



Banc Ceannais na hÉireann  
Central Bank of Ireland

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Eurosystem

# Guidance Document for Cross Sector Survey of Regulated Firms on Outsourcing Activities – Market Firms

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### **1. Background**

The Central Bank of Ireland (“Central Bank”) is conducting a Cross Sector Survey of Regulated Firms on Outsourcing Activities (“the Survey”). The responses to the Survey will facilitate the Central Bank in obtaining a holistic view of outsourcing arrangements, including associated risks, across all regulated sectors at a point in time. The Survey data will assist the Central Bank in ascertaining the extent, nature, concentration and complexity of outsourcing arrangements and emerging trends from a cross sectoral perspective. This information will be used to inform supervisory engagement and possible future policy formulation on outsourcing.

This Survey is being issued to all firms in the banking, markets, insurance and payments sectors that have a PRISM impact categorisation of High, Medium-High or Medium-Low (or in the case of banks, those designated as Significant Institutions or Less Significant Institutions).

The Central Bank will not report or publish any firm-specific information. The Central Bank may communicate high-level findings and/or aggregate data that does not identify specific firms.

### **2. Timeline and mechanism for submitting responses**

Firms are requested to submit the completed Survey by close of business Friday 17<sup>th</sup> November 2017 to their Firm Supervisor at the Central Bank and copy the mailbox

[outsourcing\\_survey@centralbank.ie](mailto:outsourcing_survey@centralbank.ie)

The Central Bank requests that all completed Surveys take the following file naming convention as an identifier for their completed form upon receipt:

**“Outsourcing Survey\_[Firm CBI code]\_[M/B/I/P]\_date[DDMM2017]”**

- **Outsourcing Survey** – to identify that it is the completed Survey being received.
- **CBI code** – to identify the Regulated Firm submitting the Survey.
- **M/B/I/P** – Sector category to identify the sector the Survey has been received from, i.e. **Markets, Banking, Insurance or Payments** institution.
- **Date** – Date of submission

### **3. Where do I go if I need further information?**

These guidance notes are designed to aid the completion of each section of the Survey. Any further queries in relation to the completion/submission of the Survey should be directed to your Supervisory Contact at the Central Bank and copy the mailbox

[outsourcing\\_survey@centralbank.ie](mailto:outsourcing_survey@centralbank.ie).

#### **4. Guidance Notes**

##### **4.1 *Overview of the Survey Sections***

The Guidance notes are designed to aid firms to complete each section of the Survey, notably:

- Section 0: Firm Information;
- Section 1: Details on Outsourced Services;
- Section 2: Materiality/Concentration Assessment;
- Section 3: Contractual Arrangements;
- Section 4: Contingency Planning; and
- Section 5: Oversight and Assurance

##### **4.2 *Firm Information***

General firm information is provided in this section of the Survey, including:

- The name of the regulated firm submitting the completed Survey. The legal entity name is required for the purpose of this Survey.
- The CBI code of the Regulated Firm.
- Date of submission of the completed Survey. Firms are required to submit the Survey to their Supervisor by Friday 17<sup>th</sup> November 2017.
- This section of the Survey also requests the name, title and contact details of the person/function submitting the completed Survey on behalf of the Firm.

Furthermore, general information on outsourced arrangements is provided in this section, including:

**0.1** Total number of outsourced service arrangements in place, including any **material sub-contractors, inter and intra-group (i.e. insourcing), offshore arrangements, delegations, and strategic partnerships** at date of submission.

Please refer to Appendix 3 for further guidance and definitions on types of arrangements, including offshoring, sub-contracting, delegations, etc.

Please provide the total number of outsourced arrangements in place as opposed to the number of Service providers. An outsourced service provider may provide a number of arrangements under numerous service level agreements.

**0.2** Total number of material and critical outsourced arrangements (considering **material sub-contracting, inter and intra-group (i.e. insourcing), offshore arrangements, delegations and strategic partnerships**). Please refer to Appendix 1 for more guidance on materiality and criticality criteria.

**0.3** Number of Cloud Service Providers. Cloud Service Providers<sup>1</sup> may supply the Firm with Platform as a Service (PaaS), Software as a Service (SaaS) and Infrastructure as a Service (IaaS). Refer to Appendix 3 for definitions.

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<sup>1</sup> Platform as a Service (PaaS) or application platform as a service (aPaaS) is a category of cloud computing services that provides a platform allowing customers to develop, run, and manage applications without the complexity of building and maintaining the infrastructure typically associated with developing and launching an application.

