



State Street Corporation

78 Sir John Rogerson's Quay
Dublin 2

T +353 1 776 8000

F +353 1 776 8491

www.statestreet.com

Delivery via Email: outsourcingfeedback@centralbank.ie

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Re: Cross-Industry Guidance on Outsourcing – Consultation Paper 138 ("CP 138")

Dear Sir/Madam,

We refer to the Cross-Industry Guidance on Outsourcing – Consultation Paper 138 ("CP 138").

State Street Corporation ("State Street") appreciates the opportunity to comment on CP 138. We understand the main objective of the CP is to support and complement existing sectoral legislation, regulations and guidelines on outsourcing and to assist regulated firms in developing their outsourcing risk management frameworks so as to effectively, identify, monitor and manage their outsourcing risks.

State Street Corporation (NYSE: STT) is the world's leading provider of financial services to institutional investors including investment servicing, investment management and investment research and trading. With \$40.3 trillion in assets under custody and administration and \$3.6 trillion¹ in assets under management as of 31 March 2021, State Street operates globally in more than 100 geographic markets and employs approximately 39,000 worldwide. For more information, visit State Street's website at www.statestreet.com.

In today's financial industry, outsourcing plays an increasingly important role, allowing firms such as State Street to deliver high quality services to clients in an efficient and effective way while being able to focus on their core competencies. This is a benefit with efficiency savings generated by economies of scale and specific expertise that an outsourced service provider can provide in certain activities. We therefore welcome CP 138 and the Central Bank's work in implementing the EBA outsourcing guidelines.

Our experience during the COVID-19 pandemic has further reinforced our views in favour of regional and global alignment, and we consider it has shown that the current EBA Outsourcing Guidelines definition of outsourcing is robust and resilient. The situation, however, highlighted the need for an

¹ Assets under management as of 31 March 2021 includes approximately \$60 billion of assets with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated.

ongoing assessment of which of the critical services required the most focus depending on the nature and circumstances of any given crisis (e.g. the work-from-home adjustment elevated the monitoring and communication between the key providers to ensure dependencies could be met). Furthermore, the global pandemic made some of the themes highlighted by the Central Bank and commented on herein even more relevant than before, including the need for concentration risk monitoring at a global level.

Definition of Outsourcing

In the context of the Irish funds industry, the clear distinction between practices of outsourcing and delegation, and the related regulatory requirements in relation to each of these should be retained to ensure UCITS and AIFs across Europe are subject to harmonised EU requirements. The changes to the requirements in relation to the delegation requirements for such products should emanate from European regulations. For the funds industry in Ireland, the scope of the CBI requirements on outsourcing should be those regulated firms (Fund Administrators) governed by Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Investment Firms) Regulations 2017 (IFR).

Furthermore, there is precedent from other European regulators excluding certain activities from their outsourcing requirements. The EBA affirms in its guidance that, as a general principle, global network infrastructures, clearing and settlement arrangements between clearing houses, central counterparties and settlement institutions and their members and correspondent banking services should not be considered as outsourcing. More recently, in its supervisory statement SS2/21 on “Outsourcing and third party risk management published in March 2021, the Prudential Regulation Authority (“PRA”) in the U.K. affirms that certain arrangements, including custody services, among regulated financial institutions, including between firms that are not part of the same group and between firms and financial market infrastructures, do not fall within the definition of outsourcing. State Street is supportive of these exclusions and would urge the Central Bank to consider a similar approach.

State Street would strongly recommend clarifying that custody and sub custody arrangements should fall outside the scope of the definition of outsourcing and therefore are not subject to the outsourcing requirements.

As defined in CP 138, outsourcing is *“an arrangement of any form between a regulated firm and an outsourced service provider(OSP), by which that service provider performs a process, a service or an activity that would otherwise be undertaken by the regulated firm itself even if the regulated firm has not performed that function itself in the past.”*

The key concept in that definition is that a firm opts to outsource an activity that it could have done itself. Custody, however, is a specialised business which requires presences in various local markets with the functional capabilities to connect to the local market infrastructure. Although global custodians can choose to develop their own sub-custody offering (along with the cost, footprint complexity and other implications of joining a local market), this is a choice and not an inherent ability in a global custodian. No global custodian is able to offer its own sub-custody network in all markets. As such, a global custodian is not in the position of having a servicing capability but choosing to hire someone else to perform it. There would also be a knock-on effect to clients with the need for them to consider custody as outsourcing also.

