



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Outsourcing Exposure Draft

Applicable to:

1. Licensed banks
2. Licensed investment banks
3. Licensed Islamic banks
4. Licensed insurers
5. Licensed takaful operators
6. Prescribed development financial institutions

This exposure draft sets out the Bank's proposed regulatory requirements on outsourcing arrangements by financial institutions.

The proposals seek to ensure that financial institutions effectively monitor and control risks arising from outsourcing arrangements and that these arrangements do not hamper the Bank's continued ability to effectively supervise the business of the financial institutions, including with respect to recovery and resolution efforts.

The Bank invites written feedback on the proposals in this exposure draft, including suggestions on areas to be clarified and alternative proposals that the Bank should consider. The written feedback should be supported with clear rationale, accompanying evidence or illustrations, as appropriate to facilitate an effective review on this exposure draft.

Responses must be submitted by 27 October 2017 to–

Pengarah
Jabatan Dasar Kewangan Pruden
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
Email: pfpcconsult@bnm.gov.my

Electronic submission is encouraged. Submissions received may be made public unless confidentiality is specifically requested for the whole or part of the submission.

In the course of preparing your feedback, you may direct any queries to the following officers at 03-26988044–

- a. Muhammad Syukri (ext. 8538)
- b. Katie Lee (ext. 8420)
- c. Parvindar Kaur (ext. 7840)
- d. Toh Ying Ying (ext. 8345)

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PART A OVERVIEW

1 Introduction

- 1.1 The Malaysian financial landscape has transformed significantly over the last decade, underpinned by a more integrated and globalised environment, rapid technological advances and diverse financing needs. With growing competition and the need to gain greater flexibility to manage business changes, financial institutions are increasingly outsourcing a broader range of internal processes and business functions to affiliates and third-parties.
- 1.2 Outsourcing arrangements, if not effectively managed, can increase risk to the financial institution that may threaten its safety and soundness. A key concern to regulators is the over-reliance on service providers for activities that are critical to the ongoing viability of the financial institutions. Globally, as regulators move towards the implementation of recovery and resolution planning, extensive outsourcing especially for a complex group structure and on a cross-border basis, may pose threats to the ability of the institution to maintain operational continuity of critical functions during resolution.
- 1.3 The growing number of data-related incidents in recent years also underscores the importance of instituting strong data security protocols, including at the data centres of service providers. In some instances, these breaches not only caused disruptions to financial institutions' operations but also undermined the confidentiality and integrity of the institutions' proprietary and customer information. Such incidents have damaging effects on the reputation of financial institutions and may affect public confidence in the financial system.
- 1.4 This policy document therefore seeks to ensure that a financial institution's outsourcing risk management arrangements operate effectively and remain robust and commensurate with the respective risk profiles. The strengthened requirements on due diligence on service providers and protection of data confidentiality will further sharpen the financial institution's focus on the potential risks posed by the outsourcing relationship, in particular where any unauthorised disclosure of confidential information may expose the institution to legal action. In addition, the revised requirements will ensure the Bank's continued ability to carry out effective supervisory oversight on financial institutions in relation to their outsourced activities, including the increasingly complex outsourcing arrangements and concentration to a particular service provider.

2 Applicability

- 2.1 This policy document is applicable to financial institutions as defined in paragraph 5.2.

- 2.2 For a financial institution operating as a foreign branch in Malaysia, the requirements in this policy document shall apply in respect of the Malaysian operations of the branch with the following modifications:
- (a) any reference to the board in this policy document shall refer to the governing body of the foreign branch or any of its committees; and
 - (b) any reference to senior management in this policy document shall refer to the officers performing a senior management function in respect of the branch operations.
- 2.3 The requirements in paragraph 10 shall not apply to an arrangement entered into by the branches of locally incorporated financial institutions located outside Malaysia in respect of the branch operations.

3 Legal provisions

- 3.1 This policy document is issued pursuant to–
- (a) sections 47(1), 143(1) and 266 of the Financial Services Act 2013 (FSA);
 - (b) sections 57(1), 155(1) and 277 of the Islamic Financial Services Act 2013 (IFSA); and
 - (c) sections 41(1), 116(1) and 126 of the Development Financial Institutions Act 2002 (DFIA).

4 Effective date

- 4.1 This policy document comes into effect on [1 January 2018], subject to the transitional arrangements as set out in Part D.

