

# Cross-Industry Guidance on Outsourcing



The Central Bank of Ireland recently published draft cross-industry guidance on outsourcing. In this briefing note we discuss some of the main items for firms to consider in this proposed guidance.

## Introduction

The Central Bank of Ireland (CBI) published [Draft Cross-Industry Guidance on Outsourcing](#) ('the Guidance') in February 2021. A [consultation process](#) on this proposed guidance is being run until mid-2021. This follows on from the publication of the '[Outsourcing - Findings and Issues for Discussion](#)' paper in November 2018 and the Outsourcing Conference hosted by the CBI for industry in April 2019.

In the November 2018 paper, significant deficiencies were identified in board awareness and understanding of the extent of the reliance within their firms on outsourced service providers (OSPs). The paper highlighted major weaknesses with regard to the related governance and risk management controls and processes in place across all financial sectors.

In the current consultation process, the CBI reports that, based on their ongoing supervisory engagement, the situation has not changed substantially. While the CBI acknowledges that outsourcing presents significant and wide ranging benefits to regulated firms, it also poses risks if not effectively managed.

This new guidance is proposed to support and complement existing sectoral legislation, regulations and guidelines on outsourcing by setting out aspects of good practice for the effective management of outsourcing risk.

The purpose of the Guidance is:

- To communicate the CBI's expectations with respect to the management of outsourcing risk
- To remind boards and senior management of regulated firms of their responsibilities when considering and utilising outsourcing
- To promote the adoption of standards and good practice

### WHAT IS INCLUDED IN THE DRAFT GUIDANCE PAPER?

A brief summary of the items included in the Guidance is as follows:

- **Introduction** – sets out the CBI's intentions for the adoption of the guidance in a manner that is proportionate to the nature, scale and complexity of a regulated firm's business.

- **Assessment of criticality or importance** – This section sets out the factors that regulated firms should consider when determining if an outsourced function should be deemed critical or important.
- **Intragroup Arrangements** – clarifies the CBI's view that the guidance applies equally to intragroup outsourcing arrangements as it does to arrangements with third party OSPs.
- **Outsourcing and Delegation** – clarifies the CBI's view that outsourcing and delegation are not different concepts. Requirements for delegation arrangements are dealt with in sector specific guidance but the outsourcing guidance would also be relevant.
- **Governance** – sets out the CBI's expectation regarding board and senior management engagement on outsourcing activities including considering their strategy, risk appetite and outsourcing policy.
- **Outsourcing Risk Assessment and Management** – the importance of outsourcing risks assessments is stressed and the guidance lists a number of items to consider as part of risk assessments.
- **Due Diligence** – sets out the CBI's expectation that appropriate due diligence be undertaken prior to entering into an outsourcing arrangement and at appropriate intervals during the lifecycle of the arrangement. It also includes details of some areas that should be captured in this process.
- **Contractual Arrangements & Service Level Agreements (SLAs)** – sets out the key contractual provisions that should be incorporated into written outsourcing agreements and SLAs.
- **Ongoing Monitoring** – highlights the importance of oversight and monitoring and what items to consider when designing the framework for monitoring outsourcing arrangements.
- **Disaster Recovery and Business Continuity Management** – sets out the CBI's expectations regarding oversight of business continuity and disaster recovery related to outsourcing arrangements. It also addresses

having appropriate strategies to exit outsourcing arrangements, should the need arise.

- **Provision of Outsourcing Information to the Central Bank** – this section sets out the proposed requirements for regulated firms to establish and maintain a register of all outsourcing arrangements and the information that such registers should contain. It sets out the CBI's proposals to establish an online regulatory return for submission by regulated firms of their outsourcing registers (on top of existing notification requirements of outsourcing of critical or important functions).

The consultation period concludes on 26<sup>th</sup> July 2021 and following consideration of the submissions received from respondents, the CBI proposes to publish final Guidance during 2021.

More detail is given on each of these topics below.

## 1. Assessment of Criticality or Importance of activity/service to be outsourced

Firms are required to determine what outsourcing is critical or important, however many firms have struggled with this task to date due to a lack of specific guidance. The guidance aims to provide more clarity on this topic.

