



To: Ms Victoria Learmonth
Prudential Supervision Department
PO Box 2498
Wellington 6140
victoria.learmonth@rbnz.govt.nz

12 Aug 2016

Dear Ms. Learmonth,

Re: ACCA Comments on the RBNZ Outsourcing Policy for Registered Banks (2nd Consultation Paper) Aug 2016

The Asia Cloud Computing Association (ACCA) thanks the RBNZ for this opportunity to contribute to the continued review of New Zealand's Outsourcing Policy for Registered Banks. We are pleased to have contributed to the first consultation in Dec 2015, and laud the RBNZ for refining the policy with this second round of public and industry consultations.

The ACCA is the apex industry association in Asia Pacific that represents stakeholders of the Cloud Computing ecosystem to government and other stakeholders. Our mission is to accelerate the adoption of Cloud computing through Asia Pacific by helping to create a trusted and compelling market environment, and a safe and consistent regulatory environment for Cloud computing products and services. Through public education and advocacy, the ACCA provides a vendor-neutral platform to discuss implementation and growth strategies, share ideas, and establish policies and best practices relating to Cloud Computing.

Following correspondence with our members who have reviewed and commented on the 2nd Consultation Paper, we have specific feedback to the questions raised. Our comments are detailed in the appendix.

Thank you for the opportunity to respond to this review. If you require further information or clarification, or would like us to make a presentation on the findings of our report, please do contact me at [REDACTED]

Yours sincerely,
Lim May-Ann
Executive Director
Asia Cloud Computing Association

Appendix: Asia Cloud Computing Association: Comments on the RBNZ Outsourcing Policy for Registered Banks (Aug 2016)

Q1	<p>Do you agree that the modifications to outcomes (a) to (e) provide clarification?</p> <p>Thank you for the modifications, and yes we agree that the changes provide clarification to the outsourcing policy.</p>
Q2	<p>Have we included the right services and scope? Are there any other services that should be included in the proposed list of basic banking services, such as trade finance and letters of credit? If appropriate, please provide the value/volume information on these services that are currently outstanding for your bank.</p> <p>N.A.</p>
Q3	<p>Are there any other services that should be included in the above lists, but have not yet been captured?</p> <p>Thank you for making modifications to the “white list” of excluded functions, and including more proposed additional services. We view this development as a positive step.</p> <p>However, we note that banks and other financial institutions are likely to be risk-adverse, especially when implementing new and innovative technological solutions, which may not be expressly included in the “white list”. In addition, the “white list” provided by the RBNZ will likely be taken as a de facto exhaustive list of approved functions, and any solution not listed will be assumed to be under a relevantly regulated outsourcing arrangement.</p> <p>Our view is that the “white list” may limit the adoption of innovative technologies by New Zealand’s financial sector, and thus limit the positive impact and multiplier effect of new technology solutions for the industry.</p>
Q4	<p>Do you agree that having robust back-up arrangements would be able to meet the objectives of the outsourcing policy?</p> <p>Yes, the ACCA agrees that having robust back-up arrangements for critical functions will meet with the objectives of the outsourcing policy. Most cloud-based systems have standards by which service delivery and availability is measured and certified by technical measures, such as by certification through the UpTime Institute’s Tier Standard https://uptimeinstitute.com, or by the ANSI/BICSI 002-2014, or ANSI/TIA 942-A 2014 standards. In addition, many cloud-based systems have features which deal with contingencies such as Disaster Risk Management (DRM) and Business Continuity Planning (BCP), to ensure that financial institutions are able to remain operational in the event of any emergency.</p>
Q5	<p>Does your bank already have back-up capability for all key systems?</p> <p>N.A.</p>
Q6	<p>If yes, would your arrangements meet the requirements outlined above? If not, what would the costs be of upgrading your systems?</p>

	N.A.
Q7	<p>If your bank does not have back-up capability for the general ledger and/or SWIFT capability what would the cost be to develop this capability?</p> <p>N.A.</p>
Q8	<p>Are there any features that are not on the list above that should be added?</p> <p>a) On para. 82's bulleted point: <i>External audit is conducted at least every two years to ensure the arrangement remains robust and sustainable</i></p> <p>The ACCA notes that to reduce compliance costs on financial institutions, the RBNZ may want to consider excluding non-critical service offerings from the need for a bi-annual audit.</p> <p>b) On ownership and control: <i>The bank must have <u>direct ownership and control</u> over the standby system (para 82, bulleted) ; Banks would need to have <u>direct control and ownership</u> over this backup infrastructure (para 84); ...requiring robust backups that banks <u>directly own and control</u> (para 86).</i></p> <p>The ACCA notes that the objective is to ensure that banks remain <u>in control</u> of their systems and data, which is a concept which should be separated from <u>direct ownership</u> of systems and data. Many businesses now rely on outsourcing vendors to provide services, such as third-party data warehouses, or data custodians/caretakers, who often provide a higher level of infrastructural and data security than can be provided in-house by banks. In such a case, we recommend that the focus of the amendments be whether the bank has the appropriate contractual assurance on both concepts of ownership and control.</p>
Q9	<p>How many outsourcing proposals do you anticipate filing annually? Please note that this engagement process would not capture existing outsourcing arrangements that are covered by the transitional path to compliance, it would only cover new outsourcing proposals.</p> <p>N.A.</p>
Q10	<p>Please provide comment on whether the draft condition of registration would work as envisaged?</p> <p>N.A.</p>
Q11	<p>Do you agree that the revisions to the proposed policy would reduce the potential complexities of complying with the new policy?</p> <p>ACCA welcomes the addition of the words “but not require” in para 114, which states</p>

	<p><i>Contractual terms that the Reserve Bank would expect to see included (<u>but not require</u>) in robust outsourcing arrangements are identified in appendix one.</i></p> <p>We welcome the outlined contractual terms for a robust outsourcing arrangement as a helpful guideline and start-point for contract discussions, and providing the additional language will prevent the list of items in Appendix one from becoming a standard checklist for all outsourcing arrangements.</p>
Q12	<p>Do you agree with the new proposed transitional period?</p> <p>The ACCA notes that the transition period has been extended to a period of five years, including planning time, which we welcome. Such an extension will allow for a longer runway to assess and implement technology solutions.</p>
Q13	<p>Please provide your estimate of the costs and benefits of the revised policy options, taking account of the extended transitional path to compliance.</p> <p>N.A.</p>