Furthermore, custody is subject to stringent requirements under various regulatory regimes, including both the AIFMD and UCITS regimes which recognise the special delegation arrangements for custody that are different from outsourcing. Under these frameworks, robust requirements on how to select, monitor and establish contractual arrangements with custodians apply. Mandating the additional application of outsourcing requirements would not only add increased and unnecessary burden but

also mix well-established practices with others that aren't specific to the nature and functioning of sub-custody and the relationship between the global custodian and its sub-custodians.

In addition, article 30 of the Central Securities Depositories Regulation (CSDR) contains provisions on outsourcing which cover areas such as the outsourcing of settlement processing by the CSDs. Settlement processing is an activity which CSDs could do themselves, but in many cases, they have chosen to outsource. In contrast, the appointment by a CSD of a sub-custodian or cash clearing bank is covered in a regulatory technical standard (RTS) setting out the prudential requirements for CSDs and is explicitly not covered by the CSDR provision on outsourcing.

Global Operating Models

Global operating models relying on outsourcing have become the standard for asset servicing companies operating across multiple jurisdictions. Such models have been developing over the last two decades and are now a cornerstone of servicing clients and the requirements of their investors. State Street Corporation operates a common operating model and infrastructure across multiple legal entities in various jurisdictions within EMEA, North America and APAC. Many clients of State Street in Ireland, as with other locations globally, depend upon the global nature of State Street's operations to receive services for their investment strategies worldwide benefitting from the quality and flexibility that it offers. Intragroup servicing arrangements are an important element of the State Street global operating model as it allows the operation of multi-location processing hubs and the development of centres of expertise which can be leveraged to enhance the operating model, meet investor requirements, harness efficiencies and economies of scale. A regionally aligned approach, which is reflective of requirements of the European Supervisory Authorities, should govern the standards to which such global operating models must adhere. Among other things this will ensure adherence to "best in class" regulatory requirements across the European region and facilitate a consistent approach to the oversight of outsourcing at a regional level allowing group programmes and tools to be deployed in the mitigation of risk which it is agreed is attendant to outsourcing.

As a leading jurisdiction for the domiciliation and servicing of investment funds it is important that the benefits of a global operating model are available to Irish-domiciled funds and their investors while ensuring such activity takes place within a well-controlled and regulated environment.

A global operating model allows firms to deliver a 24/7 cross-jurisdictional standardised servicing model so that for example NAV delivery times correlate to investor and client requirements. The continued development of deep centres of operational expertise can be facilitated and language skills that might not otherwise be available to investors can be delivered. The benefits of a global operating model and the related intragroup outsourcing reduce operational risk regulated firms would otherwise face. For example, the Centres of Excellence (COEs) in pricing, derivatives, NAV calculation that have been established in a global location-neutral servicing model in practice result in lower operational risk for the regulated firm than if the activity were undertaken by the regulated firm itself. The development of COEs has resulted in the centralisation of data capture which enhances the integrity of such data, standardised operational processes and controls with a corresponding reduction in local bespoke processes which have more inherent operational risk, the development of operational expertise and enhanced resiliency of operations, all of which result in a material reduction of operational risk for regulated firms. In summary outsourcing arrangements, when appropriately executed and overseen, reduce the operational risk that would otherwise be faced by regulated firms.

We fully understand the position of regulators regarding outsourcing risk, and the need for robust management oversight and controls. We are in agreement on the importance of effective internal governance arrangements over outsourcing arrangements across the various sectors we operate in, including investment management, investment servicing, and investment research and trading and

the need for robust management oversight and controls across all sectors. Industry outsourcing programmes are built with this oversight and these controls in mind and are in a constant state of improvement and refinement. In this regard CP 138 is helpful to us in understanding the CBI's expectations regarding the governance and management of outsourcing risk. We have taken this opportunity to highlight certain areas where, in our view, the Central Bank's approach could be further considered. In summary we believe the Central Bank should give further consideration to the following:

1. Align fully with the EBA Guidelines on Outsourcing, avoiding the imposition of additional requirements locally which will hinder the full implementation of a regionally consistent approach to the management and mitigation of outsourcing risk which allows for the utilization of group tools and programmes in this regard, where appropriate.
2. Provide for a cross industry transition period, similar to that provided for in Consultation Paper 140 -Consultation on Cross Industry Guidance on Operational Resilience to allow regulated firms to fully implement and embed the oversight framework, where it is not an existing regulatory requirement, either through European or domestic regulation. In particular, we would request that this transition period is applied to the implementation of the Outsourcing Register required to give firms the opportunity to enhance and to the degree possible automate the maintenance of such registers to ensure accuracy and efficiency.
3. CP 138 appears to suggest the application of the requirements to a wider number of arrangements, including custody. We would encourage the Central Bank to align the requirements with global and regional regulations in this regard, to allow for a consistent outsourcing oversight and governance model across the region and to avoid unnecessary additional requirements and costs. We would encourage the Central Bank to limit the scope of any outsourcing requirements within the investment funds sector to regulated firms governed by the Investment Firms Regulations 2017 (IFR), with delegation by UCITS and AIF managers and depositaries being subject to the relevant delegation requirements of AIFMD and UCITS and related supervisory requirements to ensure continued supervisory convergence at a EU level.
4. The Central Bank notes that the manner in which the Guidance may be adopted may differ based on the nature, scale and complexity of the regulated firm's business and the extent to which they rely on outsourcing of critical or important functions. However, the Central Bank further notes that the measures set out are to be applied in respect of all a regulated firm's critical or important outsourcing arrangements. As noted below clarification is required on whether the assessment of criticality or importance is to be applied at the arrangement, activity, function or service level to facilitate proportionality being applied in a meaningful way, particularly in the case of intragroup arrangements.
5. Regulated firms' ability to apply the requirements in a proportionate way where the funds they service are not Irish domiciled should be given further consideration on the basis that non Irish funds are subject to regulatory requirements in the jurisdiction in which they are domiciled and such requirements will have primacy, including those in relation to delegation and outsourcing. Permitting the outsourcing requirements to be applied in a proportionate way will allow firms, in such cases, to apply the requirements in a manner that is in keeping with the approach taken in the jurisdiction in which the non-Irish fund is domiciled. Furthermore, allowing a proportionate approach in the case of an Irish regulated firm that is not the contractually appointed service provider but rather, is a sub-delegate of a non-Irish fund service provider should be considered based on the same rationale.
6. We would request clarification on which elements of due diligence requirements are to be applied in the case of initial due diligence and ongoing due diligence. We believe Section 6

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requires clarification in this regard and note several requirements whose removal, we believe, should be considered.

7. State Street agrees with the proposal to align the content of the outsourcing register with the EBA requirements in that regard however there are a number of areas where the Central Bank proposes the inclusion of additional information over and above that required by the EBA. In order to ensure alignment of such registers at a regional level the Central Bank should reassess the need for such information, given it has not been considered necessary by other regulators and the lack of alignment would hamper firms adopting a homogenous group approach to the maintenance and filing of such information

Each of the above matters is considered in further detail in the following pages. Thank you again for the opportunity to comment on the important matters raised within this Consultation Paper.

In addition to this response, State Street has actively contributed to and fully endorses the response submitted by Irish Funds and the points made therein.

Please feel free to contact me should you wish to discuss our submission in greater detail.

Yours Sincerely



Tadhg Young EVP / Country Head Ireland

- **Part B- Section 1- Assessment of criticality or importance**

State Street is supportive of the approach to the assessment of criticality or importance as proposed by the Central Bank.

In Appendix 4 – Definitions the Central Bank defines “Function” as meaning any processes, services or activities. This definition is consistent with the EBA Guidelines and State Street welcomes this however it would be helpful if the requirements in this section referred to “Function” throughout. This is not currently the case and it is not clear if the terms utilised, as outlined below, are interchangeable. The use of consistent terminology in this section would further enhance the clarity of the Central Banks requirements in this regard. We have set out 3 examples below:

- In respect of the assessment of criticality or importance of activities or functions
- 1 a) Have a defined methodology for determining the “criticality or importance” of service
- As criticality or importance may vary throughout the lifecycle of an outsourcing arrangement

