

28 November 2023

To:  
Reserve Bank of India

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### ASIFMA Comments on RBI Draft Master Direction on Managing Risks and Code of Conduct in Outsourcing of Financial Services

Dear Sir/Madam,

On behalf of the Asia Securities and Financial Markets Association (“ASIFMA”)<sup>1</sup> [members](#), we would like to thank the Reserve Bank of India (RBI) for the opportunity to respond to the RBI public consultation on the Draft Master Direction on Managing Risks and Code of Conduct in Outsourcing of Financial Services (“draft Master Direction”) that was issued on 26 October 2023.

We appreciate the RBI’s attention in this area, as the management of outsourcing risk plays an important part in supporting the safety and soundness of Regulated Entities (REs) and their resilience goals. Foundational to this effort is the application of a proportionate, risk-based approach. Regulators globally have adopted this holistic, risk-based focus to promote a consistent regulatory approach across jurisdictions. This enables REs to tailor their risk management to the specifics of a provided service, and dedicate resources and heightened oversight to the most material services provided by a third-party. The benefits of such an approach – for both REs and authorities – is highlighted throughout the Financial Stability Board’s (FSB) draft third-party risk management toolkit, and is an approach adopted by authorities globally in their outsourcing and third-party risk management regulations.

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<sup>1</sup> ASIFMA is an independent, regional trade association with over 170 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, and competitive Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region. More information about ASIFMA can be found at: [www.asifma.org](http://www.asifma.org).

We share with you below our general comments on the draft Master Direction which include the need for a consistent risk-based approach, in line with the FSB and leading international approach, throughout the document. This is followed by detailed comments on some of the paragraphs in the draft framework, including where the draft veers from such a risk-based approach.

We are grateful for the opportunity to share our feedback on the draft Master Direction. We hope our suggestions will be reflected in the final Master Direction and are more than willing to discuss our response in more detail during a virtual meeting. We remain at your disposal for any questions you might have in relation to the below response.

Best Regards,



Laurence Van der Loo  
Managing Director, Technology and Operations  
ASIFMA

**General comments:**

- **Risk-Based Approach**

The proposed draft Master Direction should incorporate a risk-based approach when addressing material outsourcing. Currently, the draft Master Direction lacks differentiation between standard outsourcing arrangements and material outsourcings which pose a higher level of risk to REs and to the overall stability of the financial system. To align with risk management practices that ensure the level of oversight is commensurate to the potential risks, the requirements should apply enhanced provisions for material outsourcings. We make specific drafting recommendations to further calibrate the framework and reflect such risk-based approach in specific section of the proposed draft Master Direction.

We also encourage RBI to refer to the Monetary Authority of Singapore (MAS) Guidelines on Outsourcing<sup>2</sup> and Hong Kong Monetary Authority (HKMA) Supervisory Policy Manual on Outsourcing<sup>3</sup> as a reference to drafting the final framework.

- **International Harmonisation – Financial Stability Board Third-Party Risk Management and Oversight Toolkit**

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<sup>2</sup> [https://www.mas.gov.sg/-/media/mas/regulations-and-financial-stability/regulatory-and-supervisory-framework/risk-management/outsourcing-guidelines\\_jul-2016-revised-on-5-oct-2018.pdf](https://www.mas.gov.sg/-/media/mas/regulations-and-financial-stability/regulatory-and-supervisory-framework/risk-management/outsourcing-guidelines_jul-2016-revised-on-5-oct-2018.pdf)

<sup>3</sup> <https://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/SA-2.pdf>

The FSB consulted on the Third-Party Risk Management and Oversight Toolkit<sup>4</sup>, a toolkit for financial authorities and financial institutions as well as service providers for their third-party risk management and oversight. The toolkit is aimed to reduce fragmentation in regulatory and supervisory approaches to REs third-party risk management across jurisdictions and different areas of the financial services sector. The tools set out aim to help REs to manage risks relating to their third-party service providers’ use of service supply chain, have consistent mapping of financial institutions’ third-party service relationships, and more. We believe alignment with the Toolkit by RBI would increase global regulatory harmonisation and elevate the sector’s resilience. The FSB expects to publish the final toolkit by end of 2023.

