

Press release

Press enquiries: +41 61 280 8188
press.service@bis.org
www.bis.org

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Joint Forum releases outsourcing guidance for financial services

The Joint Forum has today released a report examining trends in outsourcing in the financial sector. [Outsourcing in Financial Services](#) spells out the potential risks that outsourcing activities can pose to financial sector firms, while recognising the substantial benefits that outsourcing can provide. To assist firms and regulators in considering their outsourcing activities, the report presents a set of principles outlining issues that should be taken into account in the process.

The principles focus on establishing coherent policy and risk management programmes for outsourcing activities and recognising that a firm's senior management remains responsible for activities that are outsourced. Issues for consideration in drawing up contracts and contingency planning are also discussed. Finally, the report contains some broad principles to help supervisors take outsourcing into account in their regular risk reviews of firms.

Today's publication follows a consultation process during which banking, insurance and securities firms, regulators and the public have had the opportunity to comment on outsourcing principles outlined in an earlier draft of the report.

The Chairman of the Joint Forum, Gay Huey Evans, said today "I am delighted that the Joint Forum is releasing these principles on outsourcing, which take into account all the valuable feedback gathered during the consultation period. The objective of the Joint Forum's work is to provide a high-level set of principles that constitute a clear and consistent baseline for financial firms engaged in outsourcing. These principles do that by outlining the relevant issues that banking, securities and insurance firms should take into account when establishing their outsourcing arrangements and for their regulators to consider in their assessment of individual firms".

Ian Johnston, who led the Joint Forum's work on outsourcing, said "We regarded the consultation process as important for ensuring that the principles are relevant and practically useful in different jurisdictions and across all sectors. Issues raised during the consultation period included requests for more clarity on the definition of

outsourcing and more detail on appropriate governance structures and contingency planning for outsourced activities. As a result, additional language has been incorporated to clarify, for example, that the principles are generally designed to capture material activities. I am pleased that we have been able to address these comments”.

In developing the outsourcing principles, the Joint Forum worked closely with the International Organization of Securities Commissions (IOSCO), which today also released a [report on outsourcing](#). The two organisations have collaborated to ensure that their complementary sets of principles are consistent. The Joint Forum’s principles are high-level and aimed collectively at the banking, insurance and securities sectors. They are designed to provide a benchmark against which all financial institutions can gauge their approach to outsourcing. IOSCO’s principles are designed specifically for securities firms.

Notes for editors

The Joint Forum was established in 1996 under the aegis of the Basel Committee on Banking Supervision, IOSCO and the IAIS to deal with issues common to the banking, securities and insurance sectors.

Gay Huey Evans is Director of Markets in the UK Financial Services Authority.

Ian Johnston is Executive Director of Financial Services Regulation at the Australian Securities and Investment Commission.