OSFI – Guideline B-10: Outsourcing Checklist

This checklist describes the requirements set out in Guideline B-10, *Outsourcing of Business Activities, Functions and Processes* ("**Guideline B-10"**) issued by the Office of the Superintendent of Financial Institutions ("**OSFI**") of Canada that are applicable in the event that an entity that is deemed a "federally regulated entity" ("**FRE**") under Guideline B-10 outsources one or more of its business activities to a service provider.

Material Outsourcing Arrangement Checklist

To ensure compliance with the requirements of Guideline B-10, complete the following checklist, identifying contract references and noting any items that must be addressed to meet the requirements of such guideline in the spaces provided below.

I. Guideline B-10 Service Contract Requirements	Contract References
(a) Nature and Scope of the Service Being Provided • scope of relationship • provisions that address frequency, content and format of service • detail the physical location where service provider will provide service	
(b) Performance Measures • performance measures to allow each party to determine whether commitments are being fulfilled	
(c) Reporting Requirements • type and frequency of information the FRE receives from the service provider (includes reports to assess whether performance measures are being met and any other information required for the FRE's monitoring program) • procedures and requirements for the service provider to report events to the FRE that may have potential to materially affect delivery of service	
(d) Resolution of Differences • protocol for resolving disputes • specify whether the service provider must continue providing service during a dispute	

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• the resolution period, jurisdiction and rules under which dispute will be settled	
(e) Defaults and Termination • specify what constitutes a default • identify remedies • allow for opportunities to cure defaults or terminate agreement • the FRE must ensure that it can continue to process information and sustain operations in the event outsourcing arrangement is terminated or services provider is unable to supply the service • appropriate notice required for termination of service and the FRE's assets should be returned in a timely fashion (data and records relating to data processing outsourcing arrangements should be returned in a format that would allow the FRE to sustain business operations without prohibitive expense) • contract must not contain wording that precludes service from being continued in situations where OSFI takes control of the FRE or where the FRE is in liquidation	
(f) Ownership and Access • identification and ownership of all assets (intellectual or physical) must be clearly established including assets generated or purchased pursuant to outsourcing arrangement • contract should state whether and how service provider has right to use the FRE's assets (e.g., data, hardware, system documentation or intellectual property) and the FRE's right of access to those assets	
(g) Contingency Planning • outline service provider's measures for ensuring continuation of outsourced business activity in the event of problems and events that may affect affecting service provider's operation including systems breakdown and natural disaster and other reasonably foreseeable events	

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• ensure service provider regularly tests its business recovery system as it pertains to the outsourced activity and notifies the FRE of test results and addresses any material deficiencies • the FRE is expected to provide a summary of the test results to OSFI upon reasonable notice • the FRE should be notified in the event the service provider makes significant changes to its business resumption and contingency plans or encounters other circumstances that might have a serious impact on the service	

(h) Audit Rights
• stipulate audit requirements and rights of both service provider and the FRE
• at minimum, should give the FRE the right to evaluate service provider or alternatively to cause an independent auditor to evaluate, on its behalf, the service provided (includes review of service provider's internal control environment as it relates to the services being provided)
• undertaking from the service provider **or** provision in the contract must give OSFI the right to:
  ○ exercise the contractual rights of the FRE relating to audit
  ○ accompany the FRE (or its independent auditor) when it exercises its contractual audit rights
  ○ access and make copies of any internal audit reports (and associated working papers and recommendations) prepared by or for the service provider in respect to the service being performed for the FRE, subject to OSFI agreeing to sign appropriate confidentiality documentation in form and content satisfactory to the service provider
  ○ access findings in the external audit of the service provider (and associated working papers and recommendations) that address the service being performed for the FRE, subject to the consent of the service provider's external auditor and OSFI agreeing to sign appropriate confidentiality	

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documentation in form and content satisfactory to the service provider and the external auditor.	
(i) Subcontracting • set out rules or limitations to subcontracting by service provider • security and confidentiality standards should apply to subcontracting or outsourcing arrangements by primary service provider • audit and inspection rights of the FRE and OSFI must continue to apply to all significant subcontracting arrangements	
(j) Confidentiality, Security and Separation of Property • set out the FRE's requirements for confidentiality and security (security and confidentiality policies of service provider should be commensurate with those of the FRE and should meet reasonable standard in the circumstances) • address which party has responsibility for protection mechanisms • scope of information to be protected • powers of each party to change security procedures and requirements • which party liable for losses resulting from security breach • notification requirements if there is a breach • service provider must be able to logically isolate the FRE's data, records and items in process from those of other clients at all times including under adverse conditions	
(k) Pricing • describe fully the basis for calculating fees and compensation	
(l) Insurance • service provider must notify the FRE about significant changes in insurance coverage	