



2.8.2004

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To the Committee of European Banking Supervisors

### **High Level Principles on Outsourcing**

With reference to your consultation process on High Level Principles on Outsourcing The Finnish Bankers' Association will hereby give you respectfully the following comments. In general, The Finnish Bankers' Association agrees with The European Banking Federation's response on the issue.

When preparing principles on outsourcing it has to be underlined that banks should have the freedom to organize their services in the most efficient way. Outsourcing is often a part of this kind of organizing. Regulators should notice that outsourcing doesn't mean that the services are taken care by an unreliable service producer. Because of the bank's own responsibility and reputation in the market banks have no reason to trust other than proper service providers.

Intra-group outsourcing should be clearly separated from the situations where the service provider is an independent third party. To regulate intra-group outsourcing could lead to factitious and inefficient business organizations. However, even intra-group outsourcing can be subject to the proposed documentation requirements.

According to the principles outsourcing of strategic or core activities would not be normally allowed. We consider that this is a too strict and restrictive rule. There should be important reasons before this kind of restrictions could be justified, but no such arguments have been presented. The principles include extensive statements underlining the management responsibility for core functions. A separate restriction of this kind can therefore be seen as unnecessary.

Outsourcing contracts should comprise also secrecy provisions stating that the service provider must be obliged (either by law or on a contractual basis) to keep the same level of secrecy as the outsourcing institution.

The proposed authority's cancellation right of an outsourcing contract is problematic. It violates the principle that no third party can interfere to a contract. In practise the cancellation right would lead to the situation where outsourcing providers (nor the banks) could never rely on the outsourcing contract. This would mean high prices for the outsourced services.

Yours sincerely,

The Finnish Bankers' Association



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