It points companies to the definition included in the [EBA Guidelines on Outsourcing](#):

*“Functions that are necessary to perform core business lines or critical business functions should be considered as critical or important, unless the institution’s assessment establishes that a failure to provide the outsourced Function or the inappropriate provision of the outsourced Function would not have an adverse impact on the operational continuity of the core business line or critical business function”*

The proposed guidance also states that the CBI expects that regulated firms:

- a) Have a defined methodology for determining the ‘criticality or importance’ of service.
- b) Document the methodology and any related definitions of critical or important in the regulated firm’s outsourcing policy, which should be approved by the board.
- c) Review the methodology/ definition periodically in conjunction with the outsourcing policy.
- d) Periodically review the criticality or importance of outsourcing arrangements throughout the lifecycle as this may vary over time and at different stages.

The guidance includes an appendix with sector specific considerations in this respect, and for the (re)insurance industry it references the Solvency II texts. It also includes some examples of functions or activities that would be considered critical or important including:

- the design and pricing of insurance products
- the investment of assets or portfolio management
- claims handling
- the provision of regular or constant compliance, internal audit, accounting, risk management or actuarial support;
- the provision of data storage;
- the provision of on-going, day-to-day systems maintenance or support;
- the ORSA process.

## 2. Intragroup Arrangements

The CBI reaffirms in the guidance that the same stringent controls are required for both intragroup outsourcing and third party OSPs.

In respect of the assessment of intragroup outsourcing arrangements, the CBI expects that regulated firms:

- a) Apply the same rigor when conducting intragroup outsource risk assessments as for third party OSP assessments
- b) Consider and be satisfied with the extent to which the regulated firm is in a position to exert sufficient influence on the group/or parent entity providing the service
- c) Consider and be satisfied with the application of the appropriate level of prioritisation of any remediation of outsourced services, where service outages may impact the regulated firm and/or the wider group
- d) Ensure that the resolution of any potential conflicts of interest is provided for in the governance arrangements
- e) Assess if policies and procedures applied at group level are fit for purpose at the local Irish legal entity and that these policies and procedures comply with Irish legal and regulatory obligations on the Irish regulated firm.

This is one area in particular that could present challenges for entities if parent Groups and the CBI don’t share a common understanding of how the relationship should operate.

## 3. Outsourcing & Delegation

The Guidance addresses the use of “delegation” in respect of certain instances of outsourcing. This is a more common feature for other regulated entities and not as relevant for (re)insurance entities. The guidance says that, whilst the fulfilment of certain obligations may be conducted by the delegate on the firm’s behalf, the regulated firm remains ultimately accountable. The CBI advises firms to note that “delegation” and “outsourcing” are not considered by the CBI to be different concepts and that the same onerous due diligence, oversight and monitoring as for other outsourcing arrangements apply, and should be demonstrable.

## 4. Governance

### 4.1 THE ROLE OF THE BOARD AND SENIOR MANAGEMENT

The board and senior management of regulated firms cannot outsource their responsibilities and are ultimately accountable for the effective oversight and management of outsourcing risk within their business. This includes ensuring that the appropriate structures are in place to facilitate a comprehensive view and oversight of their outsourcing universe. Such oversight is a key element in assisting boards of regulated firms to address their responsibilities with regard to the security and resilience of service provision.

Duties include items such as having outsourcing policies, appointing an individual responsible for outsourcing, maintaining outsourcing registers, receiving reporting on OSPs and maintaining sufficient knowledge in-house amongst other items.

### 4.2 STRATEGY AND POLICY FOR OUTSOURCING

It is important that regulated firms consider their overall approach and strategy in relation to outsourcing and how it aligns with their overall business model, strategy and risk appetite. This is particularly important in order to inform board awareness and provide context for control of the regulated firm’s outsourcing universe.

The guidance sets out a number of items to be considered in three key documents for the entity in relation to outsourcing:

- Outsourcing strategy
- Risk appetite
- Outsourcing policy

The lists of what these documents should cover, as provided by the CBI in the proposed guidance should form part of your checklist when updating each of these documents and then procedures should be aligned accordingly.

### 4.3 RECORD KEEPING (DOCUMENTATION REQUIREMENTS - REGISTER/S)

Firms will be expected to maintain a database/register of outsourcing to facilitate centralized oversight and management of all outsourcing arrangements.

The CBI will also require the provision of outsourcing registers to the regulator on a regular basis. Further details of this are included below in Section 10 below.

### 4.4 OUTSOURCING OF RISK MANAGEMENT AND INTERNAL CONTROL FUNCTIONS

One of the key risks related to outsourcing of risk management and or internal control functions is loss of visibility and control and therefore specific guidance is provided for outsourcing these roles or tasks. This entails extra consideration, oversight and demonstration of oversight for outsourcing of such roles.

