

## **Eurofinas observations on the EBA draft Guidelines on outsourcing arrangements**

Eurofinas, the voice of consumer credit providers at European level welcomes the opportunity to respond to the European Banking Authority's (EBA) Draft Guidelines on Outsourcing arrangements.

Eurofinas supports the work of the EBA in ensuring that market actors engaging in outsourcing arrangements/activities can do so with confidence across Europe and subject to consistent regulatory and supervisory frameworks.

We welcome the integration of the EBA's recent work on outsourcing to cloud service providers in the wider guidelines. The continuous high phase of digitalisation of financial services and uptake of new and innovative tools is important for lenders to carry out their core activities in an efficient, secure and adaptable way. As pointed out by the EBA, outsourcing is an attractive way to get relatively easy access to new technologies and to achieve economies of scale. In addition, the potential use of cloud services brings benefits of both financial and operational nature, e.g. flexibility, operational efficiencies and cost-effectiveness. The potential gains are substantial. Internal informal industry assessments indicate that cloud outsourcing of core business activities could achieve cost savings of up to 40 per cent.

We remain at the disposal of the authority should any further questions arise. As a Federation, Eurofinas brings together associations throughout Europe that represent finance houses, universal banks, specialised banks and captive finance companies of car or equipment manufacturers. The products sold by Eurofinas members include all forms of consumer credit products such as personal loans, linked credit, credit cards and store cards. Consumer credit facilitates access to assets and services as diverse as cars, furniture, electronic appliances, education etc. It is estimated that together the Eurofinas members financed almost 427 billion euros worth of new loans during 2016 with outstandings reaching 1024 billion euros at the end of the year.

### **Introductory comments**

Eurofinas welcomes the EBA's focus to ensure a proportionate treatment of institutions that utilizes outsourcing solutions.

We also agree with the EBA's consideration that before entering into an outsourcing arrangement, credit institutions and payment institutions should ensure in their selection process and assessment that the service provider has appropriate and sufficient ability, capacity, resources, organisational structure and, if applicable, required regulatory authorization(s) to perform the critical or important function in a reliable and professional manner over the duration of the proposed contract. We are happy to confirm that, in fact, such frameworks are already in place in most institutions represented.

### **Additional specific comments**

#### ➤ Definition of outsourcing

In our view, the definition of outsourcing used in the draft Guidelines is ambiguous and too wide in scope. As currently phrased, it would include any service provided, including those that have no link with any of the core activities of the serviced institution. We would recommend the EBA to clarify that the guidelines only apply to those activities that are within the scope of financial services provision/licensed service activities.

#### ➤ Important and critical functions

We are concerned by the ambiguity of the term "important and critical function". Does this imply that the outsourced function in question is necessarily both important and critical, or is it possible to be categorised as such when the function is only important or critical? Also, it is unclear if "important" and "critical" functions represent different levels of importance and, if yes, whether all outsourcers should be audited in the same manner.

#### ➤ Exit strategies

We agree with the EBA's view that institutions need to have business continuity and contingency arrangements in place to ensure that their material business activities can be performed on a continuous basis. The EBA provides that institutions should develop and implement exit plans that are comprehensive, documented and sufficiently tested. We would welcome more clarity on the "sufficient test" requirement. More specifically, we would like the EBA to confirm that this does not require institutions to have in place alternative providers, which would be a very costly and burdensome requirement.

#### ➤ Duty to adequately inform supervisors

We agree with the EBA on the importance of adequate documentation of the relevant outsourcing arrangements.

However, we are concerned about the requirement to make available the register of all existing outsourcing arrangements to the competent authority in a common data base format within each supervisory review and evaluation process. In our view, this is a too burdensome requirement, especially for smaller players, and for this reason, is also not required on national level. We believe that such regular reporting should be restricted to the critical and important outsourcing of significant institutions. Alternatively, we would recommend the ad hoc presentation of the information, rather than putting in place a register.

**Eurofinas is entered into the European Transparency Register of Interest Representatives with ID n° 83211441580-56**