



澳門金融管理局
AUTORIDADE MONETÁRIA DE MACAU

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Guideline on Outsourcing

The Monetary Authority of Macao (AMCM), under the powers conferred by Article 9 of the Charter approved by Decree-Law No.14/96/M of 11th March and by Article 8 of Law no. 13/2023 (Financial System Act, hereafter referred to as FSA), establishes the following:

Introduction

1. Under the FSA, the AMCM is responsible for promoting the general stability and proper functioning of the financial system. Consistent with this responsibility and recognizing that outsourcing has become increasingly common in Macao, the AMCM wishes to ensure that all outsourcing arrangements, particularly those involving material business activities / functions, entered into by any authorized institutions are subject to appropriate due diligence, approval and on-going monitoring.
2. Accordingly, the purpose of this Guideline is to outline the AMCM's supervisory approach to outsourcing arrangements by authorized institutions and major prudential issues to be considered by them when entering into outsourcing arrangements.

Applicability

3. In respect of outsourcing arrangements that involve part or all of the electronic banking operations of an authorized institution, reference should be made to the AMCM's "Guideline on Risk Management of Electronic Banking" for specific risk management controls and requirements.
4. This Guideline applies to all authorized institutions incorporated in Macao and to the Macao branches of authorized institutions incorporated overseas. Where applicable, this Guideline also applies to other financial institutions that are under the supervision of the AMCM (with the exception of institutions that transact insurance activities and/or manage private pension funds).

Interpretation

5. "Outsourcing" occurs when an authorized institution enters into an arrangement to transfer, generally for a fixed period, the day-to-day running of some part of its business to another party (including a related entity). The activity / function outsourced can be either part of the authorized institution's existing business or



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operations, or an entirely new venture or operations system for which the authorized institution wishes to use outside expertise. An authorized institution's decision to outsource functions may be based on a number of factors, such as to achieve economies of scale or to improve the quality of services to customers. Whatever the reason, the AMCM is concerned if the outsourcing arrangement is likely to reduce the protection available to customers (including depositors) or other concerned persons, or used to avoid complying with regulatory requirements.

6. A “material” business activity / function is one that is part of or fundamental to the operation of the institution's business, for which the authorization is required. The banking related business areas (including back office activities) of a bank would be an example. Material business activity / function also includes any activity / function that has the potential, if disrupted, of having a significant impact on the authorized institution's business operations or impacting its ability to manage risk effectively. For the purpose of this Guideline, internal audit function¹ and other internal control functions, such as risk management and compliance, are regarded as material business activities / functions. If in doubt as to whether an activity / a function would be regarded as “material”, authorized institutions should seek advice from the Banking Supervision Department of the AMCM.

Legal provisions and supervisory approach

7. Authorized institutions are required under the FSA to maintain their own properly organized accounting records, a sound administrative structure and an adequate control system. To comply with this requirement, authorized institutions should not enter into or continue any outsourcing arrangement if this would result in their internal control system or business conduct being compromised or weakened after the activity / function has been outsourced. The same would apply to authorized institutions that provide services to run the activities / functions of other institutions.
8. On the other hand, the FSA provides that the AMCM may issue criteria to be observed by authorized institutions in the governance framework. In this connection, the AMCM expects authorized institutions to:
 - a) have a policy in place relating to the outsourcing of business activities / functions;
 - b) have roles and responsibilities of the board and senior management defined

¹ In the case of an authorized institution incorporated outside Macao, an institutional-wide arrangement for internal audit function to be carried out by its head office or another overseas branch can be treated as not an outsourcing arrangement.