## 5. Outsourcing Risk Assessment & Management

Comprehensive risk assessments are a key tool in enabling appropriate and adequate oversight of outsourced activities.

When developing their outsourcing risk management framework and conducting outsourcing risk assessments, the CBI expects that regulated firms:

- a) Ensure outsourcing is captured in the wider risk management framework and risk register
- b) Conduct comprehensive risk assessments. These should be done:
  - a. Prior to entering into any proposed outsourcing arrangement.
  - b. Periodically based on a defined schedule for existing arrangements
  - c. Following any relevant change in circumstances, scope or level of dependency or following deficiencies in the level of service
  - d. Following changes to the legal or regulatory environment
- c) Ensure that outsourcing risk assessments are tailored to take account of specific risks associated with outsourcing including but not limited to Sub-outsourcing risks, Sensitive data risks, Concentration risks and Offshoring risks. Each of these is discussed further below.
- d) Consider and document the controls to be put in place to minimise exposure to any risks identified and that these controls and the mechanism for monitoring their

effectiveness, are reflected in the relevant outsourcing contracts and SLAs.

- e) Regularly review outsourcing arrangements, (especially critical or important arrangements).

### 5.1 SUB-OUTSOURCING RISK

Sub-outsourcing adds further complexity and can often make it harder to manage outsourcing risk. To better manage this risk, firms should, amongst other things:

- a) Define their appetite for sub-outsourcing as part of the outsourcing policy
- b) Address sub-outsourcing in contracts and monitoring arrangements (for intra group arrangements too)
- c) ensure that sub-outsourced service provider are managed by the original service provider to a level to ensure the fulfilment of all services in line with the original outsourcing contract and relevant SLAs
- d) For critical or important functions there may be a need for direct or look through monitoring of the sub-outsourcer.
- e) Ensure the sub-outsourcer agrees to comply with the relevant laws, regulatory requirements and contractual obligations
- f) Ensure the sub outsourcer agrees to provide the regulated firm and the CBI the same contractual rights of access and audit as those granted by the primary OSP

### 5.2 SENSITIVE DATA RISK

Outsourcing generally involves the handling of a regulated firm's data by a third party and specific controls are needed to manage this risk. Firms should consider a number of items including:

- a) Location of data
- b) Termination provisions regarding data
- c) Defining standards and requirements for recovery, security, backup and encryption measures
- d) GDPR requirements, especially when data is leaving the EU/EEA area

### 5.3 DATA SECURITY – AVAILABILITY AND INTEGRITY

The CBI expects regulated firms to ensure implementation of appropriately designed and operationally effective controls for data-in-transit, data-in-memory and data-at-rest whether the controls are implemented by the regulated firm or an OSP on the regulated firm's behalf. These controls should include a mix of preventative and detective measures.

Backup arrangements must ensure data is ring-fenced offline and protected against corruption.

### 5.4 CONCENTRATION RISK

Concentration risk can arise where a regulated firm develops a dependency on a single or small number of OSPs for the provision of critical or important activities or functions. It can also arise at a sectoral level where there are a limited number of providers for a sector or across sectors thus giving rise to problems of substitutability. This is a growing concern regarding large suppliers of IT and cloud services where many firms rely on the same provider.

A reliance on these providers can emerge directly or indirectly through sub-outsourcing.

Companies should ensure the risk management framework takes a holistic view to capture concentration risk. Critical or important functions should be assessed to consider any internal concentrations, any industry concentrations and whether there is a lack of substitutability. The proposed guidance includes a number of specific considerations in this regard.

### 5.5 OFFSHORING RISK

Outsourcing to offshore jurisdictions is another specific consideration to consider. The Board or senior management should have an active role in such decisions. Country risk assessments should be conducted and minimum standards be put in place. Particular attention should be given to differences in local approach in situations where there is insolvency, termination or recovery & resolution.

The CBI notes that the offshoring of activities may be restricted if for instance supervision is severely constrained or non-existent in the proposed location. Where such issues may arise the onus is on companies to inform the CBI of this and also to assess the criticality or importance of this outsourcing at an early stage so the regulator can input on the process.

## 6. Due Diligence

The CBI expects that due diligence reviews will be conducted in respect of all prospective outsourcing arrangements (including intragroup). The level of due diligence can be appropriate and proportionate to the arrangement.