Please provide the number of Outsourced Cloud Service Providers as opposed to the number of arrangements in place with a Cloud Service provider. For example, one Cloud Service Provider may provide a number of services, including a software licence and storage services. This would count as one for the purpose of this question.

- 0.4** Does your Firm use FinTech Partnerships as part of your Strategy/Business Model? Please specify by selecting “yes”, “no” or “don’t know” whether your Firm partners with FinTech Companies in the support and/or delivery of financial services.
- 0.5** Does your Firm use RegTech Companies as part of your Strategy/Business Model? Please specify by selecting “yes”, “no” or “don’t know” whether your Firm uses RegTech Companies. Regulatory technology, also known as "RegTech", is a subclass of FinTech, is using technology, particularly information technology, in the context of the provision of regulatory monitoring, reporting, oversight and compliance solutions.
- 0.6** Is there an Outsourcing Policy with an associated Risk Management Framework in place? Please specify by selecting “yes” or “no” from the dropdown menu whether the Firm has an appropriate policy and associated framework in place to identify and manage the risks relating to outsourcing arrangements.
- 0.7** Was the Outsourcing Policy approved by the Board?
- 0.8** Are there plans in place to contract with further service providers in the next 12 to 18 months? This question in the Survey is designed to capture any plans for future outsourcing by the Firm or if future outsourcing forms part of the Firm’s overall strategy. The Firm selects “yes”, “no” or “don’t know” to this question. Please consider any outsourcing projects in the pipeline and/or potential areas for future outsourcing, delegations and/or FinTech Partnerships.
- 0.9** Where the Firm is itself an outsourcing service provider for Irish financial services firms, please provide a brief description of the services offered. The Firm provides a brief description of the type and nature of the service it offers to other Irish regulated firms.

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Software as a Service (SaaS) is a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted. Infrastructure as a Service (IaaS) is a service model that delivers computing infrastructure on an outsourced basis to support enterprise operations. Typically, IaaS provides hardware, storage, servers and data centre space or network components, it may also include software.

#### **4.3 Number of outsourcing arrangements the Survey must be completed for**

The purpose of sections 1-5 (in tab: Outsourced Arrangements) of the Survey is to obtain details on each of the outsourced service arrangements and material sub-contracting arrangements currently in place.

To complete these sections of the Survey, firms should populate a column for each outsourced service (including arrangements with **material and non-material service providers, material sub-contracting arrangements, intra-group OSPs, offshored arrangements, delegations and strategic partnerships**) except:

- Where the total number of outsourced services and material sub-contracting arrangements exceeds 50, the Firm should populate the Survey for their top 50 material or critical arrangements only. Please refer to Appendix 1 for guidance on criteria for determining materiality and business critical services.
- Where the Firm has more than 50 arrangements but less than 50 material or critical arrangements, the Firm should populate the Survey for all the material or critical arrangements with the balance (up to a total maximum of 50 arrangements) to be populated for their more important non-material or non-critical arrangements. For example, if the Firm has 65 outsourced arrangements in place with third parties and intra-group (25 of which are material and/or critical services, and 40 are non-material services and activities) this Survey requests the details for the 25 material and critical services and/or 25 (of the 40) non-material services.

Certain arrangements (i.e. provision of professional services) should be excluded for the submission of the Survey e.g. legal, annual audit services and advisory services.

Where the Firm has more than 50 outsourced arrangements in place, we kindly ask that the Firm provides an addendum to their submitted Survey with a listing of the remaining outsourced arrangements, including the name of the Service Provider (including intra-group arrangements).

**VALIDATION RULE:** *Number of columns populated for outsourced services + the number of arrangements listed in the addendum accompanying the Firm Survey = the total number of outsourced service arrangements provided in the **Firm Information** section of the Survey*

An optional commentary box is provided at the end of each section of the Survey to allow firms the opportunity to furnish further information and/or clarifications on their responses.

#### **1.0 Section 1: Details on Outsourcing Service providers (“OSPs”)**

The Firm is requested to submit information on all outsourcing arrangements with Service providers and material sub-contractors (up to a maximum of 50 arrangements) in this Survey.