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2.3: “These Directions shall apply <i>mutatis mutandis</i> to subcontracted activities, as well.”	<p>We suggest the RBI adopts a risk-based approach to sub-contracting.</p> <p>We also request clarity on the applicability of this requirement to intra-group subcontracting.</p>	<p>REs have limited ability to contractually impose and mandate beyond a certain level of control and due diligence.</p> <p>Reference to a risk-based approach can be made to the HKMA and MAS outsourcing guidelines.</p>
4.2: ‘Continuing basis’ would include agreements for a limited period. This means REs shall not enter into perpetual agreement.	<p>We would like to request to remove this phrase or include contractual agreement beyond a certain duration (e.g. more than 12 months) into the outsourcing scope (or as definition of continuing basis).</p> <p>We would also like to seek further clarification on the term “limited period”, and whether REs are allowed to have an arrangement with internal third-party for a longer duration (i.e. 25 years).</p>	<p>The definition of “outsourcing” proposed by the RBI, the requirement to include agreements for a limited period and the requirement that REs shall not enter into perpetual agreement seem out of step with how regulators globally (e.g., FSB, MAS, HKMA etc.) define outsourcing or requirements on contractual agreements. Examples include the definition of outsourcing from MAS, FSB, Australian Prudential Regulation Authority (APRA) etc., that include services performed on a “recurrent or ongoing basis” without the</p>

<sup>4</sup> <https://www.fsb.org/2023/06/enhancing-third-party-risk-management-and-oversight-a-toolkit-for-financial-institutions-and-financial-authorities-consultative-document/>

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		<p>dimension of “limited period”.</p> <p>Likewise, requirements for contractual agreements from MAS, FSB, APRA etc., do not impose that financial institutions cannot enter into a perpetual agreement. We request the RBI to align the definition and requirements on contractual agreements to practices of other regulators globally.</p> <p>REs often have no concrete end date in outsourcing agreements, specifically in the case of intra-group outsourcing.</p> <p>This requirement does not reflect how REs manage the risks pertaining to outsourcing, which are being reviewed at the outset of the outsourcing arrangement and an ongoing basis, regardless of the end date of the outsourcing agreement.</p>
<p>Footnote 1: REs shall be given sufficient time (say 3 – 6 months) to bring their existing outsourcing agreements in compliance with the final Master Direction on the matter subsequently.</p>	<p>We suggest changing ‘3-6’ months to ‘12-18 months’, which is in line with the APRA requirements.</p>	<p>The timeline of 3 to 6 months is quite aggressive especially as RBI’s expectation of full compliance and the stated expectations / potential requirements on contractual agreements, sub-contracting, etc., makes the implementation both challenging and resource-intensive.</p> <p>Examples include APRA’s Prudential Standard</p>

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		CPS 230 Operational Risk Management <sup>5</sup> which provided a 2-year implementation timeline, and the MAS' Consultation Paper on Notices to Banks and Merchant Banks on Management of Outsourced Relevant Services <sup>6</sup> which provided a 12-month implementation timeline.
4.4 " <b>Service provider</b> " means the provider of financial services who may either be a member of the group to which the RE belongs, or an unrelated party. It also includes sub-contractors to whom the service providers may further outsource some activity.	It is not appropriate to conflate the definition of <b>service provider</b> and <b>sub-contractor</b> .  We also recommend removing "sub-contractor" from this definition to more appropriately differentiate involved parties and the differing levels of leverage/negotiation power.	For suggestion.  As per our comment above to paragraph 2.3, REs have limited ability to contractually impose and mandate beyond a certain level of control and due diligence requirements with subcontractors. REs' primary source of leverage stems from its direct contractual arrangements with a third-party service provider; such arrangements do not exist and are not possible with sub-contractors.
<b>Chapter II: Activities that shall not be outsourced</b>	We respectfully suggest that RBI confirms that core management functions can be outsourced to group entities and their back offices – in line with the existing requirements.	This was allowed under the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023. <sup>7</sup>
<b>Chapter III: Material Outsourcing</b>	We suggest removing clause 6(iv).	We support the inherent risk focus in the

<sup>5</sup> <https://www.apra.gov.au/operational-risk-management>

<sup>6</sup> <https://www.mas.gov.sg/publications/consultations/2020/consultation-paper-on-management-of-outsourced-relevant-services>

