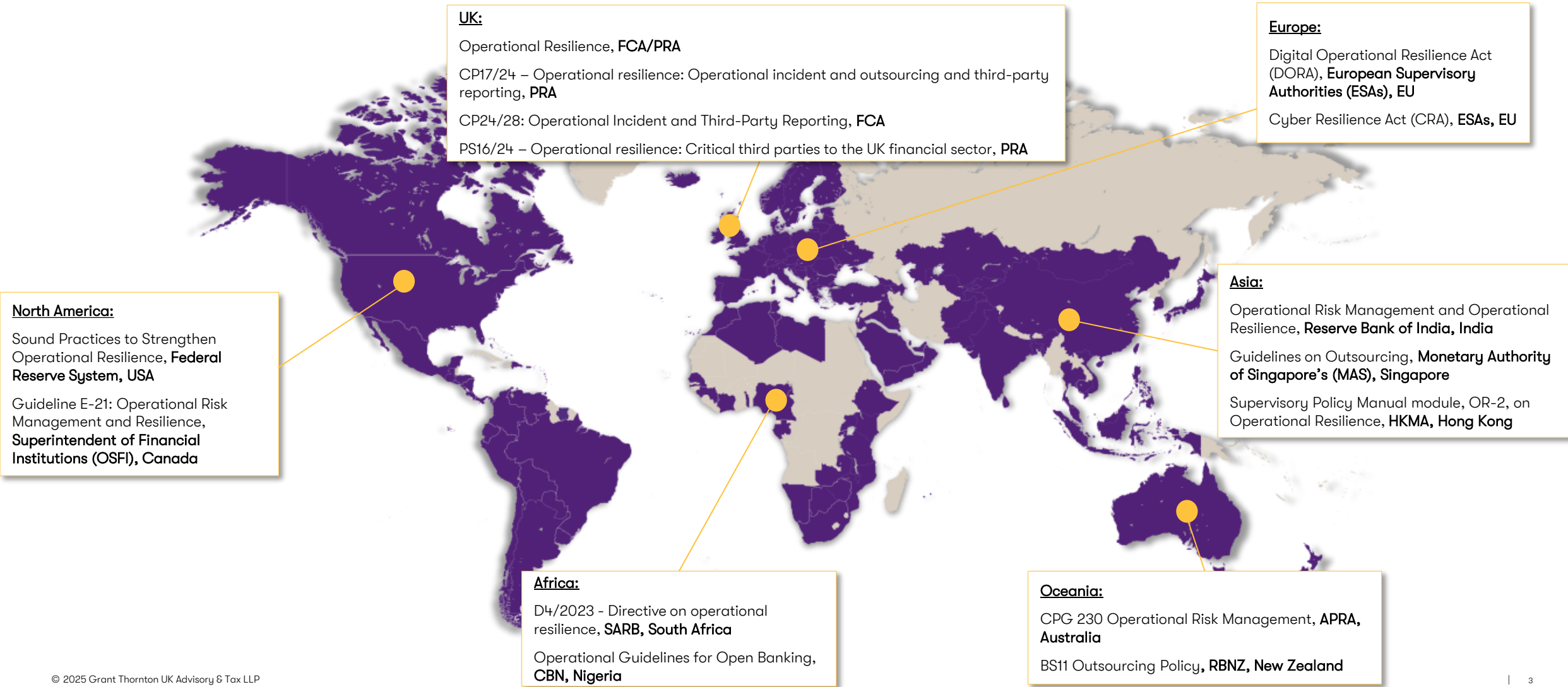
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Agenda:

- Introductions
- Regulatory requirements (a very brief recap)
- The challenges in context
- Table group discussions on themes / challenge areas with playback to the whole group
- Recap and conclusion

The global TPRM and resilience landscape

The evolving global regulatory landscape highlights the ongoing requirements for Financial Services firms to prioritise resilience measures and have a clear underlying framework for compliance, integrating third party oversight and resilience into their operations and organisational culture.



UK regulatory requirements

The UK regulators are clear and consistent on their view of intragroup outsourcing:

PRA SS2/21:

'Intragroup outsourcing is subject to the same requirements and expectations as outsourcing to service providers outside a firm's group and should not be treated as being inherently less risky.'