A detailed list of items to consider as part of the due diligence was provided, including at a minimum:

- a) Basic information on provider's nature and business model
- b) Long term relationship with providers that have already been assessed and provide existing services to the firm

- c) Intragroup arrangements
- d) GDPR compliance
- e) Regulatory authorisations
- f) Capacity to adapt to innovation in sector
- g) Business reputation (e.g. compliance records, history of complaints)
- h) Financial performance
- i) Potential conflicts of interest
- j) Effectiveness of risk management and controls.

A second list of items to consider was also provided which included substitutability, concentration risk, managerial skills, insurance coverage and alignment of risk appetites amongst other items.

General good practices should be considered to ensure the providers acts in an ethical and socially responsible manner.

As noted elsewhere in the guidance, reviews should be conducted at outset, periodically throughout the lifecycle and following any material changes. Due diligence should also be conducted prior to expiry of key contracts to inform decisions on whether to renew or not.

## 7. Contractual Arrangements and Service Level Agreements (SLAs)

The CBI expects that arrangements with OSPs are governed by formal contracts or written agreements, preferably that are legally binding. These should be supported by SLAs. Intragroup arrangements should be implemented at a minimum, by way of written agreements supported by SLAs. The adherence of providers to contracts, written agreements and SLAs should be monitored by the regulated firm.

### 7.1 GENERAL REQUIREMENTS

The CBI expects that, with regard to the contract or written agreement (and associated SLAs) governing the provision of critical or important functions or services, these should be resolution resilient and set out in line with EBA Guidelines on Outsourcing.

A detailed list of items to consider as part of the SLA and monitoring is provided. Items on this list range from basic information such as a clear description of the services, start and end dates and financial obligations to more onerous and detailed requirements such as termination rights and exit strategies, obligations to cooperate with the CBI, the right to test business contingency plans and whether the provider must take out mandatory insurance against certain risks.

### 7.2 TERMINATION RIGHTS

The contract or written agreement should expressly allow the possibility for the regulated firm to terminate the arrangement in certain circumstances such as material changes to the services, regulatory breaches, weaknesses regarding management of data or where directed to terminate by the CBI.

Written contracts should allow for the possibility of termination and have clauses related to the transfer to another OSP or recapture of the activity back in-house.

### 7.3 ACCESS, INFORMATION AND AUDIT RIGHTS

Contracts should ensure access by internal audit, external auditors and regulators. This is particularly relevant for regulated firms outsourcing critical or important functions. The access for regulators includes full access to all relevant business premises, systems and data.

The CBI expects firms to exercise the audit rights in the contract and have a schedule of when audits will be conducted.

### 7.4 REVIEW OF AGREEMENTS

Periodic reviews of agreements are again recommended. These could be scheduled or triggered by for example, changes to the business model, results from risk assessments or by regulatory changes.

Any reviews should also be scheduled in sufficient time in advance of renewals or termination dates to ensure smooth transitions or continuity of service.

### 7.5 NON-CRITICAL OR IMPORTANT OUTSOURCING ARRANGEMENTS

Whilst the guidance doesn't indicate in all places which parts apply for critical or important functions only, it does state that written agreements for non-critical or less important outsourcing arrangements should include appropriate contractual safeguards to manage relevant risks and should ensure that outsourcing agreements/contracts do not impede or limit the CBI's ability to effectively supervise or audit the regulated firm or its outsourced activity, function or service.

## 8. Ongoing Monitoring and Challenge

Regulated firms are expected to incorporate outsourcing assurance into all three lines of defence.

### 8.1 MONITORING OF OUTSOURCING ARRANGEMENTS

Regulated firms are expected to put in place appropriate mechanisms to oversee, monitor, and assess the appropriateness and performance of their outsourced arrangements. Such mechanisms will generally be executed by the first line of defence with oversight and challenge through the second line in terms of performance against standards and effective management of the risk. Firms should consider:

- a) Having sufficiently skilled staff to effectively monitor and challenge outsourcing activities
- b) Identifying key decision makers
- c) Applying a risk-based approach and the use of reports, SLAs, KPIs (Key Performance Indicators), KCIs (Key Control Indicators) and on site reviews.
- d) Ensure steps are taken to address any issues identified and escalating problems as necessary
- e) Incorporating assurance testing as part of the risk management and compliance programmes.