<sup>7</sup> <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12550&Mode=0>

Proposed Framework	Comments/Suggestions	Rationale
Point 6(iv): the cost of the outsourcing as a proportion of total operating costs of the RE.		consideration of materiality. However, cost is not a risk driver and should not be part of the risk assessment or risk grading as it may lead to inappropriate risk ratings on both ends of the spectrum.
<p><b>Chapter IV: Regulatory and Supervisory Requirements and Role of REs</b></p> <p>Point 9 (iii): REs shall establish an inventory of services provided by the service providers (including key entities involved in their supply chains) to map their dependency on third parties and periodically evaluate the information they receive from the service providers.</p>	We suggest replacing the term “key entities” with “material sub-contractors”.	<p>To reflect a risk-based approach and for consistency</p> <p>It is important that REs focus their resources on sub-contractors which provide a material component of a provided service.</p>
Point 9(iv): REs shall be responsible not only for the actions of their service provider but also of their <b>sub-agents</b> engaged in the context of outsourced activity. They shall also be responsible for the confidentiality of customer information available with the service provider and retain ultimate control of the outsourced activity.	We suggest to either streamline the use of the terminology of “sub-contractor” instead “sub-agents” throughout the entire framework for consistency or define the term of sub-agent.	For consistency and to avoid confusion amongst REs in regard to complying with the framework.
Point 9(vi): REs shall ensure that the service provider, if not a group company, shall not be owned or controlled by any director, or key managerial personnel, or approver of the outsourcing arrangement of the RE, or their	We would like to seek further clarification on this clause.	It is difficult for REs to check whether a supplier has ownership within the organization or potential conflict of interest on an ongoing basis.

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<p>relatives. The terms control, director, key managerial personnel, and relative have the same meaning as assigned under respective Directions issued for the REs. However, an exception to this requirement may be made with the approval of Board or a Committee of the Board, followed by appropriate disclosure.</p>		
<p>9(viii): Outsourcing arrangements shall not affect the rights of a customer against the RE, including the ability of the customer to obtain redressal as applicable under relevant laws. As, in the process of dealing with the REs, the customers are required to deal with the service providers, REs shall incorporate a clause in the product literature /brochures etc., stating that they may use the services of agents in sales/marketing, etc. of the products. The role of agents may also be indicated in broad terms.</p>	<p>We suggest removing clause 9(viii).</p>	<p>This provision seems to extend beyond the scope of outsourcing guidelines and appears to relate to financial services activities that would more appropriately addressed within other existing or proposed financial services regulations and should therefore be removed to ensure the draft Master Direction remains focused and aligned with the intended scope. If the RBI is included to keep it, a risk-based approach should be applied.</p>
<p><b>Chapter V: Risk Management Practices for Outsourcing</b> 11.2(iii) setting up suitable administrative framework of Senior Management for the purpose of these Directions.</p>	<p>We would like to seek further clarification on clause 11.2(iii) in terms of what is meant by 'suitable administrative framework.'</p>	<p>For clarity.</p>
<p>12(ii) <b>Concentration and Systemic Risk</b> - Due to lack of control of individual REs over a service provider, more so when overall banking/financial services industry has</p>	<p>We propose that clause 12(ii) be amended to "arising from dependency of an individual RE on the services provided by an individual service provider".</p>	<p>We note that this provision is carried over from the previous version of the Master Direction. However, this has always been very hard to monitor, both in this past and</p>

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considerable exposure to one service provider.	We also suggest that intragroup outsourcing should be excluded in this clause.	<p>present, thus we suggest RBI to reassess this requirements in this draft Master Direction. REs only have information about their own firms and would not be able to determine industry concentration risk. Industry concentration risk is an area that regulators are better positioned to determine.</p> <p>In relation to the exclusion of intragroup outsourcing, please refer to the rationale as stated for Clause 15.4 further below.</p>
12(vi) Exit Strategy Risk- Could arise from over-reliance on one <u>firm</u> , the loss of relevant skills in the RE itself preventing it from bringing the activity back in-house and where the RE has entered into contracts wherein speedy exits would be prohibitively expensive or disruptive.	Amend 'firm' to 'service provider'.	For consistency.
13.2(x) degree of reliance on sub-contractors;	To reflect a risk-based approach, we propose the following drafting edit: 'degree of reliance on <b>material</b> sub-contractors; '	<p>To reflect a risk-based approach.</p> <p>It is important that REs focus their resources on sub-contractors which provide a material component of a provided service.</p>
14.2(v) provide for prior approval/consent of the RE for use of sub-contractor/s by the service provider for all or part of an outsourced activity. Before according the approval/consent, the RE shall review the	To reflect a risk-based approach, prior approval and consent should be required in respect of <b>material outsourcing</b> only.	<p>To reflect a risk-based approach.</p> <p>The requirement to approve the sub-contracting arrangement is unclear and potentially burdensome. Clarity is needed on</p>