5 Interpretation

- 5.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the FSA, IFSA or DFIA, as the case may be, unless otherwise defined in this policy document.
- 5.2 For the purposes of this policy document–
- “**S**” denotes a standard, an obligation, requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;
- “**G**” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;
- “**activity**” refers to a business or operational function, process or system;

“affiliate”, in relation to an entity, refers to any corporation that controls, is controlled by, or is under common control with, a financial institution;

“board” means the board of directors of a financial institution, including a committee of the board where responsibilities of the board as set out in this policy document have been delegated to such a committee;

“customer information” refers to any record, book, register, correspondence, other document or material, relating to the affairs or account of a customer of the financial institution¹;

“financial institution” refers to a licensed person and a prescribed development financial institution;

“foreign branch” refers to the Malaysian operations of a licensed person that is established as a branch in Malaysia;

“outsourcing arrangement” is an arrangement in which a service provider performs an activity on behalf of a financial institution on a continuing basis², where the activity is normally or could be undertaken by the financial institution^{3, 4};

Question 1

Please list the arrangements that the Bank should consider to scope out from this policy document.

“outsourcing risk” refers to any risks arising from outsourcing arrangements that could result in a disruption to business operations, financial loss or reputational damage to a financial institution;

“senior management” refers to the Chief Executive Officer and senior officers;

“service provider” refers to an entity, including an affiliate, providing services to a financial institution under an outsourcing arrangement and includes all sub-contractor(s); and

“sub-contractor” refers to an entity which enters into an arrangement, directly or indirectly, with the primary service provider to perform the whole or a part of the outsourced activity.

¹ This excludes information that can be gathered from publicly-available sources.

² For the avoidance of doubt, the fact that an agreement is time-bound is irrelevant in determining whether an activity is performed on a continuing basis.

³ For the avoidance of doubt, system or application leveraging, data centre hosting, data centre operations, data storage, cloud computing services and back-up location(s) are considered as outsourcing arrangements.

⁴ Appendix 3 provides a non-exhaustive list of arrangements that are outside the scope of this policy document.

6 Related legal instruments and policy documents

- 6.1 This policy document must be read together with other relevant legal instruments and policy documents that have been issued by the Bank, in particular those listed in Appendix 1.

7 Policy documents and circulars superseded

- 7.1 This policy document supersedes the guidelines and circulars listed in Appendix 2.

PART B POLICY REQUIREMENTS

8 Responsibilities of the board and senior management

- S** 8.1 The board and senior management are accountable for any outsourcing arrangement entered into by the financial institution. This includes ensuring that the financial institution complies with relevant laws, regulations and prudential requirements that relate to the outsourced activity. Where a financial institution is responsible for the oversight over its subsidiaries, the board and senior management must ensure that the group-wide outsourcing framework adequately addresses outsourcing risk across entities within the group and are consistent with the requirements in this document.
- S** 8.2 The board has the overall responsibility to promote a sound environment for the management of outsourcing risk. In fulfilling this role, the board must approve the outsourcing framework, which sets out the financial institution's overall strategy for its outsourcing activities and internal controls put in place to effectively manage outsourcing risk. The board must ensure that the outsourcing strategy is consistent with the financial institution's overall business strategy, risk appetite and the wider operating environment.
- S** 8.3 The board must approve the outsourcing arrangement before an application for the Bank's approval is submitted under paragraph 10.2. In assessing the arrangement, the board must evaluate the extent to which the activity is appropriate to be outsourced, rigour of the due diligence assessment and the impact to the financial institution's business continuity and recovery and resolution plans in the event the service provider comes under stress.
- S** 8.4 The board must at all times ensure effectiveness of the financial institution's overall management of outsourcing risk, having regard to its internal control framework and the assessment performed by senior management and independent function. The board must also ensure that the outsourcing framework remains appropriate in light of material changes to the size, nature and complexity of the financial institution's operations.
- S** 8.5 Senior management is responsible for the management of outsourcing risk on an institution-wide basis, in line with the board-approved strategy for its outsourcing activities. This includes establishing an outsourcing framework, which at a minimum, must cover areas specified in paragraphs 9.1 to 9.23. The outsourcing framework must be periodically reviewed and kept up to date.

