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Proposal and Comment Information

Title: Proposed Third-Party Risk Management Guidance, OP-1881

Comment ID: FR-2026-0031-01-C16

Submitter Information

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Please see the attached comment letter on the Proposed Third-Party Risk Management Guidance (Board Docket No. OP-1881; 91 FR 58536). It responds to the agencies' question on whether the final guidance should list characteristics of higher-risk third-party relationships, and recommends including third-party products, services, or data that directly determine reported regulatory capital amounts. I submit this comment as an individual.

October 9, 2026

Office of the Comptroller of the Currency
Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
National Credit Union Administration

Re: Proposed Third-Party Risk Management Guidance, 91 FR 58536 (September 15, 2026)
OCC Docket ID OCC-2026-0793; Board Docket No. OP-1881; FDIC ZRIN 3064-ZA58; NCUA
Docket No. NCUA-2026-1684

To the Agencies:

Summary of comment

I am a quantitative finance professional with experience in regulatory capital forecasting, risk model development, and independent model validation. I am writing as an individual. These views are mine alone and are not offered on behalf of any employer or organization.

This comment responds to one question the agencies ask: whether the final guidance should list characteristics that generally indicate a higher-risk third-party relationship, and which characteristics to include.¹ I support a short, illustrative list. I recommend that it include one characteristic that the Proposed Guidance does not currently address: the third party's product, service, or data directly determines amounts the banking organization reports as regulatory capital, risk-weighted assets, or capital ratios.

What the Proposed Guidance says

The Proposed Guidance makes risk identification and assessment the foundation of third-party risk management. It describes higher-risk relationships as those that could cause a non-trivial violation of law or regulation, material harm to the banking organization's financial condition, or a significant disruption, where there is a material likelihood of that outcome.² It identifies core processing service providers as the relationship most banking organizations are likely to assess as higher risk.³

Software and data providers appear elsewhere in the Proposed Guidance, among third parties that assist with business-line- or product-specific activities.⁴ That grouping fits many such providers. It does not fit a subset whose output flows directly into a banking organization's capital ratios.

Examples include risk-weight and capital calculation software, regulatory reporting software, and data inputs that set a risk weight. The agencies' March 2026 capital proposal would, for instance, base risk weights for certain residential mortgage exposures on loan-to-value ratios, which makes the source of the property value an input to the capital calculation.⁵ In a third-party inventory these can look like routine, product-specific vendors. In effect they determine a number the banking organization is legally required to meet and to report.

Why capital-determining products belong on the list

These relationships meet the Proposed Guidance's own test for higher risk. The test includes a relationship that could cause "an actual non-trivial violation of law or regulation" or material harm to financial condition.² Minimum capital ratios are set by regulation, and banking organizations report them to the agencies on the Call Report and the FR Y-9C.⁶ For insured depository institutions, the ratios

also determine the prompt corrective action capital category.⁷ A third-party error that understates risk-weighted assets overstates every risk-based capital ratio, so it can produce an inaccurate regulatory report and, in a severe case, an unrecognized shortfall against a requirement.

The errors may not be visible. Several of the indicators the Proposed Guidance lists for ongoing monitoring, such as service interruptions, security breaches, data loss, and customer complaints, would not arise from a misapplied risk weight.⁸ Detection depends on testing the output itself. The Proposed Guidance already lists, among monitoring activities, “periodic testing of the third party’s services” in certain circumstances, and this is one of them.⁸

The exposure can be shared across institutions. The Proposed Guidance notes concentration risk where one banking organization relies on one third party for extensive services.⁹ A second form can arise where more than one banking organization uses the same calculation product or dataset. An error in that product would then affect each of them in the same direction at the same time, which is a different risk from one bank’s operational dependence.