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- and sufficient monitoring processes in place to manage the outsourcing of material business activities / functions;
- c) have a legally binding agreement² in place, for outsourcing of material business activities / functions with third parties;
 - d) consult with the AMCM prior to entering into agreements to outsource material business activities / functions;
 - e) notify the AMCM after entering into agreements to outsource material business activities / functions;
 - f) manage and monitor outsourcing risks at all times; and
 - g) perform other procedures as the AMCM considers necessary and/or may recommend.
9. Authorized institutions should discuss with the AMCM in advance of proposals for: (i) outsourcing material business activities / functions or (ii) making material changes to or amending the scope of existing outsourcing arrangements that involve material business activities / functions and satisfy the AMCM that all the **prudential issues** set out in paragraphs 13 to 46 below are properly addressed. Authorized institutions should not outsource their business activities / functions if the relevant arrangements would have the effect to defeat the purposes of the FSA, which requires certain operations to be carried out exclusively by authorized institutions. Before submitting proposals to the AMCM, the decisions of authorized institutions to outsource material activities / functions should be approved at the board³ level.
10. When considering outsourcing proposals, the AMCM will consider the adequacy of management controls over the activities / functions and the ability of internal control functions and external audit to monitor and perform the necessary checks on the activities / functions being considered to be outsourced. If in the AMCM's view the outsourcing arrangement involves risks that the authorized institution is not managing properly, the AMCM may require the authorized institution to make other arrangements.
11. After having consulted with the AMCM, authorized institutions may enter into the agreement to outsource a material business activity / function and notify the AMCM of the execution of such agreement within 30 days. Throughout the outsourcing period, the authorized institution is expected to review, on a

² Where the service provider is a part of the same entity (e.g. the head office of the authorized institution or an overseas branch), a memorandum of understanding or a service level agreement signed and dated by all relevant parties would be acceptable.

³ In the case of branches of overseas incorporated authorized institutions, the reference to the "board of directors / the board" in this Guideline refers to, depending on the circumstances, either the branches' local management or, the management at the head office responsible for the operations of the branches.



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continuing basis, the effectiveness and adequacy of its controls in monitoring the performance, financial condition and risk profile of the service provider and managing the risk associated with the outsourced activity / function. Where any deficiencies are identified, the authorized institution should take appropriate action to rectify them in a timely manner.

12. In the course of the AMCM's on-site examinations, offsite reviews and prudential interviews with authorized institutions, the AMCM will ascertain if authorized institutions have rectified deficiencies arising from outsourcing arrangements, if any, and have adequately addressed the prudential issues mentioned in this Guideline.

Prudential issues

Outsourcing policy and procedures

13. An authorized institution that proposes to outsource its activities / functions is expected to have an outsourcing policy that sets out the principles for outsourcing business activities / functions, including a detailed framework for managing outsourcing arrangements. The policy should be approved and reviewed by the board of the authorized institution on a regular basis (e.g. annually) to ensure that all relevant business units are fully aware of and comply with these principles.

Accountability

14. Authorized institutions should recognize that outsourcing a business activity / function does not transfer all of the risks associated with the activity / function to the service provider. It remains the responsibility of the authorized institution to ensure that all risks associated with the business activity / function are addressed to the same extent as they would be if the activity / function were performed internally. The authorized institution should also ensure that the additional risks (e.g. operational, legal and reputation risks) arising from outsourcing are adequately assessed and managed appropriately.
15. The board and the institution's management should retain ultimate accountability for the outsourced activities / functions, and should be responsible for:
 - a) reviewing and approving the risk management framework for evaluation of existing and potential outsourcing activities;
 - b) approving the outsourcing strategy and risk appetite to define the nature and level of risk that the institution is willing to assume from its outsourcing activities to achieve its outsourcing objectives; and



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- c) assuring management competencies on developing the outsourcing risk management policies and procedures and reviewing its alignment and consistency with the risk management framework.

Risk assessment

- 16. Prior to entering into any new outsourcing arrangements, or changing the scope of existing outsourcing arrangements that involve material business activities / functions, authorized institutions should conduct a comprehensive risk assessment to cover, at a minimum:
 - a) the importance and criticality of the activities or functions to be outsourced;
 - b) reasons for the outsourcing (e.g., cost and benefit analysis);
 - c) the impact on the authorized institution's overall risk profile;
 - d) adequacy and expertise of human resources and the appropriateness of procedures to manage the outsourcing arrangements; and
 - e) the extent of overseas outsourcing involvement.
- 17. An institution's board and senior management should review the assessment result to ensure that all risks identified have been addressed or mitigated, as appropriate, before implementation of the proposed outsourcing arrangements.
- 18. After authorized institutions have implemented an outsourcing arrangement, they should continue to perform the risk assessment on a regular basis (e.g. at least annually for material outsourcing arrangements) to assess if the risks to the authorized institutions have materially changed. If there are any changes, authorized institutions should implement appropriate measures to address or mitigate the risks identified.

