



**Reference: Guideline for Banks/FBBs/  
T&L/Co-ops/Canadian Life,  
P&Cs and Fraternal**

**Our File: P2200-26**

**December 15, 2003**

**To:** Banks  
Foreign Bank Branches  
Federally Regulated Trust and Loan Companies  
Federally Regulated Cooperative Credit Associations  
Federally Regulated Life Insurance Companies (Canadian, Foreign & Fraternal Benefit Societies)  
Federally Regulated Property and Casualty Insurance Companies (Canadian & Foreign)

**Subject: Revised Guideline B-10 on Outsourcing of Business Activities, Functions and Processes**

OSFI has released a revised Guideline B-10, *Outsourcing of Business Activities, Functions and Processes*, which sets out OSFI's expectations for federally regulated financial institutions (FRFIs) that outsource or contemplate outsourcing one or more of their business activities to a service provider.

The existing Guideline B-10 (issued in May 2001) was reviewed and updated in order to ensure that OSFI's guidance remains current in an environment where reliance on outsourcing by financial institutions is increasing. This review considered the most recent guidance issued in other jurisdictions as well as developments in the financial sector.

The Guideline includes, amongst other items, the following revisions from the May 2001 Guideline:

1. The Guideline has been reorganized and streamlined.
2. More clarity is provided in terms of how foreign bank branches and subsidiaries of provincially or foreign regulated financial institutions are expected to manage the risks associated with services provided by the parent or third parties.
3. Federally incorporated financial institutions that obtain services from wholly owned subsidiaries or from a federally regulated parent are subject to more flexible expectations.

4. In accordance with the recent CICA auditor independence standard, an institution is expected to refrain from outsourcing certain internal audit and actuarial services to its external auditor.
5. Institutions will be expected to apply more comprehensive criteria for determining the materiality of outsourcing arrangements and to ensure the robustness of risk management is commensurate with the materiality of the arrangements.
6. Institutions are expected to maintain a centralized list of material outsourcing arrangements and to generally exercise more centralized control over outsourcing.
7. Going forward, Processing Information Outside Canada applications will be assessed taking factors into account that are consistent with the expectations in the Outsourcing Guideline. As a result, Guideline E-3, Processing Information Outside Canada, will be revoked on December 15, 2004.

There is a one-year transition period for compliance with the revised Guideline. All arrangements signed on or after December 15, 2004 will be expected to comply fully with the revised Guideline. Existing arrangements will be expected to come into compliance with the contractual expectations of the revised Guideline at such time, after December 15, 2004, that the documentation relating to the arrangement is substantially amended, renewed or extended, thereby ensuring that institutions are not required to reopen contracts with the service providers.

Questions with respect to the Guideline should be addressed to Judy Cameron at (613) 990-7337 or by e-mail at [judy.cameron@osfi-bsif.gc.ca](mailto:judy.cameron@osfi-bsif.gc.ca), or to Greg Cowper at (613) 993-5164 or by e-mail at [greg.cowper@osfi-bsif.gc.ca](mailto:greg.cowper@osfi-bsif.gc.ca), or by facsimile at (613) 998-6716, to the attention of Judy Cameron or Greg Cowper. This version of the Guideline supersedes the May 2001 Guideline.

This Guideline is available in English and French on OSFI's Web site (<http://www.osfi-bsif.gc.ca>) under the Publications section. The Guideline may also be obtained by contacting Mr. Stéphane Dupel, General Services Division, by e-mail at [pub@osfi-bsif.gc.ca](mailto:pub@osfi-bsif.gc.ca) or by facsimile at (613) 954-4331.

Julie Dickson  
Assistant Superintendent  
Regulation Sector