



Event Summary

30 April 2019

The Central Bank of Ireland (Central Bank) held a half-day conference on Outsourcing on Tuesday 30 April 2019. There were over 160 attendees from regulated firms, outsourced service providers, industry representative bodies and regulators.

The morning included speeches from Bernd Rummel of the European Banking Authority (EBA) and Giles Ward of the International Organisation of Securities Commissions (IOSCO). There were three panel discussions, involving 21 representatives from the Central Bank, other regulators, regulated firms, professional services firms and cloud services providers.

Director General - Financial Conduct, Derville Rowland delivered the [opening remarks](#). She spoke about poor outsourcing governance and risk management practices that the Central Bank has found across the financial services sector. She stressed that the Central Bank expects boards to be able to demonstrate appropriate oversight, awareness and understanding of outsourcing arrangements and the associated risks. The Director General also touched on some of the key emerging risks identified in the Central Bank's discussion paper '[Outsourcing – Findings and Issues for Discussion](#)' and encouraged all participants and attendees to engage in the morning's discussions which will help inform the Central Bank's determination of the appropriate regulatory response.

Bernd Rummel, Principle Policy Expert in the Prudential Regulation and Supervisory Policy Directorate at the EBA participated as a guest speaker. He spoke about the competitive and fast changing business environment facing banks, which has led to many engaging in more outsourcing activity thus changing the complexity and risk profile of firms. Mr Rummel briefly talked through some of the key points of the EBA guidelines on outsourcing arrangements, which provide a framework to ensure that outsourcing arrangements and the related risks are well managed. He also stressed the importance of viewing the EBA's outsourcing guidelines as an important piece of the broader regulatory framework and highlighted the EBA's ongoing work in the area of information and communications technology (ICT) risks and operational resilience in order to address technological developments in the regulatory framework.

The first panel of the morning, titled 'Regulation for Effective Outsourcing Relationships: Opportunities and Challenges' led to discussions between regulators and industry bodies on the evolving role of outsourcing, proportionality, intragroup outsourcing, concentration risk, and recovery and resolution planning.

This was followed by a speech from Giles Ward, Senior Policy Advisor at the IOSCO on trends in the structure of outsourcing, the challenges these create for regulators and how IOSCO proposes to address them. Mr Ward highlighted the complexity that now exists in the structure of outsourcing relationships, outsourced functions, the balance of power in outsourcing relationships and the challenges to supervisory oversight these pose. He gave a flavour of the ongoing work in IOSCO on updating, as necessary, the 2005 and 2009 principles for outsourcing for intermediaries and markets respectively, and encouraged all attendees to respond to a draft consultation report, which is expected to be launched by IOSCO in the coming months.



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The second panel, titled 'Complex Outsourcing Relationships: Managing Evolving and Emerging Risks', comprised representatives from regulated firms, professional services firms' and regulators. It discussed the importance of and practicalities of the governance of outsourcing arrangements and the management of risks throughout the outsourcing life cycle, with a particular focus on the challenges that arise due to chain outsourcing and offshoring.

The final panel of the day, titled 'Outsourcing and IT developments: Use of the 'Cloud' and Management of Sensitive Data' was made up of panellists from cloud service providers, regulated firms and regulators who discussed the drivers of the increased usage of cloud services and the associated challenges, including; governance issues, in-house skills, audit rights, and vendor lock in. The panel also discussed future developments in policy in this area.

Gerry Cross, Director of Financial Regulation - Policy & Risk, closed the event, summarising the key points considered during the conference. Mr Cross advised that the Central Bank will reflect on the discussion points in its consideration of the appropriate regulatory response to evolving risks and trends in outsourcing going forward, and our consideration of the responses received in relation to the outsourcing discussion paper.

The discussion paper and responses received can be found [here](#).