



The Investment Firms and Fund Services (“IFFS”) Thematic Review Team recently engaged in a thematic review of Outsourcing Arrangements for Investment Firms, Fund Managers and Fund Service Providers. The objective of the thematic review was to analyse and test the monitoring and reporting controls firms employ to mitigate and manage outsourcing risks.

The Central Bank of Ireland (“Central Bank”) recommends that the Board of Directors and senior management of firms consider the following questions as they assess their outsourcing oversight:

- **Monitoring:** Does the firm have appropriate key performance indicators and monitoring tools that are properly aligned to the outsourced activity and embedded in the risk framework?
- **Reporting:** Is the reporting on the performance of the outsourcing provider, including Board reporting, sufficiently detailed and does the frequency of reporting correspond to the criticality of the outsourced activity?
- **Appraisal:** Is the Board satisfied that the initial due diligence analysis on the outsourcing provider was suitably rigorous and that on-going appraisals are equally thorough?
- **Business Continuity:** Does the firm have documented succession or remedial action plans in the case of disruption or termination of service and are these subject to robust testing on an ongoing basis?
- **Outsourcing Policy:** Does the firm’s outsourcing policy take into account the entire life cycle of outsourcing?

The Central Bank reminds firms of the *CEBS Guidelines on Outsourcing*¹ as a useful guide to an effective outsourcing oversight environment.

¹ <https://www.eba.europa.eu/documents/10180/104404/GL02OutsourcingGuidelines.pdf.pdf>