



New Outsourcing Guidance for Regulated Firms

November 2021

On 27 October 2021, IOSCO published a set of updated outsourcing principles for regulated entities that outsource tasks to service providers (**Outsourcing Principles**). Similar to the Central Bank's draft cross-industry guidance on outsourcing (published in February 2021), the Outsourcing Principles set an expected standard for regulated entities' outsourcing of tasks which, along with detailed implementation guidance, seek to address the financial stability concerns arising from observed increases in the levels of outsourcing across all regulated financial service providers.

The publication of the Outsourcing Principles is timely from the perspective of fund management companies (**FMCs**) currently finalising implementation of action plans adopted in response to the Central Bank's CP86 thematic review. FMCs' action plans, which the Central Bank expects to be implemented by the end of the year, are required to address the findings from the CP86 review which focussed heavily on identified deficiencies in the governance and oversight of delegated tasks. As a result, the Outsourcing Principles, the consultation version of which are referenced in the Central Bank's draft cross-industry guidance on outsourcing, should prove a useful resource in interpreting and appropriately implementing the CP86 thematic review findings. The Outsourcing Principles are also a useful indicator of the form of final guidance on outsourcing likely to issue from the Central Bank.

IOSCO's Seven Outsourcing Principles

The seven principles cover the following areas of outsourcing, many of which also feature in the Central Bank's draft cross-industry guidance on outsourcing:

- due diligence in the selection and monitoring of a service provider and its performance
- the contract with a service provider
- information security, business resilience, continuity and disaster recovery
- confidentiality Issues
- concentration of outsourcing arrangements
- access to data, premises, personnel and associated rights of inspection
- termination of outsourcing arrangements

Next steps

The Central Bank's cross-industry guidance on outsourcing was expected to be finalised this year, however no firm date for publication has been provided. The Central Bank recently noted to industry that feedback to the draft version of the guidance published for consultation has been received from a mix of industry bodies, management bodies and other interested firms such as technology companies (e.g., Google and Amazon) and the Central Bank are in the process of reviewing the feedback.

WILLIAM FRY

DUBLIN | CORK | LONDON | NEW YORK | SAN FRANCISCO | SILICON VALLEY

William Fry LLP | T: +353 1 639 5000 | E: info@williamfry.com

williamfry.com

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