Due diligence

- 19. Under normal circumstances, proposals to outsource material business activities / functions to other group entities of the authorized institution or to another authorized institution in Macao would be acceptable to the AMCM. Where the proposal is to outsource activities / functions to an external party, the AMCM would expect the authorized institution to conduct detailed due diligence on the entity to ensure that it is fit and proper and can fulfill the task in a responsible, professional and suitable manner. The due diligence process should always be undertaken prior to the decision to outsource a material business activity / function and it should address all material factors that would impact the potential service provider's ability to perform the outsourced activity / function. The due diligence process should, as a minimum, assess the following aspects of the service provider:



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- a) financial soundness and stability;
 - b) technical capability and relevant experiences;
 - c) capacity of the service provider to deliver the required services;
 - d) business reputation;
 - e) corporate governance;
 - f) security and data protection controls;
 - g) risk management framework and capabilities, including technology and cyber risk management⁴ and business continuity management⁵ in respect of the outsourcing arrangement;
 - h) extent of reliance on sub-contractors;
 - i) pending or potential litigation; and
 - j) access rights of authorized institutions and the AMCM to service providers.
20. The due diligence process should include an assessment of the service provider's control framework, performance standards, policies, procedures, compliance, reporting and monitoring processes. The due diligence should also address other issues, such as potential conflict of interests where the service provider is related to the authorized institution, or where it provides services to competitors. Other approaches supplementing the due diligence assessment such as onsite visits, independent reviews, and market feedbacks should also be documented. These assessments should be performed on a regular basis.

Proposal to the AMCM

21. After assessing the risk of the proposed material outsourcing arrangements, or making material changes to or amending the scope of existing outsourcing arrangements that involve material business activities / functions, a proposal should be submitted to the AMCM with supplementary information as listed in Appendix of this Guideline. Where necessary, the AMCM may request additional information from the authorized institution to ensure that the proposed outsourcing arrangement is subject to appropriate governance, controls and monitoring.

Outsourcing agreement

22. The type and level of services to be provided and the contractual liability and obligations of the service provider should be clearly set out and evidenced by a

⁴ Standards should be commensurate with the expectations for authorized institutions as stipulated under AMCM's "Guideline on Technology and Cyber Risk Management".

⁵ Standards should be commensurate with the expectations for authorized institutions as stipulated under AMCM's "Guideline on Business Continuity Management".



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written, legally binding agreement, which should be executed before the outsourcing arrangement commences. At a minimum, the agreement should address the following matters:

- a) name and registered address of the service provider, including subcontractors, where applicable;
- b) the scope of the arrangement and services to be outsourced;
- c) commencement date, and expiration or renewal date of the arrangement;
- d) provisions for conducting reviews;
- e) pricing and fee structure, and total costs of the outsourcing arrangement, including upfront and ongoing financial arrangements;
- f) service levels and performance requirements;
- g) agreed controls to be implemented by the service provider in mitigating the risks identified during the risk assessment or due diligence process;
- h) audit and inspection rights;
- i) business continuity management;
- j) disclosure of information / confidentiality, privacy and security of information⁶ (see also paragraph 29);
- k) default arrangements and termination provisions (see also paragraphs 35 and 36);
- l) dispute resolution arrangements;
- m) liability and indemnity;
- n) subcontracting (see also paragraph 27);
- o) information and asset ownership rights⁷;
- p) insurance;
- q) applicable laws, rules and regulations; and
- r) other relevant issues (see also paragraph 23).

23. An outsourcing agreement should include a clause that the AMCM's access to documentation related to the outsourcing arrangement and relevant systems/records should be direct, timely and unrestricted as stated under paragraph 41 below. The outsourcing agreement should enable the AMCM to appoint an independent party to perform a review of the relevant systems or documentation related to the outsourced activity, where the AMCM deems

⁶ Including non-public customer information to be collected or stored by the service provider.

⁷ It refers to the information and assets involved in the outsourcing projects e.g. client data, hardware, intangible asset (IP). Authorized institutions need to determine ownership and responsibility in managing those information and assets in the outsourcing agreement.