- **Part B – Section 2 – Intragroup Arrangements**

All outsourcing arrangements should be subject to a core level of oversight and governance; however, the outsourcing requirements should take account of the inherent risk presented by the particular arrangement. The Central Bank notes there are “unique risks” presented by intragroup arrangements but does not elaborate further. It would be helpful to understand what the Central Bank considers those risks to be. Furthermore, the Central Bank acknowledges that the manner in which the guidance is applied may differ for intragroup arrangements. However, the Central Bank goes onto state that the measures set out are to be applied in respect of a regulated firm’s critical or important outsourcing arrangements and does not make any differentiation between intragroup and third-party arrangements. The result of this is that, in practice, there is no recognition that the application of the requirements may differ between intragroup and third-party arrangements

Intragroup arrangements are typically subject to the same enterprise-wide corporate standards and policies overlaid with local jurisdictional requirements as necessary. Enterprise-wide corporate standards, policies and requirements are developed in light of international standards and regulations as well as best practice.

The degree of integration, consistency and standardisation of approach and process together with the multi-jurisdictional coverage offered by a global operating model should be reflected in the risk profile of the arrangement and requirements in relation to resiliency planning.

While noting that intragroup outsourcing is not necessarily less risky than outsourcing to an entity outside the group, the EBA Guidelines on Outsourcing acknowledge that when outsourcing within the same group, institutions and payment institutions may have a higher level of control over the outsourced function, which they could take into account in their risk assessment

In Chapter 3 of their Policy Statement on Outsourcing SS 2/21 the PRA consider the unique nature of intragroup outsourcing arrangements and note the following, in particular:

- *firms may comply with some of these requirements proportionately depending on their level of ‘control and influence’ over the entity that is providing the outsourced service.*

The PRA notes that group's governance structure, the allocation of senior management responsibilities throughout the group, the ability of a firm to alter its intragroup outsourcing arrangements and/or influence their terms and conditions and the consistency and robustness of group wide standards controls, policies, and procedures are relevant in this regard.

Depending on its level of control and influence in respect of intragroup outsourcing arrangements, a firm may, for example:

- *adjust its vendor due diligence, although firms should still carefully assess whether a potential service provider that is part of its group has the ability, capacity, resources, and appropriate organisational structure to support the performance of the outsourced function or third party service;*
- *if a UK consolidated group is entering into a material outsourcing arrangement that covers the entire group or multiple firms in it, a single notification may be enough to meet its obligations under Rule 2.31(e) in the Notifications Part of the PRA Rulebook, provided that it lists all the individual firms that will receive the relevant material outsourcing service;*
- *rely on the group's potentially stronger negotiating and purchasing power to enter into group-wide arrangements with external third parties;*
- *adapt certain clauses in outsourcing agreements (a written agreement is always required – even in intragroup arrangements; see Chapter 6);*
- *rely on group policies and procedures as long as they comply with their UK legal and regulatory obligations and allow them to manage relevant risks, (eg group cybersecurity or data protection policies, such as binding corporate rules for international data transfers);*
- *rely on a centralised group process for overseeing external third party service providers, including the exercise of access, audit, and information rights, provided that this process appropriately takes into account and documents any legal entity-specific risks and allows for legal entity-specific risk mitigation where necessary; and*
- *rely on business continuity, contingency, and exit plans developed at group level, provided that they adequately safeguard their operational resilience.*

We believe a similar approach whereby the Central Bank would allow firms the ability to adjust elements of the outsourcing oversight framework in the case of intragroup arrangements should be considered.

We agree with the expectations the Central Bank has set out in relation to the assessment of intragroup outsourcing arrangements however in relation to the prioritisation that is applied to the remediation of outsourced services we would note that, in practice, the prioritisation will be governed by, for example, the NAV release deadlines, transaction queues and will not be location / entity specific. We would therefore suggest the requirement is amended as follows:

*(c) Consider and be satisfied with the application of the appropriate level of prioritisation of any remediation of outsourced services, where service outages may impact the regulated firm and/or the wider group **where such outsourced services are remediated on a location / entity specific basis;***

- **Part B – Section 3 – Outsourcing and Delegation**

In the context of the Irish funds industry, the clear distinction between practices of outsourcing and delegation and the related regulatory requirements in relation to each of

these should be retained to ensure UCITS and AIFs across Europe are subject to harmonised EU requirements with the changes to the requirements in relation to the delegation requirements for such products emanating from European regulations. For the funds industry in Ireland, the scope of the CBI requirements on outsourcing should be those regulated firms (Fund Administrators) governed by IFR.

