



EBA Recommendations on Cloud Outsourcing and the forthcoming Guidelines on Outsourcing Arrangements

EBA workshop on implementing the Recommendations on Cloud outsourcing
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Part I

EBA Recommendations on Outsourcing to the Cloud

Implementation EBA Recommendations on Outsourcing to Cloud service providers

- Final EBA Recommendations on Outsourcing to Cloud service providers published Dec 2017: <http://www.eba.europa.eu/regulation-and-policy/internal-governance/recommendations-on-outsourcing-to-cloud-service-providers>
- Publication of translations in official EU languages end March 2018
- Comply/or explain procedure for competent authorities May 2018 (compliance table published)
- Application date: **1 July 2018**
- Recommendations to be applied **in conjunction with the Outsourcing Guidelines** (CEBS 2006).
- Recommendations have been absorbed into the review of the Outsourcing Guidelines.

Scope of the Recommendations

Scope: NIST Definition of Cloud computing “cloud computing is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.”

All service models (IaaS, PaaS and SaaS) and all deployment models of cloud (private, hybrid etc)

Addressees: competent authorities, credit institutions & investment firms

Proportionate application

Main drivers of cloud adoption in banking – risks and opportunities



OPPORTUNITIES:

- **Economies of scale** (more efficient resource utilization, “state-of-the art systems”)
- **Cost effectiveness**, “pay as you use” turning large up-front fixed costs into variable costs
- **Cost-savings** (physical storage, personnel, infrastructure development and maintenance)
- **Operational efficiencies**
- **Flexibility and scalability** (on-demand infrastructure, scale resources up and down as needed)
- **Business agility** eases deployment of new services
- **Enabling of innovation** (FinTech) and reduction of “time to market”

CHALLENGES:

- **Data security and data protection**
- **System and network security** (any limitations on networking such as data import/export bottlenecks or service disruptions can reduce cloud utility)
- **Browser security** (browser security failures can lead to cloud security breaches)
- **Concentration risk** (from institution/system perspective (large cloud service providers can become a single point of failure))
- **Compliance and governance/control risks** (cross-border settings, use of a chain of sub(sub)contractors)
- **Provider lock-in** and other exit-related issues (secure transfer and removal of data from the cloud)
- **Business continuity** (service provider outages)