Rule changes raise the likelihood. In March 2026 the agencies proposed revisions to the regulatory capital rules, including revised risk weights under the standardized approach.¹⁰ If the revisions are finalized, third-party calculation products would have to be changed to apply them, and changed logic has no performance record at the banking organization. The Proposed Guidance observes that community and mid-size banking organizations “may be particularly reliant” on third-party relationships.⁴

The model risk management guidance may not cover these products. The agencies’ 2026 model risk management guidance addresses vendor and other third-party products.¹¹ Its definition of “model,” however, excludes “deterministic rule-based processes and software” that have no statistical, economic, or financial theory underpinning their design or use, and the guidance is expected to be most relevant to banking organizations with over \$30 billion in total assets.¹² A product that applies the risk weights prescribed in the capital rule to exposure data can fall within that exclusion. For such products, and for smaller banking organizations generally, the third-party risk management guidance may be the principal supervisory guidance on overseeing the calculation.

Suggested change

I recommend that the final guidance include a short list of illustrative, non-exhaustive characteristics of higher-risk relationships, and that the list include third-party products, services, or data that directly determine reported regulatory capital amounts. No single characteristic should decide the classification. The list should inform a banking organization’s judgment, consistent with the principles-based approach of the Proposed Guidance.

I also recommend that the final guidance note that oversight of these relationships can be proportionate and focused on outputs. A banking organization could recalculate a small sample of results independently, or reconcile results after a vendor release or a rule change. A smaller banking organization could do this with simple tools, or share the work through the consortium arrangements the Proposed Guidance describes.¹³

I suggest language along these lines:

“A third-party relationship may warrant assessment as higher risk where the third party’s product, service, or data directly determines amounts that the banking organization reports under regulatory capital or other prudential requirements, such that an undetected error

could result in a material misstatement. For such relationships, a banking organization may find that oversight focused on the accuracy of outputs, such as periodic independent recalculation of a sample of results or reconciliation following changes to the product or to applicable rules, is more effective than oversight focused on the third party's general operations."

Closing

A risk-based framework depends on classifying relationships correctly at the start. Third-party products and data that determine reported capital can cause a regulatory violation or material financial harm without any visible disruption, and the same error can affect more than one institution. Naming this characteristic in an illustrative list, with a note that proportionate output testing is an effective control, would help banking organizations of all sizes direct oversight to where it matters.

I appreciate the opportunity to comment.

Sincerely,

Yetunde F. Adekoya
Tampa, Florida

Notes

1. OCC, Board, FDIC and NCUA, Proposed Third-Party Risk Management Guidance, 91 FR 58536, 58541 n.15 (Sept. 15, 2026) ("Proposed Guidance").
2. Proposed Guidance, Section B.1.iii, "Risk Assessment," 91 FR at 58540.
3. Proposed Guidance, 91 FR at 58540 and n.11.
4. Proposed Guidance, Section A, "Overview" and "Third-Party Relationships," 91 FR at 58539.
5. OCC, Board and FDIC, Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets, 91 FR 15332 (Mar. 27, 2026); FDIC FIL-8-2026 (Mar. 19, 2026).
6. 12 CFR part 3 (OCC); 12 CFR part 217 (Board); 12 CFR part 324 (FDIC); 12 CFR part 702 (NCUA). See Call Report Schedule RC-R and FR Y-9C Schedule HC-R.
7. 12 U.S.C. 1831o.
8. Proposed Guidance, Section B.2.iii, "Ongoing Monitoring," 91 FR at 58542.
9. Proposed Guidance, 91 FR at 58540 n.13.
10. See note 5; OCC, Board and FDIC, Regulatory Capital Rule: Category I and II Banking Organizations, 91 FR 14952 (Mar. 27, 2026).
11. OCC, Board and FDIC, Supervisory Guidance on Model Risk Management, Section VII, "Vendor and Other Third-Party Products" (Apr. 17, 2026) (attachment to Board SR Letter 26-2).
12. Supervisory Guidance on Model Risk Management, Section II, "Purpose and Scope."
13. Proposed Guidance, Section B.2.v, "Cross-Cutting Oversight Topics," 91 FR at 58543.