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<p>sub-contracting arrangement and ensure that the arrangement is compliant with these Directions;</p>		<p>whether the ‘arrangement’ refers to the contractual agreement. If so, this does not reflect current practice and would be unworkable for REs to comply with this (and enforce with service providers) in respect of every sub-contracting arrangement. Additionally, contracts with sub-contractors are often confidential and privileged and it is expected that service providers will push back on a request for the RE to review. Typically, the original contract will specify that any sub-outsourcing must comply with applicable laws, regulatory requirements and contractual obligations.</p>
<p>15.3 Sharing of data by the RE with the service provider shall be through secure channels. Both sharing and storage<sup>3</sup> of data with the service provider shall be in an encrypted manner. The RE shall also ensure that there is a structured process in place for secured removal/ disposal/ destruction of data by the service provider.</p>	<p>We encourage the RBI to reflect in clause 15.3 that encryption requirements are adopted on a risk-based approach basis.</p>	<p>To reflect a risk-based approach.</p>
<p>15.4 In instances where service provider acts as an outsourcing agent for multiple REs, care shall be taken to build adequate safeguards so that there is no comingling of assets, documents, information and records.</p>	<p>We would like to seek further clarification on what “outsourcing agent” means and suggest RBI defines the term or amends for consistency.</p> <p>We also suggest that for internal outsourcing, this requirement can be</p>	<p>A carve out for REs outsourcing internally would be a welcome move as REs have servers who share data in multiple markets.</p>

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	adopted using a risk-based approach.	
15.5 The REs shall review and monitor the control processes and security practices of the service provider on a regular basis and require the service provider to report security breaches to them.	We encourage the RBI to amend clause 15.5 to incorporate specific risk-based language that allows the RE to tailor the oversight based on the level of risk associated with the service provider.	To reflect a risk-based approach.
15.6 The REs shall immediately notify the supervisory authority in the event of any breach of security and leakage of confidential customer related information. In these eventualities, the RE shall be liable to its customers for any damage.	We propose these edits: The REs shall <del>immediately</del> <b>notify the supervisory authority as soon as practicable after the RE is aware of or notified of the actual material security incident for core function that has significant impact on its business operation, safety of client information, and reputation.</b> <del>in the event of any breach of security and leakage of confidential customer related information.</del> In these eventualities, the RE shall be liable to its customers for any damage.	We propose a risk-based approach and recommend that only <b>material security breaches</b> should be notified with supervisory authority so as not to inundate supervisory authority with unnecessary notifications and distracting supervisory authorities from key incidents that may impact the wider community.
<p><b>16. Responsibilities of Direct Sales Agents (DSA)/ Direct Marketing Agents (DMA)/ Recovery Agents (applicable to commercial banks, cooperative banks<sup>4</sup> and NBFCs)</b></p> <p>16.1 REs shall put in place a Board approved code of conduct for DSA/ DMA/ Recovery Agents and obtain their undertaking to abide by the code.....</p>	We suggest the removal of clause 16.1.	This provision seems to extend beyond the scope of outsourcing guidelines and appears to relate to financial services activities that would more appropriately addressed within other existing or proposed financial services regulations and should therefore be removed to ensure the draft Master Direction remains focused and aligned with the intended scope. If the RBI is included to keep it, a risk-based approach should be applied.

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<p><b>17. Business Continuity and Management of Disaster Recovery Plan</b></p> <p>17.1 The RE shall require its service providers to develop and establish a robust framework for documenting, maintaining and testing Business Continuity and Recovery procedures. The RE shall ensure that the service provider periodically tests the Business Continuity and Recovery Plan. Further, in case of material outsourcing, the RE shall also conduct occasional joint testing and recovery exercises with its service provider, at least annually.</p>	<p>Instead of undertaking joint testing for “all” material engagements, we suggest this requirement to adopt a risk-based approach.</p>	<p>To reflect a risk-based approach.</p> <p>The RBI can also refer to the Singapore MAS Business Continuity Management Guidelines<sup>8</sup>: Testing – section 7.3 which requires that ‘The Financial Institution should select the types of tests that best meet these objectives, and set out the frequency and scope of these tests to be commensurate with the criticality of the business services and functions’, and the HKMA Supervisory Policy Manual on Business Continuity Planning<sup>9</sup>: Testing and rehearsal – section 6.1.2 which requires that ‘Authorised Institutions (AIs) are expected to determine the frequency of testing of their BCP based on a variety of factors, including the potential impact of a disruption, how many critical operations an AI has, and whether the operating environment has materially changed, as benchmarks for testing requirements framework’.</p>
<p>18.3 Reports on the monitoring and control activities shall be reviewed periodically by the Senior Management and, <u>in case of any adverse development</u>, the same shall be put up to the Board or its Committee for</p>	<p>Replace ‘in case of any adverse development’ with more precise and focused language.</p>	<p>For clarity and specificity.</p>