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necessary. This should also include the right for the AMCM to conduct on-site visits to the service provider as stated under paragraph 40 below. Authorized institutions should regularly review their outsourcing agreements (e.g. at least annually for material outsourcing arrangements). They should assess whether the agreements should be renegotiated and renewed to bring them in line with current market standards and to accommodate changes in business strategies.

Control over outsourced activities / functions

24. An authorized institution should review and update procedures in place on a regular basis and should ensure that it has sufficient and appropriate resources to manage and monitor the outsourced activities / functions at all times. The type and extent of resources required would depend on the materiality of the outsourced business activity / function. At a minimum, controls over outsourced activities / functions should include:
- a) establishment of relevant outsourcing management and control groups in supervising and enforcing controls on the outsourced activities / functions on an ongoing basis;
 - b) regular review on outsourcing risk management policy and procedures;
 - c) maintaining a register of all material outsourcing agreements;
 - d) maintaining appropriate levels of regular contact with the service provider. This may range from daily operational contact to senior management involvement; and
 - e) a process for regular monitoring of the following aspects of the service provider:
 - i) financial condition;
 - ii) risk profile;
 - iii) material problems encountered;
 - iv) contingency plan, drill test and corresponding lesson learnt; and
 - v) performance under the agreement, including meeting the criteria concerning service levels.
25. Authorized institutions should advise the AMCM of any significant problems that have the potential to materially affect the outsourcing arrangement and, as a consequence, materially affect the business operations, profitability or reputation of the authorized institutions.
26. Where an authorized institution terminates an outsourcing agreement, it should notify the AMCM as soon as practicable and provide a statement as to the transition arrangements and future strategies for carrying out the outsourced



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material business activity / function.

Subcontracting

27. In light of the implications of subcontracting, the outsourcing agreement should include a provision that the service provider should not further outsource any of the functions to a subcontractor without the authorized institution's approval. Due diligence should be performed by the authorized institution, or an independent assessor that is appointed by the authorized institution, to manage the associated risks of the subcontracting arrangements. Authorized institution should assess the independence and competency of the assessor performing the due diligence. Among others, the following controls should be considered:
- a) Clauses should be included in the outsourcing agreement to ensure the service provider's liability for the performance and risk management of its subcontractors. An indemnity to the effect should be included that any failure on the part of the subcontractor would be the responsibility of the service provider;
 - b) Contractual rights should be retained to terminate business activities / functions with the service provider for material changes of subcontracting arrangement;
 - c) Notification requirements should be agreed for changes of subcontractor in material business activities / functions including notification timeline and approval procedure; and
 - d) Ongoing monitoring should be in place to ensure the service level and contractual obligations are consistently met by subcontractors who support material business activities / functions.

Confidentiality

28. Authorized institutions should ensure that the proposed outsourcing arrangement complies with the relevant statutory requirements related to customer confidentiality (e.g. the FSA and the Personal Data Protection Act “個人資料保護法”). In this regard, authorized institutions should have controls in place to ensure that the requirements of customer data confidentiality are observed and proper safeguards are established to protect the integrity and confidentiality of customer information. An authorized institution should define and agree on a data residency policy with the service provider prior to the commencement of any new outsourcing arrangement. Security controls adopted by the service provider (e.g. data segregation, encryption controls, data loss and breach notification) should be assessed by the authorized institution on a regular basis.
29. Authorized institutions should be proactive in identifying and specifying



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requirements to protect the confidentiality and security of customer information by following the following steps:

- a) state the responsibilities of contracting parties in the outsourcing agreement to ensure the adequacy and effectiveness of security policies and practices, including the circumstances under which each party can change or impose additional security requirements. The outsourcing agreement should also address:
 - i) the party liable for losses in the event of a breach of security or confidentiality and the service provider's obligation to inform the authorized institution; and
 - ii) the access to and disclosure of customer information by the service provider. Customer information should be used by the service provider and its staff strictly for the purpose of the contracted service;
- b) disclose customer information to the service provider only on a need-to-know basis; and
- c) review and monitor the security practices and control processes of the service provider on a regular basis, including commissioning audits or obtaining periodic expert reports on confidentiality, security and compliance in respect of the operations of the service provider, and requiring the service provider to disclose to the authorized institution breaches of confidentiality and security concerning customer information.

