Outsourcing Checklist

**This document should be used where your firm is entering into a material outsourcing arrangement with a third party to provide back office/custodian type services. Where an arrangement is not an outsourcing arrangement (as defined by the FCA rules) this checklist should still be completed but amended appropriately).**

Documents to be obtained from third party

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| **Document to be obtained** | **Date Obtained** | **Where Document is kept** | **Comments** |
| Outsourcing agreement or formal agreement between the two parties |  |  |  |
| Copy of outsourcer/third party’s Data Protection Policy |  |  |  |
| Copy of outsourcer/third party’s Data Security Policy –see below |  |  |  |
| Business continuity/ Disaster recovery plan. (Where possible, this should include information on the outsourcer/third party’s disaster recovery testing policy) |  |  |  |
| Copy of outsourcer/third party’s best Execution policy and arrangements |  |  |  |
| Copy of outsourcer/third party’s client order handling arrangements |  |  |  |
| Copy of outsourcer/third party’s personal account dealing arrangements |  |  |  |
| Copy of outsourcer/third party’s conflict of interest policy statement |  |  |  |
| Under the FCA outsourcing rules, the outsourcer must ‘properly supervise’ the carrying out of the outsourced functions. You should obtain a copy of the third party’s procedures for monitoring the service provided or ensure you have sufficient information/comfort from the third party that the service provided will be monitored appropriately. This is to ensure that any issues with the service are dealt with adequately by the outsourcer/third party. |  |  |  |

Additional Points to Consider

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| **FCA Requirement** | **Action to be Taken** |
| Where relevant, have you notified the FCA that you are using an outsourcer? (NB: this only needs to be done if the arrangement falls within the FCA definition of ‘outsourcing’. Many third parties offering custody-related services take the view that their arrangements fall outside the FCA definition. If submitting a variation of permission or submitting a new application to FCA to undertake investment management activities, you will need to notify the FCA who is providing custody services as part of the standard application process). | **YES/NO**  Date notified: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Outsourcing does not relieve your firm of its regulatory responsibilities. Where you outsource a function, you must retain sufficient competence and expertise at a senior operational level in-house. Furthermore, the outsourcer must carry out the outsourced services effectively. You must establish methods for assessing the standard of performance of the outsourcer | Does your firm have an appropriate strategy in place to monitor the outsourcer? Typically, this will be done through routine monitoring of client transactions and regular meetings with the outsourcer.  Name of individual at your firm responsible for the outsourcer:  NAME: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  TITLE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| The outsourcer must have the ability, capacity, and any authorisation required by law to perform the outsourced functions, services or activities reliably and professionally; | Is the outsourcer FCA authorised? YES/NO  If NO, in which country is the outsourcer authorised?  Are you confident that the outsourcer has the ability and capacity to undertake the requisite function? Provide brief details of due diligence process or cross refer to separate file. |
| **Client account opening procedures**  A third party may have certain requirements in relation to client account opening procedures.  You should check with the third party what these procedures are to ensure that they are streamlined, as far as possible, with the firm’s own procedures. |  |
| **Transfer of assets to third party**  The third party may require assets to be transferred to a platform in cash. Clearly, this could have CGT implications. You should discuss with the third party what their policy is on the transfer of client assets**.** |  |
| **Minimum investment restrictions**  You should check with the third party whether they have a minimum investment restriction/level. |  |

Points to be Included in an Outsourcing Agreement

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| **FCA REQUIREMENT** | **COVERED IN AGREEMENT** | **COMMENTS** |
| The outsourcer must disclose to you any development that may have a material impact on its ability to carry out the outsourced functions effectively and in compliance with applicable laws and regulatory requirements. | Yes / No |  |
| Your firm must be able to terminate the arrangement for the outsourcing where necessary without detriment to the continuity and quality of its provision of services to clients. | Yes / No |  |
| The outsourcer must co-operate with the FCA and any other relevant competent authority in connection with the outsourced activities. | Yes / No |  |
| Your firm, its auditors, the FCA and any other relevant competent authority must have effective access to data related to the outsourced activities, as well as to the business premises of the service provider; and the FCA and any other relevant competent authority must be able to exercise those rights of access. | Yes / No |  |
| The outsourcer must protect any confidential information relating to your firm and its clients. (As highlighted above you should ask for a copy of the outsourcer’s data security policy*).* Your firm and the outsourcer must establish, implement and maintain a contingency plan for disaster recovery and periodic testing of backup facilities where that is necessary having regard to the function, service or activity that has been outsourced. (This point may be covered in the outsourcing arrangement or in other documentation). | Yes / No |  |

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| **Signed\*** |  | **Date** |  |
| **Name** |  | **Date of next review** |  |

\*must be signed by a member of the firm’s governing body / senior management team