<sup>8</sup> <https://www.mas.gov.sg/-/media/mas/regulations-and-financial-stability/regulatory-and-supervisory-framework/risk-management/bcm-guidelines/bcm-guidelines-june-2022.pdf>

<sup>9</sup> <https://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/TM-G-2.pdf>

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information.		
18.4 The RE shall perform comprehensive pre- and post- implementation review of new outsourcing arrangements or when amendments are made to the outsourcing arrangements.	We suggest the following drafting edit: '18.4 The RE shall perform comprehensive pre- and post- implementation review of new <b>material</b> outsourcing arrangements or when amendments are made to the outsourcing arrangements.'	To reflect a risk-based approach, this requirement should apply in respect of material outsourcing only.
18.6 REs shall, at least on an annual basis, review the financial and operational condition of the service provider to assess its ability to continue to meet its outsourcing obligations. Such due diligence reviews, which can be based on all available information about the service provider, shall highlight any deterioration or breach in performance standards, confidentiality and security, and business continuity preparedness.	The nature of oversight and frequency of supplier assessment should be proportionate to the inherent risk of the third-party arrangement.	This requirement should apply a risk-based approach and take into account the inherent risk associated with the service provider.
18.9 REs shall immediately notify the supervisory authority in the event of <u>any significant problems</u> that have the potential to materially affect the outsourcing arrangement and, as a consequence, materially affect the business operations, profitability, reputation or strategies of the RE.	Replace 'any significant problem' by more precise and focused language.  The requirement to 'immediately notify' the supervisory authority is burdensome and should be amended to 'as soon as possible' and should apply only to <b>material outsourcing</b> to reflect a risk-based approach.	For clarity and specificity.  To reflect a risk-based approach.
<b>21. Reporting to the supervisory authority</b> REs shall report all material financial	We suggest RBI to keep and leverage the existing reporting requirement of REs having	For suggestion and clarity.

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<p>outsourcing arrangements (including arrangements involving extensive data sharing across geographic locations as part of process outsourcing and when data pertaining to Indian operations are processed abroad) to the supervisory authority on a quarterly basis. Reporting format shall be prescribed separately</p>	<p>to submit an Annual Compliance Certificate giving the particulars of outsourcing contracts, the prescribed periodicity of audit by internal / external auditor, major findings of the audit and action taken through Board, to the Chief General Manager-in-Charge, Department of Banking Supervision, Central Office, Reserve Bank of India, Mumbai as stated in the 22 April 2009 Notification on the 'Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks – Compliance Certificate'.<sup>10</sup></p> <p>In the event that the requirement to report material financial outsourcings to supervisory authorities is retained, we suggest that a <b>six-month</b> reporting frequency would strike a more reasonable balance.</p> <p>In addition, if the RBI decides that changes are need to the reporting requirements and format, we suggest that RBI consults the REs on any changes to the reporting format and its fields with the REs, and that sufficient time for reporting is provided.</p>	<p>Quarterly reporting imposes a significant and unnecessary administrative burden which diverts valuable risk management resources. Alignment with the reporting cadence of the Annual Compliance Certificate would reflect a harmonised approach that would reduce this burden for REs. In the event that more frequent reporting of material outsourcings is required, a six-month reporting frequency strikes a reasonable compromise and balance between regulatory oversight and supervision, and effective risk management practices.</p>
<p><b>Chapter-VI</b> <b>Outsourcing within a Group/ Conglomerate</b></p>	<p>We suggest RBI to calibrate the requirements pertaining to intragroup</p>	<p>A streamlined risk assessment and due diligence approach for intra-group</p>

<sup>10</sup> <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=4945&Mode=0>