There is:

- Clear messaging from the regulators
- A clear expectation on approach
- A consistent regulatory interest and focus on this area

In reality this is a particularly challenging area to operate and evidence well.

Proportionality (and practicality)

The regulations also provide scope for proportionality to be applied to services delivered on an intragroup basis. However this has to be appropriate to the level of control and influence that the receiving firm has.

In practice, to achieve this, you need to have:

- A clear understanding of what services are provided and how they support UK legal entity activities
- Appropriately defined criteria for receiving and monitoring services
- Sufficient evidence of monitoring oversight and challenge

This requires:

- A structured approach
- An ability to explain operations and services in UK terms and from a UK entity perspective

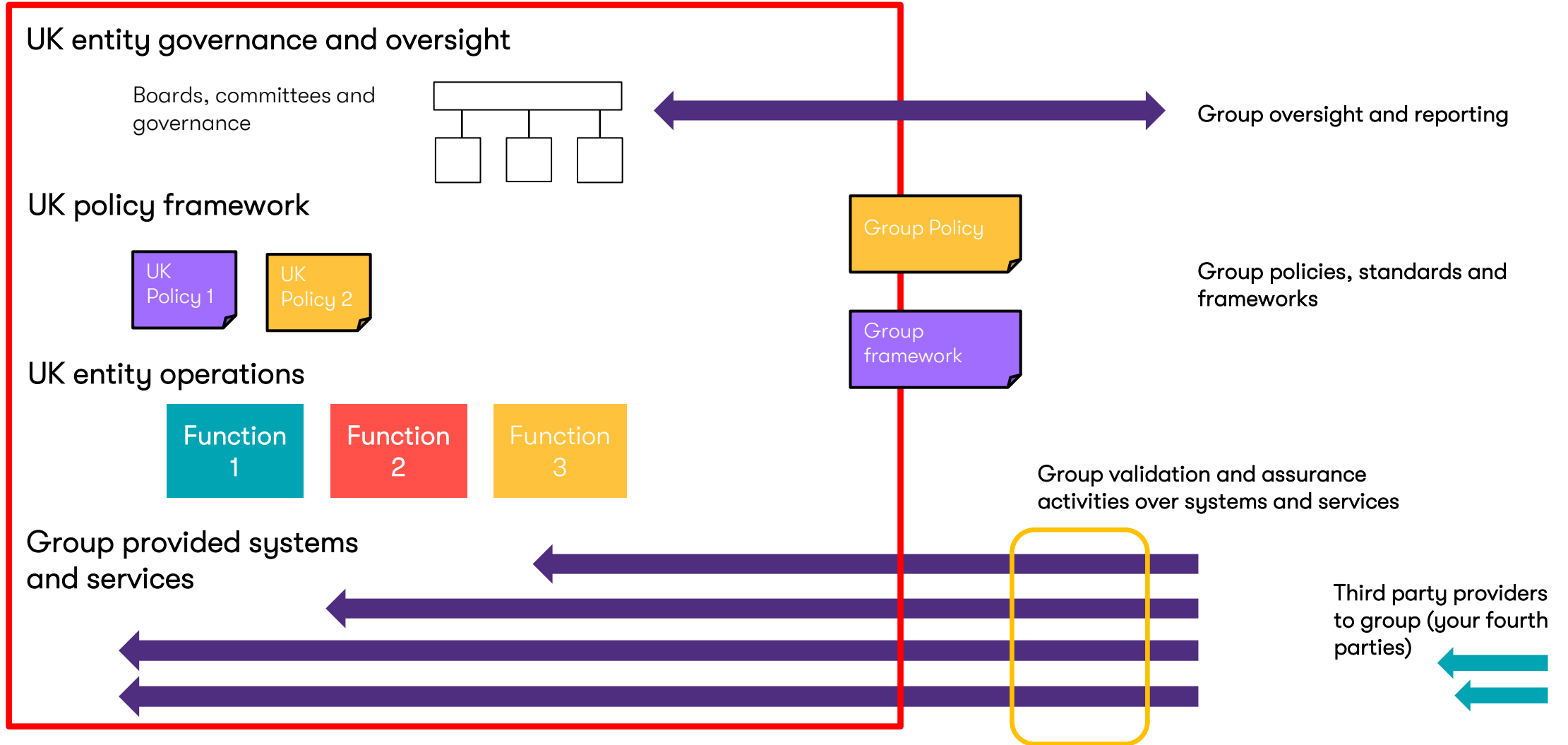
If this is set up and framed effectively you can then build on group activities, approaches and frameworks.