### 8.2 INTERNAL AUDIT & INDEPENDENT THIRD PARTY REVIEW

Governance and controls for outsourcing activities should also be in scope for internal audit. In some instances there may be a need for independent third party review (if for instance the skills were not within the internal audit team to conduct appropriate reviews).

A risk-based approach should be adopted. Some potential areas for review are listed including appropriate classification of important and critical outsourcing, outsourcing register being maintained, effectiveness of risk assessments, monitoring and Board oversight.

### 8.3 USE OF THIRD PARTY CERTIFICATIONS AND POOLED AUDITS

Pooled audits, independent third party reports and certifications provided by the OSP may be used as part of the monitoring and audit process. Firms must ensure such audits meet their needs and assess the situations where this approach is appropriate.

## 9. Disaster Recovery and Business Continuity Management

The CBI stresses the importance of disaster recovery (DR) and business continuity management (BCM) for any outsourcing arrangement.

It is important that there is close alignment of the DR/BCM arrangements of regulated firms and those of their outsource OSPs, particularly where the OSP is involved in the delivery of critical or important functions and their related systems and data.

The CBI again provide a list of items to consider when designing and implementing DR and BCM plans. This includes items such as considering these aspects before entering arrangements, creating “safe harbor” backups for cloud outsourcing, testing, reviews and considering operation of BCM during recovery and resolution.

### 9.1 EXIT STRATEGIES

Firms should understand exit costs, the arrangements to be initiated and the legal and operational risk implications in the event of the termination of outsourcing contracts. This should be considered under numerous scenarios such as failure or expected failure of OSP, insolvency or takeovers.

A detailed list of items to consider is provided touching on a broad range of topics including amongst other items:

- Documentation
- Substitutability
- Reintegration
- in-house skills
- contingency for interim periods between invoking an exit strategy and the ultimate transfer
- estimates on costs
- “step-in” scenarios
- periodic reviews of exit strategies and
- application for cloud outsourcing.

## 10. CBI Reporting

The CBI has proposed a new reporting regime surrounding outsourcing arrangements.

At present, the CBI expects to be informed, by way of Notifications, by all firms in respect of proposed “critical or important” outsourcing arrangements as required under various existing guidance and requirements. This would continue but is supplemented with a more structured process and the submission of an outsourcing register to the CBI.

A draft template for the outsourcing register, as provided by the CBI, is included in an appendix to this briefing note. Companies would need systems and process in place to regularly collect this content for submission.

### 10.1 NOTIFICATIONS & REPORTING

#### 10.1.1 Timing and Content of Notifications

The CBI requires timely notification of planned critical or important outsourcing arrangements and of material changes to existing critical or important outsourcing arrangements. The CBI expects Notifications of proposed critical or important outsourcing arrangements to include, at least, the information specified in paragraph 54 of the EBA Guidelines on Outsourcing as well as any additional information required by sectoral guidelines applicable.

The CBI expects regulated firms to assess the criticality or importance of proposed outsourcing arrangements at an early stage such that they can inform (by way of notification to) and engage in dialogue with the CBI in sufficient time to permit appropriate supervisory consideration of the risks associated with the proposal.

This is particularly stressed for outsourcing to offshore jurisdictions. The onus is on regulated firms to inform the CBI of circumstances where supervisory issues may arise before committing to any offshoring arrangements in respect of the outsourcing of critical or important functions or services.

#### 10.1.2 Supervisory Response to Notifications

The CBI reminds entities that it may respond to notifications if there are concerns or perceived risks.

Firms may be requested to provide additional information, enhance its due diligence review, or amend contracts to ensure regulatory compliance.

#### 10.1.3 Reporting of Adverse Incidents etc.

The CBI also expects reporting when the following occur in respect of outsourcing arrangements:

- a) Matters/events giving rise to a significant change to the outsourcing aspects of the business model;
- b) When a material event occurs, which affects the provision of critical or important services by an OSP;
- c) When material breaches of contractual arrangements or SLAs arise which affects the regulated firm in the conduct of its regulated services or adversely affects customers/consumers.

### 10.2 MAINTENANCE AND SUBMISSION OF REGISTERS

The CBI expects that each regulated firm will establish and maintain an outsourcing register. This includes information on each individual arrangement, risk management information and summary information at a Company level.

An example template has been provided by the CBI which is included as an appendix to this briefing note.

