

## CONFIDENTIAL

Letter to the investment firms and collective investment schemes and payment institutions that participate in the thematic examination into outsourcing

Attn. the Management Board

**Re:**

Thematic examination into outsourcing

Dear members of the Management Board,

### Introduction

The outsourcing of business activities and functions is important in today's financial industry. The rise of new technology seems to fuel a trend of outsourcing. As was announced in our "Supervision Outlook 2017", DNB will perform a thematic examination into the management of outsourcing risks. In this letter we will inform you about this thematic examination and will request you to provide information on outsourcing with regard to your institution.

### Background and objectives

When institutions outsource activities, ensuring adequate risk management is complex, because a substantial part of the processes and people are outside the institutions' immediate field of observation and influence. In addition, if activities are outsourced to a limited number of service providers, concentration risks will emerge. Finally, we also see that institutions that are part of a group often outsource key activities to other entities within the group.

For these reasons, we will examine the management of outsourcing risks, focusing on less significant banks, payment institutions and investment firms and collective investment schemes.

We have two primary objectives in conducting this thematic examination. Firstly, we aim at gaining insight into the outsourcing risks and the management of these risks at each of the institutions under review. Secondly, we intend to identify concentration risks that arise when the services are provided by a limited number of service providers and/or are geographically concentrated. Depending on the outcome of our examination, we will conduct further research and, if required, ask for risk-mitigating action.

### Information requested, time schedule and follow-up

We kindly request you to submit the following information:

- The completed questionnaire. You may download the questionnaire from the website.<sup>1</sup>

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<sup>1</sup> For investment firms and collective investment schemes the link is <http://www.dnb.nl/en/statistics/eline-dnb/Investment-firms/index.jsp>. Refer to 'user documentation'. For payment institutions the link is <http://www.dnb.nl/en/statistics/eline-dnb/payment-institutions-and-electronic-money-institutions/index.jsp>. Refer to 'user documentation'.

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Trade register 3300 3396

**Date**

24 February 2017

**Your reference**

**Our reference**

2017/75335

**Handled by**

**Enclosure(s)**

- The statement on the correctness of the responses provided in the questionnaire, signed by the member of the Management Board responsible for risk management. The statement can also be downloaded from the website.<sup>1</sup>

**Date**

24 February 2017

**Our reference**

2017/75335

Please upload the requested information in e-Line DNB no later than 21 April 2017.

It is our intention to visit a number of institutions and check the responses in the questionnaire. Therefore, we expect you to be able to present documentation substantiating the responses upon request.

We will inform you about the outcome of the examination by the end of the third quarter of 2017. If, after a dialogue with you, we consider the risk level to be excessive or if we consider your risk control environment to be materially insufficient – or both – we will ask you to take risk-mitigating actions.

As this is a thematic examination, there might be reason to issue a sector report, highlighting main overall findings and observations. This has not been decided yet and will also depend on the outcome of the examination.

**Final remarks**

This letter and questionnaire have been prepared in English as this is the working language at many institutions. This may be the first time we have communicated with your institution in English. We are confident this will not lead to any problems and thank you for your understanding.

If you have any questions concerning this examination, please email to [themaonderzoek\\_outsourcing@dnb.nl](mailto:themaonderzoek_outsourcing@dnb.nl).

Yours sincerely,  
De Nederlandsche Bank N.V.

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