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EBF Forum – Cloud Register

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HSBC

Introduction

1. The European Banking Authority (“**EBA**”) issued revised Guidelines on outsourcing arrangements on 25th February 2019 (“**Outsourcing Guidelines**”) to establish a more harmonised framework
2. Under the Outsourcing Guidelines, financial institutions should maintain an updated register of information on all qualifying outsourcing arrangements as part of their risk management framework (“**Outsourcing Register**”).
3. Based on experience with the documentary requirements under the Cloud Recommendations, the members of the European Banking Federation Cloud Banking Forum (“**EBF Cloud Banking Forum**”) believe there is value in suggesting guidance for financial institutions on how to approach the Outsourcing Register specifically in the context of cloud outsourcing.

Background

Regulatory objectives of a register include:

- ◆ Ensure proper governance and controls are in place to mitigate risk
- ◆ Monitor concentration risk
- ◆ Track materiality of the cloud relationship.

In order for these objectives to be achieved, consistency of reported information is necessary.

Solution

EBF Cloud Banking Forum believe there is value in suggesting guidance for financial institutions on how to approach the Outsourcing Register specifically in the context of cloud outsourcing.

Approach

Through collaborative workshops with

- Key European Financial Institutions
- Cloud Service Providers

And in dialogue with EU financial regulators

Guidance documentation has been produced to support the population of consistent industry register

Assumptions Made

- Each individual outsourcing arrangement is determined by the contractual document between bank and CSP. **One individual entry per line follows each contract with a CSP.** If a contract covers several services – like IaaS/PaaS – these services will **not** be detailed in the document. Instead, the register is limited to the general purpose of the contract for the bank. Banks are free to communicate additional information on services to supervisors with the help of separate spread sheets.
- The requirement on data locations is considered divided in location of **service performance (54 f.)** and **data storage (54 h)**. Service performance is considered as data processing other than data storage. Different lines reflect these two different pieces of information. **Para. 55 g. covers both in case of sub-contractors.**
- Once a contract exceeds its expiration date, it can be excluded from future registers.

Example Content

EBA ref.	Register requirement	Focus of proposed field	Completion guidance
54(b)	the start date and, as applicable, the next contract renewal date, the end date and/or notice periods for the service provider and for the institution or payment institution;	Start date	<p>Give the date that the institution started using the service. If different dates apply for multiple services within one common contract, give the earliest date.</p> <p>Services in different contract indicate different outsourcing arrangements and should have their own separate outsourcing arrangement reference number and EBA Register entry.</p> <p>For more clarity on service description please consider row 7.</p>
54(h)	in the case of outsourcing to a cloud service provider, the cloud service and deployment models, i.e. public/private/hybrid/community, and the specific nature of the data to be held and the locations (i.e. countries or regions) where such data will be stored;	Locations (i.e. countries or regions) where such data will be stored	Data storage. Name all countries where data belonging to the institution is stored at rest in one of the service provider's data centres. Include locations used for data replication, backup, archiving and disaster recovery.

Benefits of this approach

- Greater consistency in regulatory reporting allowing for evidenced-based policy decisions.
- Adaptability of the industry guidance allows firms to keep up with supervisory practice and can be more easily updated than new regulation.
- Creates an opportunity for continuous dialogue between industry and regulators in the process of updating the guidance.

Next Steps

- The document is intended as a useful guide and aid industry consistency
- Seek feedback from regulators
- The document would be a living document. Although a final version can be produced, this will be with the understanding that maintenance will be needed.
- Hoped the maturity of the European 'Cloud' Register could be used to build momentum and a 'best practice' for wider Global use.
- Support Regulators build up consistent MI on the use of Cloud in the Financial Services Industry

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