##### **1.1 Provide the category of outsourced service(s)**

The Firm should select the category of service outsourced. If a number of critical or material functions/activities are outsourced to a single service provider/material sub-contractor, please

provide the relevant details of the remaining outsourcing arrangements in a subsequent column of the Survey. A pre-defined drop-down selection is provided in the Survey. Please refer to Appendix 2 of this document for guidance on categorisations of outsourced services. If the Firm is unable to categorise the outsourced service by the classifications provided, please select “other” from the dropdown menu and provide a brief description of the outsourced service for Q1.2.

**1.2 Brief description of outsourced service(s)**

The Firm furnishes a brief description of the types and nature of key activities outsourced to the service provider or material sub-contractor.

**1.3 Name of service provider/material sub-contractor as set out in the outsourcing agreement**

The legal name or name of the service provider stipulated in the outsourcing arrangement or contract will be used for the purpose of this Survey. As per Q1.1, if there are a number of critical arrangements in place with an individual service provider, please provide the relevant details of the remaining outsourcing arrangements in a subsequent column(s) of the Survey.

**1.4 Category (service provider or material sub-contractor)**

Please specify whether the arrangement is with an outsourced service provider (including intra-group) or a material sub-contractor. Please refer to Appendix 1 of the guidance notes for more information on the determination of a materiality for the purpose of reporting material sub-contracting arrangements. Only outsourced providers and material sub-contracting arrangements are to be reported in the Survey. (Non-material sub-contracting arrangements are out of scope for the purpose of this Survey).

**1.5 Type of outsourcing**

The Firm selects the type of outsourcing arrangement, e.g. “Third Party”, “Third Party – FinTech Partnership”, “Intra-group outsourcing (Branch / subsidiaries to Head Office)” or “Intra-group outsourcing (others)”.

**2.0 Section 2: Materiality/Concentration Assessment**

**2.1 Please state whether the service outsourced is considered material or non-material to your firm.**

In the assessment of the materiality of the outsourcing arrangement, please consider any guidance for your relevant sector. The aim of this question is to understand whether the outsourced arrangement is material or non-material to your firm’s operations. Please refer to Appendix 1 of this document for more guidance on materiality criteria.

**2.2 Please describe the criteria used in determining materiality**

In consideration of Q2.1 please provide brief details of the criteria/methodology used to determine your materiality assessment. Please refer to Appendix 1 of this document for more guidance on materiality criteria. Examples of a material arrangement (non-exhaustive) would include outsourcing all or substantially all of the risk management or internal control functions, including compliance, internal audit, financial accounting and actuarial; or outsourcing a large proportion of your underwriting to a third party service provider.

**2.3 Does the outsourced/sub-contracted service provider support a critical business operation?**

The operational reliability of a firm may be dependent on the continuous and adequate functioning of third party service providers that are critical to the Firm's operations. The Firm is required to state whether the outsourced arrangement or material sub-contracting arrangement is critical<sup>2</sup> to the business operations of the Firm, by selecting "yes" or "no" from the dropdown menu. Refer to Appendix 1 for more guidance on criteria for determining business critical services.

**2.4 How frequently does the Firm perform materiality assessments?**

The Firm should provide the frequency (or an estimate of the frequency) of the materiality assessments. Firms select the most appropriate frequency from the drop-down menu provided.

**2.5 Does the service provider/material sub-contractor store or process customer information which in the event of any unauthorised access or disclosure, loss or theft of the information, may have a material impact on the customer**

A "yes" or "no" answer is to be provided. Please select from the dropdown menu. If there is uncertainty as to whether the third party service provider has access to customer data, the Firm has the option to select "don't know".

**2.6 Does the service provider/material sub-contractor store or process business sensitive or critical data which in the event of any unauthorised access or disclosure, loss or theft of the information may have a material impact on the Firm**

A "yes" or "no" answer is to be provided. Please select from dropdown menu. If there is uncertainty as to whether the third party service provider has access to business sensitive data, the Firm has the option to select "don't know".

**2.7 Please list all the locations (city, country) where the outsourced service will be carried out**

The Firm should list all of the locations where the outsourced services or material sub-contracting services are carried out. Please provide all relevant jurisdictions in your answer.

**2.8 Please list all the locations (city, country) where customer information will be stored or processed**

The Firm should list all of the locations of where customer information is stored/processed, including those which use cloud computing.

**2.9 Please list all the locations (city, country) where business sensitive or critical data will be stored or processed**

Firms are required to list all of the locations of where business sensitive and/or critical data is stored/processed, including those which use cloud computing.