Anti-money laundering / combating the financing of terrorism

30. Authorized institutions should ensure that with the outsourcing arrangements in place, any statutory requirements on anti-money laundering / combating the financing of terrorism or record keeping procedures and practices will continue to be met. Among other materials, references can be made to the AMCM's AML/CFT guidelines.

Contingency planning

31. The authorized institution should have a contingency plan that outlines the procedures to be followed in the event that the outsourcing arrangement is suddenly terminated or the service provider is unable to fulfill its obligations for any reason. Among other things, authorized institutions should also consider the availability of alternative service providers or the possibility of bringing the outsourced activity / function back in-house in an emergency or due to substandard performance of the service provider, and the costs, time and resources that would be involved.
32. The contingency arrangements in respect of daily operational and system problems should normally be covered in the service provider's own contingency



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plan. Authorized institutions should ensure that they have an adequate understanding of the relevant regulatory requirements⁸ and the service provider's contingency plan which should be regularly tested by the service provider and, by themselves as necessary.

Audit / review arrangements

33. Authorized institutions' internal audit function or any reputable independent external auditor commissioned by authorized institutions should review any proposed outsourcing of a material business activity / function, financial condition and risk profile of the service provider and regularly review compliance with the Guideline and report to the board of directors / audit committee / head office. The scope of audit and review should include the incident management process for any potential material issues such as material breaches and service disruptions. The audit scope and frequency should be clearly defined with reference to the nature and extent of risk, the impact to the authorized institution from the outsourcing arrangements and the materiality of the outsourcing activity.
34. The AMCM may require authorized institutions to make arrangement for its external auditor or an appropriate external expert to provide an assessment⁹ of the risk management processes in place with respect to an arrangement to outsource a material business activity / function. This may cover areas such as IT systems, data security, internal control frameworks and business continuity plans, etc. The reports of assessment should be made available to the AMCM at the time as specified by the AMCM.

Exit strategy

35. Authorized institutions should have an exit strategy in place to ensure the processes for data removal / transfer, handling of intellectual property and information rights, and transition to other service providers or moving the activity / function back in-house upon termination of an outsourcing arrangement are clearly documented. Authorized institutions should have the right to terminate the outsourcing agreement in the event of default, or under circumstances where:
 - a) the service provider fails to fulfil the requirements in outsourcing agreements;

⁸ Authorized institutions and their outsourcing service providers should establish the contingency plan in accordance with the AMCM's "Guideline on Business Continuity Management".

⁹ Such assessment would be required by the AMCM on a case by case basis. If the business activity / function involved is part of or all of the authorized institution's electronic banking operations, the authorized institution should make reference to the AMCM's "Guideline on Risk Management of Electronic Banking" for a separate arrangement for independent assessment.



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- b) the service provider undergoes a change in ownership;
 - c) the service provider becomes insolvent or goes into liquidation;
 - d) there has been a breach of security or confidentiality; or
 - e) there is a demonstrable deterioration in the ability of the service provider to perform the contracted service.
36. The minimum period to execute a termination provision should be specified in the outsourcing agreement. Other provisions should also be put in place to ensure a smooth transition when the agreement is terminated or being amended. Such provisions may facilitate the transfer of the outsourced activities / functions to a bridge institution or a third party. In the event of termination of the outsourcing agreement, for whatever reason, authorized institutions should ensure that all customer data is either retrieved from the service provider or destroyed.

Outsourcing to related parties

37. It is expected that the prudential issues set out in this Guideline should be properly addressed by the authorized institutions in any outsourcing arrangements involving related parties, such as outsourcing activities / functions to the parent company or another entity within the same group¹⁰. Risk assessment should be performed to assess the associated risks introduced by such outsourcing arrangements on both individual and group-wide basis. In addition, the service level agreement or an equivalent document should clearly state out the responsibilities allocated between them.