The submission of the data contained in the Registers (Databases) of firms will be by way of a periodic Regulatory Return. The frequency and timing of such returns will be specified to sectors by way of an Industry Letter

## Conclusion

The CBI flagged to industry in late 2018 that they were unhappy with the management and governance of outsourcing arrangements. Progress in this space to date has been slow and this new guidance is a clear response to this.

The new guidance is more prescriptive and introduces more onerous requirements. Some companies will already be in line with aspects of the guidance but it is likely that almost all entities will need to improve some areas of their processes, and for some companies the improvements and change will be large and across the board.

Outsourcing delivers huge benefits to many firms in Ireland – providing access to expert knowledge and skills or helping to manage costs. This extra layer of governance and risk management will help companies to manage the risks associated with outsourcing, but the challenge will be to implement these changes in a way to reap the rewards of outsourcing and control risks whilst not creating a tedious and cumbersome compliance exercise.

## How Milliman can help

We are working with our clients to help improve their processes and policies to better manage outsourcing arrangements.

Milliman has developed an [Outsourcing Compliance Tool](#) which provides simple and cost-effective way to help (re)insurance companies stay on top of their outsourcing arrangements, and to evidence this to key stakeholders including auditors and regulators.

If you are interested in discussing this, or any aspect of your risk management and governance please contact the authors below or your usual Milliman consultant.

| Outsourced Providers  |     |         |         |     |
|---|-----|---------|---------|-----|
| All data [Filter] [Delegate] [More]   |     |         |         |     |
|   |     | 91%     | 6%      | 10% |
| <b>3. MONITORING &amp; RESPONSIBILITY</b>   |     |         |         |     |
| 3.1. Have monitoring arrangements been implemented in relation to this outsourcing?   | 67% | Partial | Partial | Yes |
| 3.2. To what extent does the Service Level Agreement outline the roles and responsibilities of the person in charge of the outsourcing?       | 83% | 3 -     | 2 -     | 3 - |
| 3.3. To what extent will the person in charge of the outsourcing be monitoring the service delivery performance to determine if the service   | 83% | 3 -     | 2 -     | 3 - |
| 3.4. To what extent will performance short falls be addressed with the service provider and will this be conducted in a timely manner?        | 67% | 2 -     | 2 -     | 3 - |
| 3.5. Have necessary steps to ensure adequate access and cooperation from outsourced providers with the Company, auditors and supervisors been | 83% | Partial | Yes     | Yes |

Fig1: Sample dashboard from Outsourcing Compliance Tool

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Milliman maintains a strong and growing presence in Europe with 250 professional consultants serving clients from offices in Amsterdam, Brussels, Bucharest, Dublin, Dusseldorf, Isle of Man, London, Luxembourg, Madrid, Milan, Paris, Warsaw, and Zurich.

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## Appendix - Sample for Guidance on Content and Completion of Register/Database and CBI Regulatory Return<sup>1</sup>

| Key Elements                      | EBA Guidelines Reference  | Guidance for Firms  |
|-----------------------------------|---|---|
| <b>All Outsourcing Agreements</b> |   |   |
|                                   | Para 54(a) A reference number for each outsourcing arrangement.   | Suggest form of unique identifier   |
|                                   | <p>Para 54(b) – the start date and, as applicable, - the next contract renewal date, - the end date – and/or notice periods for the service provider and for the institution.</p> <p>For Fund Administrators the date when permission granted and the “Go Live” date</p>  | <p><b>Report dates in a YYYYMMDD format</b></p> <p>Start Date<br/>End Date<br/>Notice Period (In months)<br/>Contract Renewal Date</p> <p>(Blank Fields will be interpreted as Not Applicable)</p>  |
|                                   | <p>Para 54(c) A brief description of the outsourced function (See EBA Spreadsheet for sample list of functions and activities), including the data that are outsourced and whether or not personal data (e.g. by providing a Yes or No in a separate data field) have been transferred or if their processing is outsourced to a service provider.</p> <p>The Guidance on Outsourcing for Fund Administrators requires:</p> <p>Details of Final NAV Model and the Funds which utilise the arrangement</p> | <p>Firms to describe the function in 250 characters.</p> <p><b>Personal Data</b> - Y/N</p>  |
|                                   | Para 54(d) A category assigned by the institution that reflects the nature of the function as described above (e.g. information technology (IT), control function), which should facilitate the identification of different types of arrangements.  | <p><b>Category</b></p> <p>Reference: For consistency - See EBA Register Template - Spreadsheet</p>  |
|                                   | Para 54(e) – the name of the service provider – the corporate registration number – the legal entity identifier (where available) – the registered address – other relevant contact details, and – the name of its parent company (if any).   | <p><b>Use a standard legal entity identifier.</b></p> <p>Possibilities include:<br/>LEI</p> <p><b>The category of the outsource service provider (OSP) should be defined i.e. :</b></p> <ul style="list-style-type: none"> <li>• TPV</li> </ul> |