Particular areas of challenge

There are recurring themes that come up consistently in discussions with clients:

- The challenge of overlapping, sometimes inconsistent regulations in different geographies, with different approaches, focus and taxonomy.
- Challenges of group-wide management / administration across service lines or products (rather than regulated legal entities).
- How best to apply group policies and approaches to UK entities.
- Lack of clarity and understanding of responsibilities (between the UK entity and the group).
- Difficulties in relating group services to local entity processes and UK regulatory requirements.
- Inability to challenge / influence sufficiently and escalate effectively.
- How to manage and track remediation of any issues.

Approaching intragroup arrangements



Discussion topic 1 – Accountabilities, policies and frameworks

Discussion points

- *Who in the UK is responsible for oversight of Intergroup Outsourcing?*
- *How do you align to Group approaches (accountabilities, policies and frameworks) and what adjustments have you had to make?*
- *How is this UK responsibility understood and supported at a Group / Head Office level?*
- *Who within your UK entity is able to explain ‘how things work’?*
- *How would you evidence understanding and oversight?*
- *How are you being proportionate in your approach?*
- *What are the biggest problems and challenges that you face? How are you able to address these?*

Discuss this in your table group for 10 mins, we will then share key themes with the overall group

Discussion topic 2– Management and oversight of services supporting key operations

Discussion points

- *What operational and technology services do you receive on an intra-group basis?*
- *How are you able to demonstrate UK entity understanding of services provided to you?*
 - *What oversight / service management is in place?*
 - *How does this relate to the specific business activities and operations that this supports?*
 - *Who gets into the technical detail on your behalf?*
- *How have you considered operational resilience and continuity?*
- *How can you demonstrate effective, proportionate oversight?*

Discuss this in your table group for 10 mins, we will then share key themes with the overall group

Discussion topic 3– Service issues and escalation

Discussion points

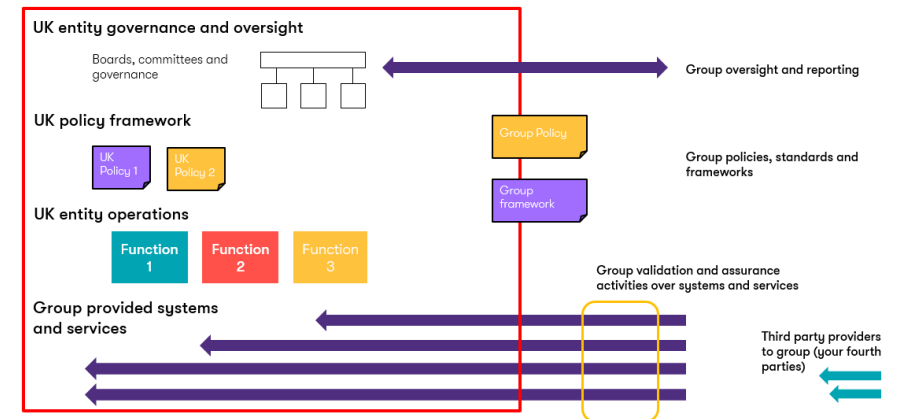
- *How do you identify if services are performing as required?*
- *What processes are in place if required services do not meet requirements?*
- *Is there a defined escalation process?*
- *Who do you communicate with about services and who do you escalate any issues to?*
- *How do you track remediation?*

Discuss this in your table group for 10 mins, we will then share key themes with the overall group

Recap and key takeaways

Making things as structured and straightforward as possible:

- *Clear articulation and ability to explain intergroup services received and how they support the business.*
- *Understanding (and sponsorship) of requirements at a group level.*
- *Reporting against defined criteria with clear escalation paths*
- *Consistent terminology / communication supports informed assessment of central validation and assurance activities.*
- *Processes are in place to highlight issues / gaps / exceptions*



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