Systems and Controls (SYSC) – Outsourcing

[Name of firm] is entitled to outsource the performance of its regulated activities however, [Name of firm] must take reasonable steps to avoid undue additional operational risk. It remains our responsibility to ensure that any outsourced activities are carried out to the required standard and do not negatively impact on the outcomes experienced by our customers.

[Name of firm] should not undertake the outsourcing of important operational functions in such a way as to impair materially:

1. The quality of its internal control and
2. The ability of the FCA to monitor the firm’s compliance with all obligations under the regulatory system.

It is noted that outsourcing a function does not absolve [Name of firm] of responsibility. [Name of firm] remains fully responsible for discharging all of its obligations under the regulatory system and must comply with the following conditions:

1. The outsourcing must not result in the delegation by senior personnel of their responsibility.
2. The relationship and obligations of [Name of firm] towards its clients under the regulatory system must not be altered.
3. The conditions which [Name of firm] must comply with in order to be authorised and to remain so, must not be undermined.
4. None of the other conditions subject to which authorisation was granted must be removed or modified.

[Name of firm] should exercise due skill care and diligence when entering into, managing or terminating any arrangement for outsourcing.

[Name of firm] is responsible for ensuring that the service provider has the ability capacity and any authorisation required by law to perform the outsourced functions, services or activities reliably and professionally. It is our duty to monitor that the services are carried out effectively and to the required standard and it is our duty to take action where required.

[Name of firm] must maintain the necessary expertise to supervise the outsourced function effectively and adequately manage the risks associated with outsourcing.

If it becomes necessary to terminate the arrangement for outsourcing, we must be able to draw on our maintained in house expertise so that we can continue providing the service to our customers without detriment.

Agreements must be in place with any firm we outsource to, requiring them to disclose any matter that may have a material impact on its ability to carry out the function effectively and in compliance with applicable laws and regulatory requirements. The agreement must also require the service provider to cooperate with the FCA and allow [Name of firm], our auditors and the FCA to have access to data related to the outsourced activities and to their premises where appropriate.

It is important that a confidentiality agreement is signed with the outsource provider and that confidential information relating to [Name of firm] and our clients is protected.

[Name of firm] and the firm we are outsourcing to, should establish, implement and maintain a contingency plan for disaster recovery.

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