<sup>1</sup> The content of the Template is based on the requirements for EBA Guidelines on Outsourcing /GL/2019/02, EIOPA Cloud Outsourcing Guidelines and ESMA 50-157-2403 Guidelines for Outsourcing to Cloud Service Providers.

|  |  |   |
|--|--|---|
|  | <p>Is the OSP a regulated entity Y/N - If Y then who is the Regulator</p>  | <ul style="list-style-type: none"> <li>• Sub-outsourcer</li> <li>• Intragroup</li> <li>• Fintech Firm</li> <li>• Partnership</li> </ul> <p>Regulated Entity Y/N if Yes</p> <p>Name of Regulator</p>   |
|  | <p>Para 54(f) The town/city and country or countries where the service is to be performed, including the location (i.e. country or region) of where the data is located.</p> <p>Consider:</p> <p>Is there sensitive business or customer data at risk?</p> <p>Is the data being offshored outside the EU/EEA area?</p> | <p><b>If the answer is Yes to either question then details should be provided.</b></p> <p>Locations should specify Country<sup>2</sup> and Town/City where service is performed and where data is stored and processed.</p> <p><b>Service Performed:</b><br/>Countries should be specified by using naming convention i.e., ISO 3166-1 alpha-2 code.</p> <p><b>Data Stored and Processed:</b><br/>Countries should be specified by using naming convention i.e., ISO 3166-1 alpha-2 code.</p> |

|  |   |  |
|--|---|--|
|  | <p>Para 54(g) – Is the outsourced function ‘critical’ or ‘important’? Include a brief summary of the reasons/criteria why it’s considered critical or important or not.</p>   | <p><b>Critical or Important - Y/N</b></p> <p>Firms to describe why function/service is deemed critical or important in 250 characters - Referencing EBA or other regulatory criteria.</p>  |
|  | <p>Para 54(h) – in the case of outsourcing to a cloud service provider, the cloud service and deployment models, i.e. public/private/hybrid/community, - the specific nature of the data to be held – and the locations (i.e. countries or regions) where such data will be stored.</p> | <p><b>Cloud Services</b></p> <p><b>Deployment Model:</b></p> <ul style="list-style-type: none"> <li>• Public</li> <li>• Private</li> <li>• Hybrid</li> <li>• Community</li> </ul> <p><b>Location of Data:</b><br/>Countries should be specified by using naming convention i.e., ISO 3166-1 alpha-2 code.</p> <p><b>Nature of Data:</b><br/>Firms to summarise the specific nature of the data being held in 250 characters.</p> |

<sup>2</sup> ISO 3166-1 alpha 2 code - The purpose of ISO 3166 is to define internationally recognized codes of letters and/or numbers that we can use when we refer to countries and their subdivisions. This should be used by firms to ensure a consistent naming convention throughout the Register.

The code and listings are available at: <https://www.iso.org/iso-3166-country-codes.html>

|   |  |   |
|---|--|---|
|   | Para 54(i) the date of the most recent assessment of the criticality or importance of the outsourced function.   | <b>Report dates in a YYYYMMDD format</b><br><b>Date of Assessment:</b>  |
| <b>Critical or Important Outsourcing Arrangements</b> |  |   |
|   | Para 55(a) the firms within the scope of the prudential consolidation, where applicable, that make use of the outsourcing.   | <b>Link to firms' FRN</b> or other identifier if based outside Ireland.   |
|   | Para 55(b) whether or not the service provider or sub-service provider is part of the group or is owned by firms within the group.   | Y/N<br><br><b>Relationship details:</b><br>Firms to describe the relationship in 250 characters.  |
|   | Para 55(c) the dates of the most recent due diligence and risk assessments conducted including those involving services provided by sub-outsourcing providers and a brief summary of the main results.   | <b>Report dates in a YYYYMMDD format</b><br><b>Due Diligence Date:</b><br><b>Risk Assessment Date:</b><br><br>Firms to summarise due diligence / risk assessment results in 250 characters.   |
|   | Para 55(d) the individual or decision-making body (e.g. the management body) in the institution that approved the outsourcing arrangement.   |   |
|   | Para 55(e) the governing law of the outsourcing agreement.   |   |
|   | Para 55(f) the dates of the most recent and next scheduled audits, where applicable (to include reviews conducted by the regulated firm itself, its internal audit function and/or any independent third party reviews).   | <b>Report dates in a YYYYMMDD format.</b>   |
|   |  |   |
|   | Para 55(g) - the names of any sub-contractors to which material parts of a critical or important function are sub-outsourced, including: - the country where the sub-contractors are registered, - where the service will be performed, and - the location (i.e. country or region) where the data will be stored. | <b>Use a standard legal entity identifier.</b><br><br>Possibilities include:<br>LEI<br><br>Use standard country names and internationally recognised three letter identifiers.<br>Country of registration:<br>Country where service is performed: |