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<p>23. In a group structure, REs may have back-office and service arrangements/ agreements with group entities e.g. sharing of premises, legal and other professional services, hardware and software applications, centralized back-office functions, outsourcing certain financial services to other group entities, etc. However, REs at all times shall maintain an arm's length relationship in such dealings (including sharing of data and servers<sup>7</sup>). Before entering into such arrangements with group entities, REs shall have a Board approved policy in this regard as well as service level agreements/ arrangements with their group entities, which shall also cover demarcation of shared resources such as premises, IT hardware including servers, personnel, etc. Moreover, the customers shall be informed specifically about the company which is actually offering the product/ service, wherever there are multiple group entities involved or where there is any kind of cross selling of product/services.</p>	<p>outsourcing and provide REs with more flexibility on the same, in line with Principle 4 on intra-group outsourcing in <i>ASIFMA's principles for the regulation on outsourcing</i>.<sup>11</sup></p>	<p>outsourcing recognizes that appropriate consideration should be given in a self-assessment by the outsourcing regulated firm of the financial soundness, compatibility of corporate culture and strategies, etc. in the case of outsourcing to parent companies or affiliates, that are wholly or more than 50% owned/controlled by the same ultimate parent company, recognizing that outsourcing to such an entity with shared culture, organisational frameworks and control/risk management functions would should help reduce the risks associated with outsourcing.</p>
<p>24. While entering into such arrangements, REs shall ensure the following:</p>	<p>We respectfully request the RBI to clarify whether this relates to performing an independent risk assessment of the outsourcing or to a prohibition of</p>	<p>For clarity.</p>

<sup>11</sup> <https://www.asifma.org/wp-content/uploads/2018/07/leading-principles-for-regulation-of-outsourcing.pdf>

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(iii) they do not compromise the ability to identify and manage risk of the RE on a stand-alone basis;	outsourcing risk related services overall.	
31. The outsourcing related to overseas operations of REs shall be governed by both, these guidelines and the host country guidelines. Where there are differences, the more stringent of the two would prevail. However, where there is any conflict, the host country guidelines would prevail.	We propose an approach that ensures compliance with local requirements at a minimum, whilst also giving considerations to the host country guidelines.	Section 31 as currently drafted introduces potential ambiguity and subjectivity, particularly considering the nature of these guidelines (i.e., outsourcing) and the host country guidelines (i.e., non-outsourcing) may not be equivalent. This also raises questions about how to assess and compare the stringency of guidelines and determining stringency is in itself subjective.
32(iii) The host country regulator does not have access to the data relating to Indian operations of the RE simply on the ground that the processing is being undertaken there (not applicable if offshore processing is done in the home country of the RE).	This requirement seems tailored to India-based REs and may not be applicable to non-India headquartered entities. We would recommend the requirement be revised to ensure its relevant and applicability across local and international financial institutions.	For relevance and clarity.
32(v) All original records shall be continued to be maintained in India.	<p>We respectfully request RBI to remove requirements to have all original records to be maintained in India and rather focus on supervisory access.</p> <p>If the RBI were to keep this paragraph, we respectfully request RBI to clarify the term 'original' records in a day and age of digital records.</p>	REs are committed to providing RBI with timely access to off-shore outsourcing records as needed to fulfil its regulatory and supervisory mandate no matter where the records are stored, this is also a principle widely adopted in international trade agreements and financial regulatory community.

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<p><b>Annex I: Examples of financial outsourcing arrangements</b></p>	<p>We would like to suggest that Lead Generators (LGs) will be out of scope for outsourcing and will be included in the list under item 2 (listing the arrangements that would not generally be considered as financial outsourcing arrangements for the purpose of these Direction).</p> <ul style="list-style-type: none"> <li>• LGs are individuals or firms with an adequate reputation and financial standing.</li> <li>• There is a distinction over the services provided by LGs v/s DSAs. LGs provide referral to RE wherein the DSAs activities go beyond just providing referrals.</li> <li>• LGs initiate contact with prospective customers and provide contact details (Name and phone number) with referral related documents of prospective customers to the RE and potentially other financial institutions as well.</li> <li>• LGs do not represent RE or any other financial institution and as such only represent their own firm / entity.</li> </ul>	<p>In the India market, engaging LGs is a market practice. The LGs 'direct' potential leads to the bank and the bank takes forward end-to-end process of onboarding customers.</p>