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<sup>2</sup> Please consider the relevant guidance for your Authorisation type on determining a critical business operation. If no such guidance exists, please consider the criticality and inherent risk profile of activities to be outsourced, i.e. activities that are critical to the business continuity/viability of the institution and its obligations to customers.

### **3.0 Section 3: Contractual Arrangements**

#### **3.1 Is there a written contract in place relating to the outsourced service(s)?**

Please state whether there is a written and signed contract in place by selecting “yes” or “no” for your answer.

Contractual terms and conditions governing the relationships, obligations, responsibilities, rights and expectations of the contracting parties in the outsourcing arrangement should be defined in a contract.

If the Firm is unaware of any contractual arrangements in place, it has the option to select “don’t know”.

#### **3.2 Is there a Service Level Agreement in place relating to the outsourced service(s)?**

Please state whether there is a written agreement in place by selecting “yes” or “no” for your answer.

A Service Level Agreement would focus on the performance measures and service quality to be provided, as agreed by both parties.

If you are unaware of any written agreements in place, you have the option to select “don’t know”.

#### **3.3 When was the Outsourcing Agreement/ Service Level Agreement last reviewed?**

Please select the timescale of last review from the pre-defined drop-down menu. Timescales provided include: “less than 6 months ago”, “between 6 -12 months ago”, “between 1- 3 years ago”, “between 3-5 years ago”, “greater than 5 years ago” and “not reviewed since inception of the contract”.

#### **3.4 Does your Outsourcing Agreement /Service Level Agreement contain provisions to manage the use of sub-contractors?**

Please select “yes” or “no” as to whether the Firm’s written agreement/Service Level Agreement contains provisions to manage the use of sub-contractors. If the Firm is unsure whether there are sub-contracting provisions in place, please select “don’t know”.

### **4.0 Section 4: Contingency Planning**

#### **4.1 Is there service substitutability established?**

Contingency plans or substitutes may be established by the Firm to replace the service provider with an alternative provider (including a suitable internal or external arrangement) in the event of expected or unexpected termination of the contract. If the Firm has established that business operations can be substituted by an alternative service provider or in-house, the Firm selects the appropriate answer from the dropdown menu considering the impact on business operations. If the Firm has not established substitutability or if there is no alternate available, the Firm selects “N/A” or “No alternate available”.

#### **4.2 Has an alternate service provider been identified?**

If the Firm has identified/not identified an alternate service provider, the Firm selects the appropriate answer from the dropdown menu.

**4.3 If answer “yes an alternative service provider has been identified” to Q4.2 above, please provide name(s) of alternate service provider(s)**

Name of the identified alternate(s) to be provided.

**4.4 Is there a documented “Exit Strategy” in place?**

An “Exit Strategy” documents plans in place to manage the impact of exiting the outsourcing arrangement. Does the Firm have a documented “Exit Strategy” in place in the event the Firm needs to cease operations and/or arrangements with the service provider? Such events could include expiry of the contract, loss of operations by the service provider or cessation of service. The Firm provides a “yes” or “no” response to the question.

**4.5 What is the estimated timeframe for transfer of service in the event of exiting the existing contract?**

The Firm provides an estimated timeframe to exit the contract and transfer activities either internally or to a third party. The estimated timeframe should consider the transition of the activity or process while still managing legal, regulatory, customer and other impacts that may arise.

**5.0 Section 5: Oversight and Assurance**

**5.1 How frequently does the Firm conduct due diligence on the service provider/material sub-contractor after initiation of the contract?**

Please provide frequency of the Firm’s performance of a due diligence on the outsourcing arrangement. The due diligence should take into account the physical and IT security controls of the service provider, the business reputation and financial strength of the service provider, including the ability of the service provider to meet its obligations under the outsourcing arrangement.

**5.2 How frequently is an independent review/audit conducted on the outsourced service provider /material sub-contractor?**

If established, please specify the frequency of independent reviews and/or audits conducted on the outsourcing/material sub-contracting arrangement. If no independent review and/or audit has been conducted or is not planned to be conducted in the next 12 months, please provide “Never” in your answer.

Regulatory inspections conducted by the Central Bank are excluded for the purpose of this question.

**5.3 When was an independent review/audit last conducted on the service provider /material sub-contractor? (mm/yyyy)**

An independent audit or expert assessment on the service provider and material sub-contractors may be performed by the Firm’s internal or external auditors, the service provider’s external auditors or by independent agents appointed by the Firm.

