

## Outsourcing Policy Checklist

Name of Dealer Member?:

Name of outsourced service provider:

Affiliated with Dealer Member?:

Country of service provider:

Name of outsourcing agreement:

Brief description of outsourced service(s):

### **Types of risks under consideration:**

Compliance Risk – risk that the service provider will not or cannot comply with regulatory requirements that apply to the Dealer Member.

Operational Risk – risk of loss associated with undetected errors or fraud

Access Risk – risk that Dealer Member won't have timely access to data, records or assets.

Exit Strategy Risk – risk associated with the Dealer Member's inability to perform outsourced activities or contract another service provider on a timely basis, due to over-reliance on the outsourced service provider and a corresponding lack of relevant skills within the Dealer Member.

Client harm risk – risk the outsource service provider will fail to provide adequate protection and timely access to client account assets and related account records.

Reputation risk – risk that poor service by the outsource provider will affect the reputation of the Dealer,

Other Risks, if any.

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## No. Description of Controls

- 1) Due diligence has been performed on the service provider including reputation, financial stability, relevant internal controls, confidentiality of client records and disaster recovery capabilities.

- 2) Outsourced functions are set out in a written, legally binding contract that includes service levels and the rights of CIRO to have access to and inspection of service provider's books and records.

- 3) Contract should include termination (exit) clause and minimum periods to execute a termination provision.

- 4) Contract should include conditions of subcontracting by the service provider.

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- 5) Contract should require service provider to protect confidential information.

- 6) Where outsourcing is provided by an affiliate (i.e. non arms-length) the arrangement should include procedures designed to limit affiliate employee and dual affiliate employee/Dealer Member employee access to and control over Dealer Member data, records and assets.

- 7) Dealer member's business continuity plan includes test to determine minimal disruption if service provider does not deliver its services satisfactorily.

- 8) Annually, Dealer Member obtains a core functions audit report (CSAE 3416 or SSAE 16)

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- 9) Dealer member conducts on-going review of quality and accuracy of outsourced service. Determine the timing and frequency of the outsourcing agreement reviews by establishing and maintaining a risk-based outsourcing agreement review schedule.

- 10) If quality and accuracy of outsourcing does not meet outsourced targets, issue is escalated to senior management.