

*provider or configured by the In-Scope Entities<sup>23</sup>, in line with the business continuity plan of the In-Scope Entities.*

#### **Section 4.2.6 Internal audit function**

51. The internal audit function's activities shall cover, following a risk-based approach, the review of outsourced activities. The audit plan and programme shall include, in particular, the outsourcing arrangements of critical or important functions.

52. With regard to the outsourcing process, the internal audit function shall at least ascertain:

- a. that the In-Scope Entity's framework for outsourcing, including the outsourcing policy, is effectively implemented and is in line with the applicable laws and regulations, the risk strategy and the decisions of the management body;
- b. the adequacy, quality and effectiveness of the assessment of the criticality or importance of functions;
- c. the adequacy, quality and effectiveness of the risk assessment for outsourcing arrangements and that the risks remain in line with the In-Scope Entity's risk strategy;
- d. the appropriate involvement of governance bodies; and
- e. the appropriate monitoring and management of outsourcing arrangements.

#### **Section 4.2.7 Documentation requirements**

53. In-Scope Entities shall maintain an updated register of information on all outsourcing arrangements at *individual level* and, as applicable, at sub-consolidated and consolidated levels, as set out in point 3, and shall appropriately document all current outsourcing arrangements, distinguishing between the outsourcing of critical or important functions and other outsourcing arrangements. In-Scope Entities shall maintain the documentation of ended outsourcing arrangements within the register and the supporting documentation for an appropriate period *in accordance with Luxembourg law*.

54. *For the purposes of prudential supervision*, the register shall include at least the following information for all existing outsourcing arrangements:

- a. a reference number for each outsourcing arrangement;

<sup>23</sup> *In case of outsourcing to a cloud computing infrastructure, the parametrisation of continuity measures may be performed by the In-Scope Entities.*

- b. the start date and, as applicable, the next contract renewal date, the end date and/or notice periods for the service provider and for the In-Scope Entity;
- c. a brief description of the outsourced function, including the data that are outsourced and whether or not personal data (e.g. by providing a yes or no in a separate data field) have been transferred or if their processing is outsourced to a service provider;
- d. a category assigned by the In-Scope Entity that reflects the nature of the function as described under point (c) (e.g. *ICT*, *internal* control functions), which shall facilitate the identification of different types of arrangements;
- e. the name of the service provider, the corporate registration number, the legal entity identifier (where available), the registered address and other relevant contact details, and the name of its parent company (if any);
- f. the country or countries where the service is to be performed, including the location (i.e. country or region) of the data;
- g. whether or not (yes/no) the outsourced function is considered critical or important, including a brief summary of the reasons why the outsourced function is considered *or not as* critical or important;
- h. in the case of outsourcing to a cloud service provider, the cloud service and deployment models, i.e. public/private/hybrid/community, and the specific nature of the data to be held and the locations (i.e. countries or regions) where such data will be stored;
- i. the date of the most recent assessment of the criticality or importance of the outsourced function.

55. For the outsourcing of critical or important functions, the register shall include the following additional information:

- a. the In-Scope Entities and other firms within the scope of the prudential consolidation, as applicable, that make use of the outsourcing;
- b. whether or not the service provider or *sub-contractor* is part of the group or is owned by In-Scope Entities within the group;
- c. the date of the most recent risk assessment and a brief summary of the main results;
- d. the individual or decision-making body (e.g. the management body) in the In-Scope Entity that approved the outsourcing arrangement;
- e. the governing law of the outsourcing agreement;
- f. the dates of the most recent and next scheduled audits, where applicable;
- g. where applicable, the names of any sub-contractors to which material parts of a critical or important function are sub-outsourced, including the country

where the sub-contractors are registered, where the service will be performed and, if applicable, the location (i.e. country or region) where the data will be stored;

- h. an outcome of the assessment of the service provider's substitutability (as easy, difficult or impossible), the possibility of reintegrating a critical or important function into the In-Scope Entity or the impact of discontinuing the critical or important function;
- i. identification of alternative service providers in line with point (h);
- j. whether the outsourced critical or important function supports business operations that are time-critical;
- k. the estimated annual budget cost;
- l. the date of the prior notification to the competent authority in accordance with points 59 and 60, as applicable.*

56. In-Scope Entities shall, upon request, make available to the competent authority either the full register of all existing outsourcing arrangements or sections specified thereof, such as information on all outsourcing arrangements falling under one of the categories referred to in point 54(d) (e.g. all *ICT* outsourcing arrangements).

57. In-Scope Entities shall appropriately document the assessments made under points 66 to 103 and the results of their ongoing monitoring (e.g. performance of the service provider, compliance with agreed service levels, other contractual and regulatory requirements, updates to the risk assessment).

58. In-Scope Entities shall, upon request, make available to the competent authority all information necessary to enable the competent authority to execute *its* effective supervision, including a copy of the outsourcing agreement.