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Upleveling traditional third-party due diligence: A blueprint for collaborative compliance

By Suzanne Bullitt Monteer

In the complex world of compliance, third-party due diligence stands as a buffer against regulatory pitfalls and ethics violations. Today, many organizations consider third-party due diligence not just as a compliance exercise but as a cornerstone of transparency, showcasing a commitment to accountability and responsible business practices that reinforce stakeholder trust. In a time when trust is linked to profits and innovation, nearly 40% of leaders consider ethical behavior and business practices to be the most important area for building trust in their organizations.^[1]

Still, many organizations take a traditional approach to third-party due diligence, which falls short of operationalizing critical “know your customer” (KYC) and “know your partner” (KYP) compliance requirements. Siloed due diligence processes, combined with scarce resources and budget limitations, leave compliance teams struggling to align on comprehensive customer, partner, and third-party risk reviews. Furthermore, it places an unnecessary burden on a company’s customers, partners, and vendors—managing duplicative requests and excess data gathering.

To meet the needs of modern organizations, we need to evolve due diligence with a broader and more forward-looking approach. A comprehensive KYC/KYP program uplevels traditional third-party due diligence (financial, regulatory, and operational risks impacting suppliers and vendors). It assesses not only baseline supplier and vendor risks but also compliance risks impacting all business relationships across compliance functions, including anti-bribery and anti-corruption, sanctions, trade compliance, and more. A streamlined and cohesive KYC/KYP program identifies current business relationship risks along with predictive compliance risks as organizations, their customers, and their partners grow both organically and inorganically.

This article will provide actionable steps for organizations to mature their existing due diligence programs into a comprehensive KYC/KYP due diligence program that maximizes compliance resources while enhancing program effectiveness.

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