- S** 8.6 Senior management must ensure that a review is undertaken by an independent function, either an internal unit or external party, at regular intervals, to ensure compliance of all outsourcing arrangements with the outsourcing framework. In addition, senior management must take prompt remedial or disciplinary actions if the outsourcing framework is not complied with.
- S** 8.7 Senior management must, at least annually, assess the effectiveness of its management of outsourcing risk. The assessment must, at a minimum, include–
- (a) a review of the performance of service provider⁵;
 - (b) adequacy of internal control processes and that the controls are operating as intended;
 - (c) in dealing with incidents involving data security breaches, whether prompt and effective corrective actions are taken by the service provider;
 - (d) whether the service provider complies with the terms of the outsourcing agreement; and
 - (e) whether the terms of the outsourcing agreement remain appropriate in light of the institution’s overall outsourcing strategy and operating environment.
- S** 8.8 Senior management must ensure timely escalation of material outsourcing risk issues and all incidents of non-compliance to the board. As soon as practicable, senior management must inform the board of the corrective measures taken and the effectiveness of such measures.

Question 2

Please detail out specific challenges your institution may face in meeting the requirements in paragraph 8.

9 Risk management

- G** 9.1 Effective management of outsourcing risk entails a financial institution having an in-depth and holistic understanding of the risks arising from the outsourcing arrangement, the relationship with the service provider and interdependencies between outsourcing arrangement and operations of the financial institution. This understanding facilitates a sound and comprehensive evaluation of the potential impact of the outsourcing arrangement to the organisational structure, business operations and overall risk profile of the financial institution.

⁵ This includes an assessment of the continued ability of the service provider to perform the activity to the level expected in accordance with the outsourcing agreement.

Assessment of service provider

- G** 9.2 Conducting a comprehensive and rigorous assessment on a potential service provider is critical. It ensures that the financial institution understands the risks posed by the relationship and makes an informed selection of the appropriate service provider. During the life of an outsourcing arrangement, it is also important to periodically evaluate the performance of the service provider against the performance measures as agreed in the outsourcing agreement. This evaluation is necessary to ensure that they continue to perform the service to the level expected and that the arrangement remains consistent with the financial institution's business strategy and risk appetite.
- S** 9.3 A financial institution must undertake a rigorous due diligence process of a potential service provider before entering into an outsourcing arrangement. A service provider engaged under an existing arrangement must also be subject to a similar rigour of due diligence process prior to the renewal or renegotiation of the arrangement. In doing so, consideration must be given to the financial institution's ability to provide appropriate oversight of the service provider.

Question 3

- (a) Please describe the due diligence process currently undertaken, including the considerations applied, in considering a new outsourcing arrangement as well as for the renewal or renegotiation of an existing arrangement.
- (b) Where there are differences in due diligence process applied to a new and an existing arrangement, what are the operational challenges that may arise in adopting similar due diligence process for both potential and existing service providers?

- S** 9.4 The scope and depth of the due diligence process must be commensurate with the significance of the outsourced activity to the financial institution's overall risk profile and complexity of the potential relationship with the service provider. At a minimum, the due diligence process must cover–
- (a) the capacity, capability and business reputation of the service provider to perform the outsourced activity at a high standard⁶;
 - (b) risk management and internal control capabilities, including physical and IT security controls, and business continuity management⁷;
 - (c) disaster recovery arrangements and locations (both primary and backup sites) established by the service provider, including disaster recovery track record;
 - (d) reliance on, and degree of control over, the sub-contractor, if any; and

⁶ This includes an assessment that the service provider is a going concern and is managed by a group of capable senior management and key persons throughout the duration of the arrangement.

⁷ Including the ability of the service provider to respond to service disruptions or problems resulting from natural disasters, physical or cyber-attacks within an appropriate timeline.

(e) any potential conflict of interest, taking into account the service provider's fee structure and incentives for similar business arrangement with the institution.

- S** 9.5 A financial institution must ensure that the outcomes of, including any recommendations arising from, the due diligence process are well-documented and escalated to the board.
- S** 9.6 In performing due diligence on a potential or existing service provider, a financial institution must not rely solely on an assessment undertaken by an affiliate of the financial institution.

Outsourcing agreement

- G** 9.7 An outsourcing arrangement should be governed by a written contract. A legally binding outsourcing agreement provides clarity on the roles and performance expectations and ensures commitment on the signatories to fulfil their respective obligations. The agreement should also set out the means for resolving potential disputes. For a financial institution, the outsourcing agreement provides another avenue to protect the interests of its customers in accordance with the legal and regulatory requirements.
- S** 9.8 A financial institution must ensure that–
- (a) all relevant parties enter into a legally binding, time-bound agreement before an outsourcing arrangement commences;
 - (b) the terms of the agreement are in compliance with the requirements as set out in paragraphs 9.9 to 9.16 of this policy document; and
 - (c) legal advice has been obtained in relation to the terms of the agreement prior to execution.

