

Press release

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FINMA revises outsourcing regulations

The Swiss Financial Market Supervisory Authority FINMA has revised its outsourcing circular and put the new version out for consultation. The circular regulates the way in which banks handle outsourced services and now also covers insurance companies. In addition, systemically important banks must meet more stringent requirements when outsourcing critical services.

In view of the growing importance of outsourcing in the banking and insurance sectors, FINMA has revised the provisions of Circular 2008/7 "Outsourcing - banks". FINMA's principle-based technology-neutral approach to supervision has been maintained and the text of the circular streamlined. Where appropriate, the requirements for banks, securities dealers and insurance companies have been harmonised, providing some relaxation of the rules for insurance companies. The completely revised circular will now be put out for a period of consultation which will end on 31 January 2017.

Internal and external outsourcing placed on a par

FINMA expects intra-group outsourcing to be treated with the same caution and subjected to the same level of monitoring as external outsourcing. The key implication here is that all the requirements defined in the circular will now apply equally to intra-group outsourcing.

New requirements for systemically important banks

Where the outsourcing of critical services is concerned, systemically important banks must now meet additional requirements which are intended to prevent detrimental impacts on potential restructuring and resolution activities. The new requirements also ensure that the emergency plans of these institutions take adequate account of outsourced activities and that critical services are no longer outsourced to banks in the same financial group.

Appropriate selection, instruction and control of service providers

The circular specifies that institutions must maintain an inventory of outsourced services. This provides clarity regarding the range of outsourced activities, particularly if an institution has to be restructured. Similarly, if activities are outsourced abroad, all the information required for recovery, resolution or liquidation must now be accessible in Switzerland at all times. The rules governing the selection, instruction and control of service providers have also been revised in order to ensure that institutions take account of potential interdependencies and cluster risks when selecting outsourcing partners.

Circular based consistently on regulatory law

The revised circular omits any reference to data protection law since this is regulated definitively under civil law in the Data Protection Act.