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## MEDIA RELEASE

### IOSCO ISSUES PRINCIPLES ON OUTSOURCING OF FINANCIAL SERVICES FOR MARKET INTERMEDIARIES

The International Organization of Securities Commissions (IOSCO) published today its [\*Principles on Outsourcing of Financial Services for Market Intermediaries\*](#) (“Outsourcing Principles”). IOSCO’s issuance of the Outsourcing Principles follows an extensive consultation process in which securities firms, markets, regulators and the public considered the draft Principles over a period of several months. A related document, the [\*Notice of Final Report, Survey and Summary of Contents\*](#) (“Notice”), describes the comments that were received during the consultation process and how IOSCO addressed these comments in its final version of the Outsourcing Principles. In addition, IOSCO’s Technical Committee surveyed industry participants and distributed a questionnaire to obtain more information concerning existing outsourcing practices in the securities industry. The results of this survey are being published in the paper titled [\*Survey Results on Outsourcing of Financial Services\*](#) (“Survey Results”). These documents are now posted on the IOSCO website (<http://www.iosco.org>)

The Chairman of the IOSCO Technical Committee, Mr. Andrew Sheng, said that “The results of our survey on outsourcing indicate that financial intermediaries are outsourcing significant aspects of their business activities to service providers. By promulgating these Principles on outsourcing, we have created a framework that will assist regulated entities in determining the steps they should take when considering outsourcing activities. We believe that the seven IOSCO Principles will provide a flexible and practical approach that firms can use to guide their outsourcing practices in order to promote effective controls, business continuity, investor protection and supervisory access to books and records.”

The Outsourcing Principles cover seven areas. These include the due diligence process in selecting a service provider, the contract with a service provider, business continuity issues, client confidentiality, concentration of outsourcing services, termination procedures and access to books and records. The Principles also make clear that the Principles should be applied according to the degree of materiality of the outsourced activity.

Central to the Outsourcing Principles are a set of performance standards that provide that the outsourcing firm, its management and governing authority must retain full legal liability and accountability to the regulator for all outsourced functions. Moreover, the outsourcing firm must retain the competence and ability to ensure that the firm complies with regulatory requirements.

In developing the Outsourcing Principles, IOSCO worked closely with the Joint Forum, which also released today a [report on Outsourcing](#). The two organizations have worked closely to ensure that their complementary sets of principles are consistent with each other. The IOSCO principles are designed specifically for intermediaries in the securities sector, whereas the Joint Forum 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.

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