Question 4

- (a) Please identify any potential operational challenges in implementing the requirement in paragraph 9.8.
- (b) The Bank is also considering specifying a maximum period for outsourcing agreements (i.e. 3 years). Do you agree with the proposal and the proposed duration?

- S** 9.9 The rights and responsibilities of each party must be clearly spelt out in the agreement, including well-defined and measurable performance standards for the service provider. The financial institution must ensure that the use of such performance measures does not create incentives for the service provider to take on excessive risks on behalf of the financial institution.

- S** 9.10 The outsourcing agreement must outline the measures that the service provider will take to ensure continuity of the outsourced activity in the event of an operational disruption or failure of the service provider. The agreement must also stipulate the requirement for the service provider to regularly test its business continuity plans and to provide a summary of the test results to the financial institution.
- S** 9.11 A financial institution must specify clearly the dispute resolution process in the outsourcing agreement to ensure that the outsourced activity remains unaffected during the dispute resolution process.
- S** 9.12 The outsourcing agreement must clearly stipulate the circumstances that could lead to termination of the arrangement, termination rights and a minimum period to execute the termination provisions. A financial institution must ensure that in the event of termination of the arrangement, the agreement provides sufficient time for an orderly transfer of the outsourced activity to the financial institution or another party. A financial institution must ensure that the termination clause does not impose excessive penalty which prevents the financial institution from terminating the arrangement.
- S** 9.13 The financial institution must ensure that its proprietary and customer information shared with the service provider remains secure at all times, and strict controls are in place to prevent unauthorised access. The agreement must, at a minimum, address–
- (a) the responsibility of each party with respect to information security, including the rights of each party to change the security procedures and requirements;
 - (b) scope of information that is subject to security requirements;
 - (c) the party liable for any losses arising from a security breach; and
 - (d) notification requirements in the event of a security breach.
- S** 9.14 The outsourcing agreement must include an obligation on the service provider to allow the financial institution and its external auditor, the necessary access to the premises, systems and any information or documents in relation to the outsourced activity.
- S** 9.15 Where the outsourcing arrangement allows for sub-contracting, the provisions of the outsourcing agreement shall also apply to the sub-contractor(s). The terms of the agreement must clearly define the services that may be sub-contracted, state that the primary service provider continues to be accountable for the services provided by the sub-contractor(s) and that written approval from the financial institution is required for any changes in the sub-contractor(s).
- S** 9.16 The outsourcing agreement must contain a provision which–
- (a) enables the Bank to have direct and unimpeded access to the premises, systems and any information or documents related to the outsourced activity;

- (b) enables the Bank to appoint an independent party to perform a review of the relevant business, affairs and books of the service provider;
- (c) enables the Bank to impose corrective measures on the service provider arising from the Bank's monitoring and assessment of the outsourced activity; and
- (d) allows the financial institution the right to terminate the arrangement when the Bank issues a direction to the financial institution to that effect under the FSA, IFSA or DFIA, as the case may be.

Protection of data confidentiality

- G** 9.17 Misuse or unauthorised disclosure of confidential information is a serious matter that may expose the financial institution to reputational and legal action. It is therefore important that the security and confidentiality of the institution and customer information, including those shared under the outsourcing arrangement, is well protected at all times.
- S** 9.18 A financial institution must ensure that appropriate controls are in place and are effective in safeguarding the security, confidentiality and integrity of its proprietary and customer information. In meeting this requirement, the financial institution must ensure that–
- (a) proprietary and customer information disclosed to the service provider is limited to the extent needed to provide the contracted service, and only on a need-to-know basis;
 - (b) the service provider is prohibited from using the institution's proprietary information or that of its customers other than to perform the outsourced activity;
 - (c) where the service provider provides services to multiple clients, the financial institution's information must be physically or logically segregated from the information of other clients of the service provider;
 - (d) the service provider, including its employees, are bound by confidentiality provisions stipulated under the outsourcing agreement even after the arrangement has ceased; and
 - (e) information shared with a service provider is returned to the financial institution on a timely and secure basis, and no longer resides with the service provider once the outsourcing arrangement ceases or is terminated.

Question 5

Please describe measures taken by your institution to ensure that the service provider observes the confidentiality requirements, in particular once the outsourcing arrangement ceases or is terminated.

