



Outsourcing in the Asset Management Industry FCA Thematic Review (TR 13/10)

Introduction

In November 2013, the FCA published the findings from their Thematic Review that assessed whether asset managers are effectively mitigating the risks relating to outsourcing.

The FCA expect asset managers to act in the best interests of their customers by ensuring that the service they provide is not compromised by outsourcing activities.

The review focused on two risks that could result in poor outcomes for customers. These were asset managers:

- having inadequate contingency plans in place to deal with a failure of their service provider ('resilience')
- applying inadequate oversight of their service providers ('oversight').

Findings

These include that resilience is improving. The FCA are starting to see improvements in planning for the failure of a service provider, such as industry-led work to set out guiding principles to help firms with their contingency planning.

Also that oversight arrangements varied in effectiveness. The FCA found that asset managers who had been part of the review had oversight arrangements in place to oversee their service providers although their effectiveness varied. Where oversight of an activity was lacking, the FCA found the main cause was insufficient internal expertise.

Action required by firms

The FCA recommends that asset managers should:

- review and enhance their contingency plans for a failure of a service provider, adopting industry-led guiding principles where appropriate
- review the effectiveness of their current oversight arrangements and improve them where they can, in particular making sure that there is sufficient internal expertise in place.

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GEM Compliance Consulting

A link to the paper is shown below. This also relates to compliance with SYSC 8 rules on Outsourcing.

<http://www.fca.org.uk/your-fca/documents/thematic-reviews/tr13-10>

The FCA may take enforcement action against any firms where concerns or weaknesses in the above two areas are identified, especially if this remains the case following the issue of this guidance.

Therefore we also recommend that senior management of the firm should be made aware of the latest thematic review from the FCA on Outsourcing so that it can evidence that FCA messages on Outsourcing are being taken into account.

This briefing note is intended as a summary only of current issues and is not full and/or firm specific advice. For firm specific guidance including requests to review the firm's outsourcing systems and controls, please contact Gillian Gallacher.