TECH, DATA, TELECOMS & MEDIA - SWITZERLAND

IT outsourcing by banks and insurers facilitated by revised regulations

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On 1 January 2020 the Swiss Financial Market Supervisory Authority (FINMA) implemented various revised rules primarily targeting small banks (the so-called 'small banks regime'). Among other aspects, this will result in a relaxation of IT outsourcing requirements for financial institutions. In this respect, a revised FINMA Outsourcing Circular is available in English and German, French.

Under the pre-existing FINMA regulation on IT outsourcing, outsourcing services providers could make use of subcontractors for significant functions only on the financial institution's prior approval. This proved difficult to implement in practice, as it was overly restrictive and cumbersome for the outsourcing services providers whose service model often requires a similar set-up for its clients. FINMA consequently replaced the requirement for prior approval from the financial institution. Providers must now simply inform the financial institution of the use or replacement of a subcontractor for significant functions at an early stage and the financial institution must retain the option of terminating the outsourcing relationship should it wish to do so. In addition to the change regarding the use of subcontractors, which applies to all financial institutions irrespective of their size, FINMA also lessened certain requirements for so-called 'small banks'.

The amendments to the FINMA Outsourcing Circular are positive and a step in the right direction, as they will allow financial institutions to enjoy more leeway to benefit from IT outsourcing services.

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