Outsourcing functions to the Cloud

On 12 November 2015 the Financial Conduct Authority (FCA) published a consultation for firms seeking to outsource functions to the Cloud. The Prudential Regulation Authority (PRA) is working closely with the FCA on matters relating to the Cloud and other types of outsourcing.

Dual-regulated firms seeking to outsource to the Cloud, or any similar arrangements, are reminded of the Fundamental Rules and requirements as set out in the relevant parts of the PRA Rulebook, under which they are obliged to notify the regulators of anything they would expect reasonable notice. With this in mind, dual-regulated firms considering outsourcing critical or important functions to a third-party IT provider, including to the Cloud, should liaise with their usual supervisory contact at the earliest opportunity.

Dual-regulated firms may also want to refer to PRA publications such as Supervisory Statement 19/13 'Resolution planning', January 2015 and Consultation Paper 38/15 'Ensuring operational continuity in resolution', October 2015.

12 November 2015

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1 In its consultation paper the FCA defines Cloud as “The ‘cloud’ is a broad term, and stakeholders have interpreted it differently. The FCA sees the ‘cloud’ as encompassing a range of IT services provided, in various formats, over the internet. This includes for example, private, public or hybrid ‘cloud’ and Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS). Cloud services are evolving all the time.”

2 In particular Fundamental Rule 7.

3 The relevant requirements are set out in the Outsourcing Part of the PRA Rulebook for Capital Requirements Regulation (CRR) firms and in SYSC Chapter 8 (Outsourcing) for non-CRR firms. Until Solvency II is implemented, the equivalent provisions for insurers are SYSC 3.2.4G and 13.9. http://www.prarulebook.co.uk/rulebook/Content/Part/214147