The appointed persons should have the requisite skills and knowledge to perform the review/audit, and be independent of the unit or function performing the outsourcing arrangement.

Please specify the date when the last independent review and/or audit was conducted (if applicable) by presenting your answer as “MM/YYYY”. If the outsourcing arrangement was not reviewed or audited since commencement of service, please leave answer blank.

Regulatory inspections conducted by the Central Bank are excluded for the purpose of this question.

**5.4 Who conducted the last independent review/audit?**

Please specify who conducted the last independent review /audit by selecting from the dropdown menu. Options for selection include: “External auditor of service provider”, “External auditor of material sub-contractor”, “Internal auditor of institution”, “External auditor of institution”, “External auditor of the Group to which the Firm belongs” and “Others”. If “Others” is selected, please provide details in the text box for response to Q5.5. If no independent review or audit has been conducted on the service provider, the Firm selects N/A to Q5.4.

**5.5 What was the objective and nature of the last independent review/audit conducted?**

Please provide a brief description of the objective and nature of the independent review/audit performed.

**5.6 Has any “on-site” inspection or review of controls (excluding Regulatory Inspections) been conducted on the service provider /material sub-contractor?**

In addition to due diligence, internal audit reviews or contract reviews, the Firm (or an independent party appointed by the Firm) may perform on-site inspections of processes and controls in place at the Outsource Service provider. Please specify by selecting “yes” or “no” whether “on-site” inspections were performed since commencement of the outsourcing arrangement. If the Firm is unsure whether an on-site inspection has been conducted on the service provider since initiation of the contract, the Firm has the option to select “don’t know”. Regulatory inspections conducted by the Central Bank are excluded for the purpose of this question.

**5.7 Does the Firm perform annual testing and/or review of the Business Continuity Plan (“BCP”) on the service provider/material sub-contractor?**

A BCP should explain the arrangements in place to ensure the Firm can continue business and operations, and meet its legal and regulatory requirements in the event of an unforeseen interruption of the outsourced services. Testing/evaluation may be conducted to assess the quality of the measures set out in the BCP.

Please select “yes” or “no” whether the BCP was tested by the Firm.

**5.8 Did the service provider/material sub-contractor meet all of the objectives of the BCP test successfully?**

A “yes” or “no” answer is to be provided. Please select from dropdown menu.

**5.9 Where Anti Money Laundering (‘AML’) / Counter Financing of Terrorism (‘CFT’) / Financial Sanctions (‘FS’) Service(s) is outsourced is sampling of customer/clients records undertaken as part of the “onsite inspection”?**

If the Firm selects “Anti Money Laundering (‘AML’) / Counter Financing of Terrorism (‘CFT’) / Financial Sanctions (‘FS’)” as a category of service outsourced for Q1.1, the Firm states whether

sampling of customer and/or client records has been undertaken as part of any onsite inspection by selecting “yes”, “no”, “N/A” or “don’t know”.

**5.10 Where sampling is undertaken what proportion (as a % of total) of customer records are tested?**

If the Firm selects “yes” for Q5.9 (i.e. the Firm does perform sampling of customer and/or client records as part of onsite inspections of outsourced AML/CFT/FS services), the Firm provides an estimated proportion of customer/client records that are tested.

## Appendix 1: Guidance on Materiality and Business Critical Criteria

### **Guidance notes on assessment of the materiality and criticality of outsourcing arrangements**

Please consider the relevant guidance for your Authorisation type on materiality/criticality of outsourcing arrangements.

If no such guidance exists or if it is limited, you may wish to consider the materiality and/or criticality criteria set out below.

#### **MATERIALITY CRITERIA**

##### **CEBS 2006 Guidelines on Outsourcing**

Material Activities are:

- i. activities of such importance that any weakness or failure in the provision of these activities could have a significant effect on the authorised entity's ability to meet its regulatory responsibilities and/or to continue in business;
- ii. any other activities requiring a licence from the supervisory authority;
- iii. any activities having a significant impact on its risk management; and
- iv. the management of risks related to these activities.