Delegation by managers of UCITS and AIFs is expressly recognised and governed by specific frameworks within the UCITS and the AIFM Directive respectively. Where a local authorised depository delegates safekeeping of assets under the UCITS or the AIFM Directive to a global sub-custodian is an example of such a delegation. This global sub custody model complies with European requirements and allows the global due diligence and oversight of each of sub-custody appointment to be undertaken by the Network Management team of the appointed Global sub-custodian thereby utilising deeply experienced function within the global custody organisation. The work of the global sub-custodian, including the work of the network management group in the due diligence and oversight of sub custodians is monitored and overseen by the Irish depository.

Similarly, regarding UCITS Management Companies and AIFM, the delegation requirements emanate from European regulation governing these products. The imposition of additional requirements locally would be at odds with the aim of supervisory convergence.

As noted earlier, there is precedent from other European regulators excluding certain activities from their outsourcing requirements. The EBA affirms in its guidance that, as a general principal, global network infrastructures, clearing and settlement arrangements between clearing houses, central counterparties and settlement institutions and their members and correspondent banking services should not be considered as outsourcing. More recently, in its supervisory statement SS2/21 on “Outsourcing and third party risk management published in March 2021, the Prudential Regulation Authority (“PRA”) in the U.K. affirms that certain arrangements, including custody services, among regulated financial institutions, including between firms that are not part of the same group and between firms and financial market infrastructures, do not fall within the definition of outsourcing. State Street is supportive of these exclusions and would urge the Central Bank to consider a similar approach.

- **Part B – Section 5 – Outsourcing Risk Assessment and Management**

- **Data Security – Availability and Integrity**

We recognise the importance of the ready availability and integrity of our data and the importance of appropriately designed and operationally effective controls for data-in-transit, data-in-memory and data-at-rest, both preventative and detective however all of the controls listed in Section 5.3 may not be relevant in all circumstances, for all data and applications and therefore suggest that the Guidance is amended to state “These controls should include a mix of preventative and detective measure, which may include the following, where appropriate”

- **Concentration Risk**

We agree clear and comparable data is key to facilitating the identification of systemic providers. The “Outsourcing Register” proposal will further strengthen firms’ ability to identify and analyse the concentration of services in the hands of few providers.

This is also an area where we would encourage regional and global cooperation and coordination amongst regulators to identify providers that potentially represent such systemic concentration risk.

The implementation of common standards on global level would facilitate the monitoring of risks deriving from the concentration of services in the hands of few providers. As such, for providers identified as being of systemic importance, common sets of minimum standard requirements, such as KPIs as well as business continuity and operational resilience parameters, could be developed.

In 5.4 (e) the Central Bank acknowledge their responsibility to monitor systemic outsourcing concentration risk from a financial stability perspective. This is consistent with the EBA guidelines which state in section 117 that where concentration risks are identified, competent authorities should monitor the development of such risks and evaluate both their potential impact on other institutions and payment institutions and the stability of the financial market; competent authorities should inform, where appropriate, the resolution authority about new potentially critical functions⁵⁸ that have been identified during this assessment.

This is not something that individual firms have the data or the responsibility to monitor and we would suggest that the requirement in 5.4(e)(vi) is removed from the list of considerations.

➤ **Offshoring Risk**

CP 138 notes Regulated firms may be restricted from offshoring activities where supervisibility is either severely constrained or non-existent. It would be helpful in this regard if the Central Bank could provide a list of jurisdictions where this is the case to avoid situations where firms undertake initial due diligence and risk assessments on firms with a view to offshoring to then be advised by the Central Bank that offshoring to that location is not possible due to no College of Regulators, no MoUs and little or no contact with regulators in the chosen jurisdiction.

Furthermore, we would request the Central Bank align with the EBA Guidelines in relation to evaluating the risks associated with countries to which they are planning to outsource. In that regard we would note the EBA does not require a documented assessment of matters such as Political climate risk, physical climate risk, cultural language issues and employment conditions.

