

January 8<sup>th</sup>, 2021

Financial Stability Board (FSB) Secretariat Bank for International Settlements Centralbahnplatz 2 CH-4002 Basel Switzerland

Delivered by email: fsb@fsb.org

Re: CBA <sup>1</sup> Comments on FSB Discussion Paper on Regulatory and Supervisory Issues Relating to Outsourcing and Third -Party Relationships

## Dear Sir/Madame:

The Canadian Bankers Association (CBA) is pleased to provide its comments on the FSB discussion paper: Regulatory and Supervisory Issues Relating to Outsourcing and Third-party Relationships (Discussion Paper ).

Technology-neutral, principles-based approach

The CBA is a strong proponent of a competitive and innovative financial services sector that uses leading technological solutions to better serve clients and meet evolving client expectations. In an environment of continuous change, we support technology-neutral, principles-based guidance on outsourcing and third-party relationships to allow flexibility for banks to maintain and enhance resilience within the financial industry even in the face of a changing landscape of increased technology adoption. The CBA believes a principles-based approach would enable banks to determine how to manage and mitigate against risks arising from outsourcing and third-party relationships in a manner that is proportionate to the risks they may pose. As technology evolves, this approach will be particularly important in providing banks

s that help drive Canada's economic growth and

prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals.

<sup>&</sup>lt;sup>1</sup> The CanadiFI

strategy and transitional assistance clauses. In light of this reality, we believe recommendations, if any, should balance the potential for material customer service disruption or undue burden to regulated financial institutions with other considerations. Banks already undertake risk-based approaches to managing risks associated with third-party relationships if substitutability of a service is not tenable.

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Some jurisdictions have considered developing guidance specifically geared toward CSPs; however, it is our view that developing recommendations to address potential risks arising specifically on cloud risk management is not warranted. As the FSB acknowledges in the Discussion Paper, many of the issues explored in the December 2019 FSB Report on are not just relevant to cloud services but to outsourcing and third-party relationships in general. For this reason, we caution against recommendations in support of prescriptive guidance that may constrain banks' ability to leverage the full capabilities offered by CSPs as it may constrain banks' ability to adapt to changing technology and stifle innovation.

Elaborating on our views above, wearnuntepolasehkty (vinni) or (an) Tojo (Tvj).-180 (abac (4) Tajo (av (vi) Tajo (

regulators on the inherent challenges arising from outsourcing and third-party relationships in the context of regulatory requirements.

We appreciate the opportunity to provide comments on this important topic. We would be pleased to discuss our submission in greater detail at your convenience.