|  |  |   |
|--|--|---|
|  |  | Country where data is stored:   |
|  | <p>Para 55(h) - the outcome of the assessment of the service provider's substitutability (e.g. easy, difficult or impossible)</p> <p>- the possibility of reintegrating a critical or important function into the institution</p> <p>OR</p> <p>- the impact of discontinuing the critical or important function.</p> | <p>Firm to name possible substitute.<br/>or<br/>Firms to summarise in 250 characters why 'difficult' or 'impossible' if chosen.</p> <p><b>Reintegration possible Y/N</b></p> <p>Firms to describe in 250 characters the impact of discontinuing the function.</p> |
|  | Para 55(i) identification of alternative service providers in line with the point above.   | <b>Legal entity name should be used consistently throughout response.</b>   |
|  | <p>Para 55(j) whether the outsourced 'critical or important function' supports business operations that are time-critical.</p> <p>'Time-critical' needs defining in Firm's Outsourcing Policy.</p>   | <p><b>Tie the definition of 'Time Critical' to Impact Tolerances.</b></p> <p>– These should be referenced in the firms Outsourcing Policy</p>   |
|  | Para 55(k) the estimated annual budget cost.   |   |
|  | A record of terminated arrangements for an appropriate retention period.   | <p>Free text list of most recent terminations with dates</p> <p>Report dates in a YYYYMMDD format.</p>  |
|  | <p>Confirmation and Dates of testing of firm's business continuity plans.</p> <p>The testing of these plans needs to be integrated into/coordinated with the firm's BCM arrangements.</p> <p>The status of the testing of these arrangements should be logged and tracked in the register/database</p>               | <b>Report dates in a YYYYMMDD format.</b>   |
|  | Confirmation and Dates of testing of OSPs business continuity plans  | <b>Report dates in a YYYYMMDD format.</b>   |
|  | <p>Confirmation and Dates of testing of firm's Exit Strategies.</p> <p>The review and testing of Exit Strategies should be documented in the database / register</p>   | <p><b>Report dates in a YYYYMMDD format.</b></p> <p><b>Review of Exit Strategy</b><br/>Date:</p> <p><b>Testing of Exit Strategy</b><br/>Date:</p>   |
|  |  |   |

| Additional Data required by the CBI to be retained and documented <sup>3</sup><br>- All Outsourcing Arrangements | General Information   | Guidance for Firms  |
|--|---|---|
|  | Total number of outsourced service arrangements in place                          | <b>Number</b><br><br>This should include all critical or important arrangements and non-critical or important whether with external Third Party Vendors (TPVs) or Intragroup arrangements |
|  | Total number of "critical and or important" outsourced arrangements in place.     | <b>Number</b>   |
|  | Total number of arrangements with Cloud Service Providers (CSPs)                  | <b>Number</b>   |
|  | Does the firm have an Outsourcing Risk Management Framework in place?             | Y/N   |
|  | Does the firm have an Outsourcing Policy in place?                                | Y/N   |
|  | Is the Outsourcing Policy approved by the Board?                                  | Y/N   |
|  | Does the firm provide outsourcing services to other regulated firms? <sup>4</sup> | Y/N<br><br>If yes then provide a brief description, in 250 characters, of the services provided and to whom.  |
|  | Are Contracts / Written Agreements supported by SLAs?                             | Y/N   |

<sup>3</sup> Suggested additional data to be retained in the firm's register/database in order to complete the CBI Regulatory Return.

<sup>4</sup> This is to assist CBI understand cross-firm, cross-sector and cross-industry concentrations.