• **Part B – Section 6 – Due Diligence**

State Street recognises the need for both initial and ongoing due diligence. However, we would request clarification on which requirements apply in the case of each. As drafted currently it would seem the criteria a) –j) would apply in the case of initial due diligence and criteria a) – (j and a) – p) would apply in the case of ongoing due diligence.

The final paragraph states these criteria outlined above should also be considered, as deemed necessary, in the course of periodic reviews of due diligence throughout the lifecycle of any contract which would seem unnecessary given the preceding sections.

We would note that the requirements outlined in Section 6 are significantly more detailed than those outlined in Chapter 12 of the EBA Guidelines and we would request the Central Bank consider alignment with the EBA approach. Specifically, we would highlight the following:

f) Capacity of the OSP to keep pace with innovation within the market sector

In practice we would query how this is to be assessed and evidenced as part of due diligence reviews.

o) Alignment of the risk appetite of the OSP with that of the regulated firm in order to avoid risk appetite breaches as a result of OSP activity of failure

A similar requirement was included in the consultation the EBA issued in 2018 but was removed from the final requirements on the basis the risk appetite of a service provider will differ from that of an institution or it will not have one. For the same reason we would encourage the Central Bank to consider the withdrawal of this requirement. A related requirement in Offshoring Risk (c) in relation to alignment of OSP risk appetite with that of the regulated firm's risk management expectations should also be reconsidered.

- **Part B – Section 7 – Contractual Arrangements and Service Level Agreements (SLAs)**

State Street supports the proposals in relation to Contractual Arrangements for critical or important functions or services and notes they align very closely with EBA Guidelines in this regard however we would like to raise for consideration the inclusion of the following provision in the Guidance:

u) As a matter of good practice, regulated firms should also consider the inclusion of the following in contracts or written agreements:

i. Dispute resolution arrangements containing provisions for remedies including penalty clauses to be invoked if required in the event of significant breaches of KPIs in respect of critical or important services;

ii. Indemnification;

iii. Limits and liability;

iv. Provisions for amendment of contracts or written agreements; and

v. Notifications of financial difficulty, catastrophic events, and significant incidents.

This provision is not included in the EBA Guidelines and State Street would consider the matters listed above to of a commercial nature which should not be mandated in Guidance / regulation. We would request the Central Bank either remove this section or clarify their expectations in this regard, for example must firms be able to evidence their consideration of these matters where they are not included them in contractual provisions or whether firms have absolute discretion to exclude these from contracts where they consider it appropriate to do so.

- **Part B – Section 10 – Provision of Outsourcing Information to the Central Bank**

- **Notifications**

Regulation 18 (1) of IFR requires a fund administrator to notify the Central Bank

in writing before entering into a proposed outsourcing arrangement and specifies the information to be included in such a notification. Clarification that the requirements in 10.1.1 of CP 138 will replace this Regulation 18 (1) notification requirement would be welcome. We would not see any merit in requiring both notifications, particularly given these requirements would appear to be incorporated in the Register requirements as set out in Section 10 & Appendix 3.

Regulation 18 (3) of IFR further specifies that if the Bank has not objected to a proposed outsourcing arrangement within the one month of notification and / or additional information requested being submitted the fund administrator may outsource administration services in

accordance with the terms specified in the notification submitted. We would request a similar “No Objection” clause be included in the Notification provisions of CP 138. Such an approach would be consistent with the Central Bank not creating a pre-approval process.

While CP 138 notes that the Central Bank is not creating a pre-approval process, the level of detail in the required Notification and the stated purpose of the Notification to “inform and engage in dialogue with the Central Bank in sufficient time to permit appropriate supervisory consideration...” and the absence of timeframes on which an arrangement can proceed post Notification would indicate this is a form of de-facto pre-approval as opposed to a notification only. We would request clarification in relation to how this process will work, including timings so that industry can understand the lead time required prior to commencement of a new outsourcing arrangement

➤ **Maintenance and Submission of Registers:**

State Street agrees with the proposal to align the content of the outsourcing register with the EBA requirements in that regard. The submission of such information would be helpful to regulators efforts to effectively monitor concentration risk across the industry and to ensure that they have clear visibility of the key providers for certain services across the industry.

For the filings and the information contained therein to be effective, the definitions of the information and data points collected need to be clear and well thought-through, to ensure consistent understanding and interpretation across the industry.