##### **Other useful guidance**

In assessing materiality in outsourcing arrangements, it is recognised that qualitative judgment is involved and the circumstances faced by individual institutions may vary. Factors that an institution may consider include:

- a) importance of the business activity to be outsourced (e.g., in terms of contribution to income and profit);
- b) potential impact of the outsourcing on earnings, solvency, liquidity, funding and capital, and risk profile;
- c) impact on the institution's reputation and brand value, and ability to achieve its business objectives, strategy and plans, should the service provider fail to perform the service or encounter a breach of confidentiality or security (e.g. compromise of customer information);
- d) impact on the institution's customers, should the service provider fail to perform the service or encounter a breach of confidentiality or security;
- e) impact on the institution's counterparties and the financial market, should the service provider fail to perform the service;
- f) cost of the outsourcing as a proportion of total operating costs of the institution;
- g) cost of outsourcing failure, which will require the institution to bring the outsourced activity in-house or seek similar service from another service provider, as a proportion of total operating costs of the institution;
- h) aggregate exposure to a particular service provider in cases where the institution outsources various functions to the same service provider; and

- i) ability to maintain appropriate internal controls and meet regulatory requirements, if the service provider faces operational problems.

Outsourcing of all or substantially all of the risk management or internal control functions, including compliance, internal audit, financial accounting and actuarial (other than performing certification activities) is to be considered a material outsourcing arrangement.

#### **CRITICALITY CRITERIA**

A service or operation is defined as critical or important under the below MIFID requirements.

1. For the purpose of the first subparagraph of Article 16(5) of Directive 2014/65/EU, an operational function shall be regarded as critical or important where a defect or failure in its performance would materially impair the continuing compliance of an investment firm with the conditions and obligations of its authorisation or its other obligations under Directive 2014/65/EU, or its financial performance, or the soundness or the continuity of its investment services and activities.
2. Without prejudice of the status of any other function, the following functions shall not be considered as critical or important for the purpose of paragraph 1:
  - a. The provision of the firm of advisory services, and other services which do not form part of the investment business of the firm, including the provision of legal advice to the firm, the training of personnel of the firm, billing services and the security of the firm's premises and personnel;
  - b. the purchase of standardised services, including market information services and the provision of price feeds

Furthermore, in the absence of guidance or for non-MIFID firms, a critical service may determined by the criticality and inherent risk profile of activities to be outsourced, i.e. activities that are critical to the business continuity/viability of the firm and its obligations to customers.

## Appendix 2: Guidance on Categorisations of Outsourced Services

The table below displays a sample (i.e. non-exhaustive) listing of outsourced activities aligned to the examples of categories of outsourced services available in the market (as per the pre-defined drop-down selection provided in the Survey). These sub-categories can be used as a guidance tool for mapping purposes, and firms are asked to select the relevant category that they consider the most appropriate for their respective firm and/or sector.

Certain arrangements (i.e. provision of professional services) should be excluded for the submission of the Survey e.g. legal, annual audit services and advisory services.

<b>Service Category</b>	<b>Examples (non-exhaustive)</b>
Anti-Money Laundering ('AML')/Countering Financing of Terrorism ('CFT')/ Financial Sanctions ('FS')	Anti-Money Laundering ('AML')/Countering Financing of Terrorism ('CFT')/ Financial Sanctions ('FS')
Application processing	loan origination, credit cards
Distribution	Insurance brokers and agency services, distribution, brokers
Business continuity and disaster recovery functions and activities	business continuity and disaster recovery functions and activities
Claims Administration (e.g. claims handling and operations)	claims handling, payments issue, administration & operations (e.g., loss reporting, adjusting)
Cloud computing services	software-as-a-service, platform-as-a-service, infrastructure-as-a-service
Depository Activities	custodial and safekeeping services
Document processing	cheques processing, credit card slips, bill payments, bank statements, other corporate payments
Fund Administration services (including preparation of financial statements)	NAV calculations, preparation of fund annual reports, preparation of fund annual financial statements, Transfer Agency
Information systems management and maintenance	data processing, data centres, end-user support, local area networks, IT help desks, application development and management, maintenance and support of licensed software, hardware and software, provision of IT infrastructure, including telecommunications
Investment and Asset management	portfolio management, cash management, asset management, finance asset management
Information Security	IT Security, cyber security, systems and network security, data security, web access
Loan administration	loan negotiations, loan processing, collateral management, collection of bad loans, asset servicing
Management of policy issuance and claims operations by managing agents	policy administration (e.g., premium collection, policy assembly, invoicing, endorsements)
Manpower management	benefits and compensation administration, staff appointment, training, competency and development, human resources, recruitment, staff vetting
Marketing and research	product development, data mining, advertising, media relations, telemarketing
Middle and back office operations	payroll processing, quality control, purchasing, liquidity management, pension administration, syndication of loans, settlements, credit background and background investigation and information services, assistance with tax compliance calculations, preparation of financial and statutory reporting, support financial reporting and