Business continuity management

- G** 9.19 Comprehensive and well-coordinated business continuity plans (BCP) ensure that the outsourced activity can continue to be performed in the event of an operational disruption or failure of the service provider.
- S** 9.20 A financial institution must ensure that its own BCP provides sufficient focus on activities being outsourced and considers alternative arrangements in the event of an operational disruption or failure of the service provider. This includes ensuring that the financial institution has the ability to resume the outsourced activity by itself without undue delay. The financial institution must be satisfied that the BCP appropriately accounts for the scale and complexity of the outsourced activity, having regard to the extent of dependency on the service provider.
- S** 9.21 A financial institution must, at all times, ensure that it has in its possession, or can readily access, all records and information with respect to the outsourced activity necessary to allow it to operate and meet relevant legal and regulatory requirements.
- S** 9.22 A financial institution must also assess and be satisfied with the adequacy and effectiveness of the service provider's BCP. A financial institution must also ensure alignment of the service provider's BCP with the financial institution's own BCP.
- S** 9.23 A financial institution must ensure that the service provider tests the BCP and where possible, participate in joint testing, at least annually. The tests should validate the feasibility of the service provider's capabilities to resume operations. As soon as practicable, the test report, including any identified deficiencies and measures to address such deficiencies, must be provided to the financial institution.

Question 6

Please describe your institution's current practice on BCP testing with the service provider, including the frequency of testing.

PART C REGULATORY PROCESS

10 Approval for outsourcing arrangement

- G** 10.1 The Bank places significant importance on ensuring its continued ability to carry out effective supervisory oversight on the financial institution, including the outsourced activity. An early engagement with the Bank seeks to ensure that any supervisory concerns arising from the proposed outsourcing arrangement can be identified and addressed ex-ante.
- S** 10.2 A financial institution must obtain the Bank’s written approval before entering into a new outsourcing arrangement or prior to renegotiating/renewing an existing outsourcing arrangement.
- S** 10.3 Notwithstanding paragraph 10.2, a financial institution is not required to obtain the Bank’s prior written approval where the outsourced activity is to be performed by the parent company which is a financial institution.
- S** 10.4 Unless with the Bank’s prior written approval, a financial institution is not allowed to make any subsequent material modification to the outsourcing arrangement, including any changes to the sub-contractor(s).
- G** 10.5 In assessing an outsourcing application under paragraph 10.2, the Bank will consider the specific circumstances of the arrangement, significance of such circumstances and the potential risks such arrangement can pose to the financial institution. This includes an assessment as to whether the financial institution has complied with the requirements as set out in Part B of this policy document.

11 Submission of information

- S** 11.1 For the purpose of paragraph 10.2, an application for an approval must be supplemented, at a minimum, with the following:

For an existing and a new outsourcing arrangement

- (a) a copy of the board’s approval on the proposed outsourcing arrangement, including the board’s deliberation on the business case for outsourcing and the outcome of the due diligence process;
- (b) a legal advice or opinion which confirms that all relevant requirements in this policy document have been incorporated in the outsourcing agreement. This includes cross-referencing of relevant provisions of the outsourcing agreement with the requirements as set out in Part B;
- (c) in respect of the service provider–
 - (i) corporate structure, including entity identification number (e.g. company number or the business registration number), date and place of incorporation, address of the principal place of business

- and head office, and description of the principal business;
- (ii) total number of employees;
- (iii) for each employee performing or overseeing the outsourced activity–
 - A. description of key roles and responsibilities;
 - B. status of employment contract (e.g. permanent or contract staff); and
 - C. total remuneration⁸; and
- (d) for an existing service provider, an assessment of its past performance;

For a new outsourcing arrangement

- (e) an assessment of interdependencies between the proposed outsourcing arrangement and other activities of the financial institution;
- (f) an assessment of the impact to the financial institution's business continuity, and recovery and resolution plans in the event the service provider comes under stress. This includes an assessment of the degree of difficulty and time required to select an alternative service provider or to bring the outsourced activity in-house;
- (g) measures and processes to ensure protection and confidentiality of customer information;
- (h) an assessment of the risk arising from the complexity of the outsourcing arrangement, in particular where more than one service provider collaborates to deliver an end-to-end outsourcing solution; and
- (i) an analysis of the degree to which outsourced activities are concentrated to a particular service provider and the mitigating measures to address this concentration. The analysis shall include all outsourcing arrangements undertaken by the affiliates of the financial institution and other financial institutions.