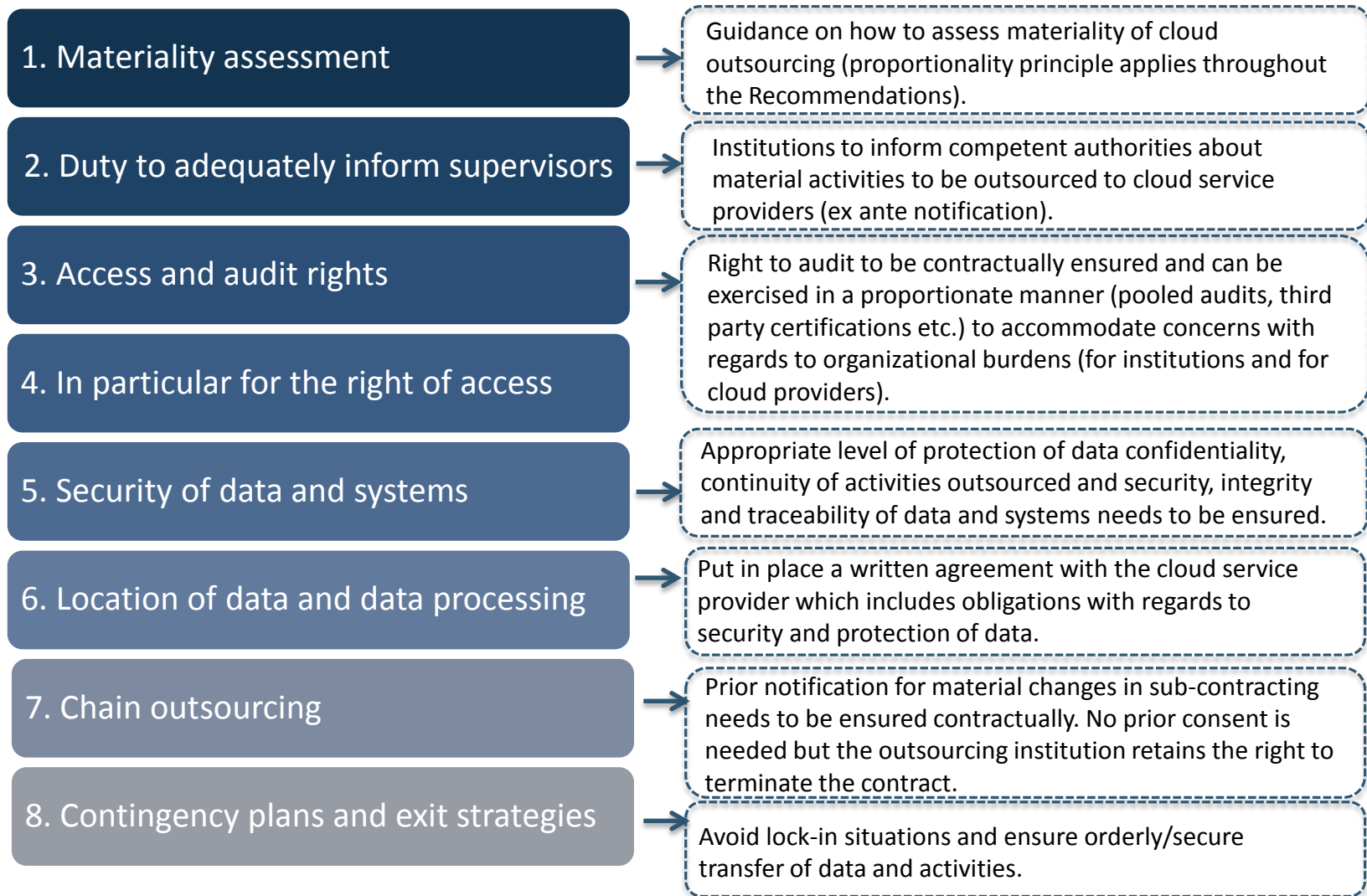
Objectives EBA Recommendations on cloud

- Own-initiative by the EBA as part of the work on IT risk and IT risk supervision.
- Complement existing general outsourcing guidelines for the specific context of cloud outsourcing.
- Most topics were developed based on industry discussions.
- Aim to promote **common EU-wide guidance** for the use of cloud services by institutions.
- Goal is to **harmonise supervisory expectations** across the EU for institutions adopting cloud computing.



Allow institutions to **leverage the benefits** of using cloud services,
while **ensuring that any related risks are adequately identified and managed**

Outline of the EBA Recommendations on cloud



Part II

EBA Draft Guidelines on outsourcing arrangements

EBA CP on Guidelines on Outsourcing

- Guidelines update the 2006 CEBS Guidelines on Outsourcing (applicable to credit institutions only) and integrate the 2017 Recommendation on outsourcing to cloud service providers, which will both be repealed when EBA GL on Outsourcing enter into force
- Consultation ended 24 September 2018
- Guidelines will be published in the first quarter 2019

Main content of the draft guidelines

- In line with MiFID and Commission delegated Regulation (EU) 2017/565 and PSD the Guidelines deal with the **outsourcing of operational functions** (i.e. excluding the final responsibility)
- GLs further specify outsourcing within the group or outside the group
- GL aim at avoiding “empty shells”
- Institutions to assess all risks before outsourcing and as part of their monitoring
- Guidelines differentiate requirements for the outsourcing of:
 - Critical or important operational functions
 - Other operational functions (with a less strict requirements)
- Access and audit rights
- Documentation requirements



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