	systems, treasury, aged analysis, finance corporate services, regulatory reporting, management accounts
New Business Services	process proposals, underwriting policies, issue quotes, assistance with new business
Payment Services and processing	Electronic Funds Transfer
Pricing and fund valuation	pricing, fund valuation, policy holder valuations
RegTech Services	RegTech applications and solutions such as Legislation and Regulation gap analysis tools, Compliance universe tools, Compliance health check tools, Regulatory Compliance and monitoring Management Information tools, Transaction and regulatory reporting monitoring
Risk management or internal control functions	risk, risk management (incl. IT risk management) , quality assurance, internal audit (incl. IT Internal Audit), actuarial, compliance and regulatory guidance, risk management attestation, incident management, management of operational risk, governance and operational controls, manage regulatory breaches, change management <b>(Excluding AML/CFT/Financial Sanctions services)</b>
Support services including archival and storage of documentation and records	ATM maintenance, archiving, customer support and service, temporary help and contract personnel, records management, maintenance of agency records, complaints handling, post sales and queries
White-labelling arrangements such as trading and hedging facilities	trading and hedging facilities
Others	

## Appendix 3: Further Guidance and Definitions

- **Outsourcing:** involves an entity (i.e. third party supplier or group entity) carrying out one or more processes relating to activity, on behalf of the regulated firm, and which would otherwise be carried out by the local regulated entity itself. Outsourcing Service Provider (OSP) is the supplier of the services and may itself be an authorised or unauthorised entity.
- **Outsourced Service Arrangement:** An individual arrangement of outsourcing a business process, function or activity to an outsourced/insourced service provider and covered by a contract and/or service level agreement.
- **Sub-contracting:** (often referred to as chain outsourcing) is the practice of assigning part of the obligations and tasks under an outsourcing contract to another party known as a sub-contractor. It is an arrangement where a service provider, which has an outsourcing arrangement with a firm, further outsources the services or part of the services covered under the outsourcing arrangement to another service provider.
- **Inter and intra-group outsourcing** is performing a business process, function or activity that is contracted out internally within the Group, i.e. insourcing.
- **Offshoring:** is the relocation of a business process and/or function from one country to another - typically an operational process.
- **Delegation:** involves the local regulated entity contracting with another entity to perform certain functions originally contracted to the local regulated entity in circumstances where that delegation is either expressly permitted by regulation or is not expressly prohibited by regulation. The regulatory responsibility retained by the local regulated entity with respect to such a delegation would typically be for the local regulated entity to use due care and diligence in the selection, appointment, ongoing monitoring and retention of their delegate. Delegations would typically apply to Market Firms and an example of such a delegation is where the local authorised Depository delegates safekeeping of assets under UCITs/AIFMD to a Global Sub-Custodian.
- **Strategic Partnerships:** A strategic partnership is a relationship between two entities, usually formalized by one or more business contracts. A strategic partnership will usually fall short of a legal partnership entity, agency, or corporate affiliate relationship. Typically, two companies form a strategic partnership when each possesses one or more business assets or have expertise that will help the other by enhancing their businesses. Strategic partnerships can develop in outsourcing relationships where the parties desire to achieve long-term “win-win” benefits and innovation based on mutually desired outcomes.
- **Platform as a Service (Paas):** or application platform as a service (aPaaS) is a category of cloud computing services that provides a platform allowing customers to develop, run, and manage applications without the complexity of building and maintaining the infrastructure typically associated with developing and launching an application.

- **Software as a Service (SaaS):** is a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted.
- **Infrastructure as a Service (IaaS):** is a service model that delivers computing infrastructure on an outsourced basis to support enterprise operations. Typically, IaaS provides hardware, storage, servers and data centre space or network components, it may also include software.
- **FinTech Partnership:** is the means of partnering with a FinTech Company for the provision of financial services/products through technology and innovation.
- **RegTech Partnerships:** Regulatory Technology, also known as “RegTech”, is a sub-class of FinTech, is using technology, particularly information technology, in the context of regulatory monitoring, reporting, oversight and compliance solutions. Refer to Appendix 2 for examples of RegTech Services.