State Street would recommend using already existing industry databases such as GEMs and corresponding IDs, rather than maintaining all of this provider data (registered address, country of registration etc.). This would also assist the Central Bank in the interpretation of the data due to standardisation of identification of outsourced providers. We would also recommend further standardization of the data fields in the register.

It is important that firms would not have visibility into other firms’ arrangements and that complete confidentiality is guaranteed. However, we would be grateful if the Central Bank could clarify whether concentrations of market participants with specific vendors would be made public.

In order to allow firms to satisfy their record-keeping obligations most efficiently, State Street would recommend identifying some standard categories across the industry to avoid or limit the number of fields in the “Outsourcing Register” with free text field descriptions; from 10.2:

- Paras (c) and 54(d): We would recommend undertaking research/surveys with the aim of identifying standard categories of outsourced functions in order to avoid descriptions using free text.
- Para (g): We would suggest one field for a criticality flag (Y/N) and a separate field for free text containing an explanation of why a function is critical.
- Para (h): The suggestion is to also undertake additional research across the industry to get a better understanding of '*specific nature of the data to be held*'. Perhaps some standard categories could be created to avoid free text explanations and enable more automated data analysis.
- Para (y): Standard definitions of provider's substitutability could be developed on the basis of an industry survey. There is a limited number of factors that impact substitutability (e.g. organisational, technology, knowledge, etc.) and a weighted combination of those could determine an easy, difficult, or impossible flag. Additional free text could supplement the flag with further information/context.

The publication of template documents would be helpful in ensuring a standardised approach to the maintenance and filing of registers by industry.

While the Central Bank notes that the registers must be submitted to the Central Bank cyclically however, we would request clarification on the frequency of such submissions and confirmation that they will replace the annual outsourcing return required under IFR.

There are a number of areas where the Central Bank proposes the inclusion of additional information over and above that required by the EBA and in order to ensure alignment of such registers at a regional level the Central Bank should reassess the need for such information, given it was not considered necessary by other regulators and the lack of alignment would limit firms adopting a homogenous group approach to the maintenance and filing of such information

- Para (e) Whether the OSP is a regulated firm itself and if so provide the name of the regulator. This is not required under para 54 of EBA Guidelines
- Para (t) The date/s of the most recent due diligence and risk assessments conducted including those involving services provided by sub-outsourcing providers and a brief summary of the main results. The EBA Guidelines require the date of the most recent risk assessment and a brief summary of the main results;
- Para (bb) Confirmation and latest dates of the testing of business continuity plans and exit strategies. This is not required under para 55 of EBA Guidelines
- Para (cc) Confirmation and dates of testing of OSPs business continuity plans; This is not required under para 55 of EBA Guidelines
- Para (ee) A record of terminated arrangements for an appropriate retention period. This is not required under para 55 of EBA Guidelines

The Central Bank notes that further to the information recorded within the register, the Central Bank may ask firms for additional information, in particular for critical or important outsourcing arrangements, such as:

- the detailed risk analysis and or the details and outcome of due diligence performed;
- the exit strategy for use if the outsourcing arrangement is terminated by either party or if there is disruption to the provision of the services; and
- the resources and measures in place to adequately monitor the outsourced activities.

It is unclear in what circumstances such information would be requested by the Central Bank and whether it would be only exceptional circumstances or whether the Central Bank intends for this to a regular / periodic request. Clarification on this would be welcome.

The Central Bank has also included the following information for inclusion in the register. Again, this information would be in addition to information required under the EBA Guidelines and in our view is already captured by the detailed information to be recorded in the register or are requirements contained elsewhere in the Guidance. We have noted this below in relation to each requirement:

j) Total number of outsourced service arrangements in place;

Each individual arrangement is recorded in the register

k) Total number of “critical or important” outsourced arrangements in place;

Each entry notes whether the arrangement is “critical or important

l) Total number of arrangements with CSPs;

Each CSP arrangement must record the cloud service and deployment model

m) Confirmation that the firm has an Outsourcing Risk Management Framework in place;

This is required by 5.

n) Confirmation that the firm has an Outsourcing Policy in place;

This is required by 4.2(a)

o) Confirmation that the Outsourcing Policy is approved by the Board or equivalent;

This is required by 4.1(f)

q) Confirmation that Contracts / Written Agreements are supported by SLAs.

This is required by 7.