

# MEDIA RELEASE



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/14/2020

Madrid, 28 May 2020

## **IOSCO consults on outsourcing principles to ensure operational resilience**

The Board of the International Organization of Securities Commissions (IOSCO) is requesting feedback on [proposed updates](#) to its principles for regulated entities that outsource tasks to service providers.

Since the publication of IOSCO's earlier principles on outsourcing for market intermediaries and for markets, developments in markets and technology have increased regulatory attention on risks related to outsourcing and the need to ensure the operational resilience of regulated entities.

IOSCO prepared this report before the COVID-19 outbreak. However, on 8 April 2020, the IOSCO Board agreed [to delay publication](#) of its reports to allow firms and financial institutions to redirect their resources to focus on the challenges arising from the pandemic. As the initial stages of this crisis pass, the IOSCO Board has decided to publish this report now because the outbreak of COVID-19 has highlighted the need to ensure resilience in operational activities and to maintain business continuity in situations where both external and often unforeseen shocks impact both firms and their service providers.

To account for the ongoing resource constraints on financial institutions, however, the consultation period will end on 1 October 2020 (well beyond IOSCO's typical 90-day comment period).

The proposed *Principles on Outsourcing* are based on IOSCO's *2005 Outsourcing Principles for Market Intermediaries* and the *2009 Outsourcing Principles for Markets* but their

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application has been expanded to include trading venues, market participants acting on a proprietary basis, credit rating agencies and financial market infrastructures.

The revised principles comprise a set of fundamental precepts and a set of seven principles. The fundamental precepts cover issues such as the definition of outsourcing, the assessment of materiality and criticality, their application to affiliates, the treatment of sub-contracting and outsourcing on a cross-border basis.

The seven principles cover the following areas:

- Due diligence in the selection and monitoring of a service provider
- The contract with a service provider
- Information security, business resilience, continuity and disaster recovery
- Confidentiality Issues
- Concentration of outsourcing arrangements
- Access to data, premises, personnel and associated rights of inspection
- Termination of outsourcing arrangements

Each of these principles is supplemented with guidance for implementation. The consultation report includes a set of questions, including one of particular relevance during the current COVID-19 pandemic:

*What measures for business continuity would be effective in situations where all, or a significant portion, of both the outsourcers' and third-party providers' work force is working remotely? In particular, what steps should be taken so Cyber Security and Operational Resilience can be ensured?"*

IOSCO welcomes comments on and responses to this consultation report on or before 1 October 2020.

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## NOTES TO THE EDITORS

### About IOSCO

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission of Hong Kong, is the Chair of the IOSCO Board. Argentina, Australia, Bahamas, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Morocco, Ontario, Pakistan, Portugal, Quebec, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, and the United States of America (both the U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission). The Chair of the European Securities and Markets Authority and the Chair of IOSCO's Affiliate Members Consultative Committee are also observers.
3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 11 of the G20 members. Dr. Obaid Al Zaabi, Chief Executive Officer, Securities and Commodities Authority, United Arab Emirates, is the Chair of the GEM Committee. The committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.
4. IOSCO aims through its permanent structures:
  - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;

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- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

## MEDIA ENQUIRIES

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