- S** 11.2 Where a service provider is a financial institution, the information as set out in paragraphs 11.1(c), (d) and (g) are not required to be appended with the application.
- S** 11.3 An application under paragraph 10.2 must be directed to Jabatan Penyeliaan Konglomerat Kewangan, Jabatan Penyeliaan Perbankan, Jabatan Penyeliaan Insurans dan Takaful or Jabatan Kewangan Pembangunan dan Enterpris, as the case may be.

⁸ This includes salary, bonus, allowances and benefits-in-kind.

PART D TRANSITIONAL ARRANGEMENTS

12 Transitional arrangements

- S** 12.1 A financial institution must ensure that all existing outsourcing arrangements entered into before [31 December 2017] are time-bound such that the agreements cease before [31 December 2022]. A financial institution must obtain the Bank's written approval as set out in paragraph 10.2, before entering into any renegotiation or renewal of these agreements.
- S** 12.2 For the purpose of paragraph 12.1, a financial institution must submit to the Bank, no later than [30 June 2018], a complete list of existing outsourcing arrangements^{9,10}, using the template as set out in Appendix 4. The Bank will engage with individual financial institutions on the appropriate transitioning measures for each existing outsourcing arrangements.
- S** 12.3 The template must be submitted to Jabatan Penyeliaan Konglomerat Kewangan, Jabatan Penyeliaan Perbankan, Jabatan Penyeliaan Insurans dan Takaful or Jabatan Kewangan Pembangunan dan Enterpris, as the case may be.

⁹ This excludes outsourcing arrangements where the service provider is the parent company which is a financial institution.

¹⁰ This includes applications that were previously subject to notification requirement.

APPENDIX 1 RELATED LEGAL INSTRUMENTS AND POLICY DOCUMENTS

1. Operational Risk
2. Guidelines on Management of IT Environment (GPIS 1)
3. Guidelines on Business Continuity Management (Revised)
4. Data Management and MIS Framework
5. [Management of Customer Information and Permitted Disclosures]
6. Shariah Governance Framework for Islamic Financial Institutions
7. Fair Debt Collection Practices
8. Debit Card
9. Credit Card
10. Optimal Resource Sharing Arrangement

APPENDIX 2 GUIDELINES AND POLICY DOCUMENTS SUPERSEDED

1. Guidelines on Outsourcing for Development Financial Institutions issued on 30 July 2009
2. Guidelines on Outsourcing for Takaful Operators issued on 12 April 2006
3. Guidelines on Outsourcing for Insurers issued on 24 December 2004
4. Guidelines on Outsourcing of Islamic Banking Operations issued on 23 June 2003
5. Guideline on Rationalisation of Operating Structure for Banking Institutions issued on 5 June 2000
6. Guidelines on Outsourcing of Banking Operations issued on 24 April 2000
7. Circular on Blanket Approval to Banking Institutions issued on 27 December 1995

APPENDIX 3 EXAMPLES OF ARRANGEMENTS EXCLUDED FROM SCOPE OF OUTSOURCING

1. Services for the transfer, clearing and settlement of funds or securities provided by an operator of a designated payment system or an operator of an approved payment system under the FSA or the IFSA
2. Global financial messaging network services provided by an operator that is owned by its member financial institutions and is subject to the oversight of relevant regulator(s)
3. Subscription, maintenance and support of electronic trading or broking system
4. Independent consultancy service (e.g. legal opinions, tax planning and valuation)
5. Independent audit assessment
6. Clearing and settlement arrangement between clearing houses and settlement institutions and their members
7. Co-insurance, reinsurance and retrocessions
8. Selling of insurance or takaful products by agent or broker
9. Agent banking
10. Correspondent banking service
11. Adjusting business
12. Procurement of service¹¹, such as–
 - (a) Credit or market information service
 - (b) Repair, support and maintenance of tangible asset (e.g. off-site ATM machine)
 - (c) Purchase of commercially available software
 - (d) Maintenance and support of licensed software
 - (e) Telecommunication, postal and courier service
 - (f) Physical security and surveillance service
 - (g) Cleaning service

¹¹ Except where it involves transfer of an institution's non-public information pertaining to its customers or proprietary information.

APPENDIX 4 INFORMATION REQUIREMENT FOR EXISTING OUTSOURCING ARRANGEMENTS

Brief description of activity outsourced	Service provider ¹²			Relationship with financial institution ¹³	Period of outsourcing arrangement	
	Name	Place of incorporation	Location from where service(s) is provided ¹⁴		From	To

¹² For an arrangement that involves sub-contractor(s), please include details of the sub-contractor(s) within the same line item.

¹³ Either an affiliate or third party.

¹⁴ Including location of the data centre.