Concentration Risks

38. Concentration risk arises from a lack of diversification of service providers, either from the dependency on a single or few closely connected service providers / subcontractors for the provision of multiple outsourcing arrangements, or when the service provider / subcontractor is difficult or impossible to substitute. The absence of proper management of concentration risk may result in unexpected service interruptions, operational disruptions, and inadequate business continuity planning. Thus, authorized institutions should enhance the risk management framework and outsourcing policy to include the approach for concentration risk identification, assessment, monitoring and reporting, commensurate to the nature, size, and complexity of the authorized institution and its outsourcing arrangements. Throughout the outsourcing process, authorized institutions should:

¹⁰ Reference can be made to AMCM's "Guideline on Disclosure of Financial Information" for the related parties' definition.



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- a) evaluate the concentration risk in outsourcing risk assessments and due diligence review. Authorized institutions should assess the overall reliance on the service providers (including subcontractors) and the impact on the overall risk profile. The consideration should at least be given to the risks arising from the outsourcing arrangement to a dominant service provider / subcontractor that is not easily substitutable, or multiple outsourcing arrangements with the same service provider; and
 - b) implement appropriate risk remediation for outsourcing arrangements with concentration risk identified. Controls should be implemented considering the materiality of the business activities / functions (e.g. use of substitutable or dual outsourcing arrangements, shorter duration contracts and bidding for contracts). Whenever authorized institutions identify any indications that service providers may not be able to carry out the outsourced material business functions / activities effectively or do not comply with regulatory requirements, appropriate and immediate remedial actions should be taken.
39. Authorized institutions should, upon request, make available to the AMCM the related information recorded in the register of all material outsourcing arrangements. The record of information should at least cover:
- a) name and a brief description of outsourced activities / functions;
 - b) name of the service provider and material subcontractor, if any;
 - c) the country / region where the service provider and material subcontractor are registered;
 - d) type of outsourcing (e.g. head office / related parties / third party);
 - e) contract commencement and expiry date;
 - f) service level;
 - g) recent completion date of risk assessment, due diligence, and audit / review arrangement;
 - h) recent completion date of testing over the business continuity plan (BCP) conducted by service provider / material subcontractor, and the outstanding items and remediation date, if any; and
 - i) other relevant information.

The AMCM access to the service provider and its subcontractors

40. In the normal course of the outsourcing arrangement, the AMCM would seek to obtain the information it requires from the authorized institution. The AMCM may also conduct on-site visits to the service provider if it considers necessary in its role as the authorized institution's regulator. The AMCM expects the service provider to cooperate with its request for information and assistance. If



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the AMCM intends to undertake an on-site visit to the service provider, it would normally inform the authorized institution in advance of its intention to do so.

41. Where the service provider subcontracts the outsourced activities / functions to other parties (including related entities), the board of the authorized institution should ensure that access by the AMCM to the service provider's subcontractors would not be impeded. The authorized institution should ensure that the authorized institution's outsourcing arrangements do not impede the AMCM in carrying out its supervisory functions and objectives by allowing the AMCM to:
- a) access and inspect the service provider and its subcontractors, and obtain records and documents, transactions, and information of the institution given to, stored at or processed by the service provider and its subcontractors; and
 - b) access any reports and findings made on the service provider and its subcontractors, whether produced by the service provider's and its subcontractors' internal or external auditors, or by agents appointed by the service provider and its subcontractors, in relation to the outsourcing arrangement.

Overseas outsourcing

42. For outsourcing arrangements of authorized institutions' material business activity / functions in Macao to a service provider (including a related entity) outside Macao, i.e., overseas outsourcing arrangement, the AMCM would need to be satisfied that the impact arising from the overseas outsourcing arrangement has been adequately addressed as part of the authorized institution's risk management framework. For example, authorized institutions should take into account the differences in the following criterion:
- a) legal system and regulatory regime, especially provisions related to providing to the AMCM and its agent timely and unrestricted access to systems, information or documents relating to the outsourced activity;
 - b) sophistication of technology or infrastructure, etc. for delivering material business activity / function;
 - c) extent of the right of access to customer data by the AMCM;
 - d) implications of the outsourcing arrangements, involving service provider(s) outside Macao, on the authorized institution's risk profile;
 - e) social and economic conditions;
 - f) governing law of the outsourcing management; and
 - g) authorized institution's ability to effectively monitor the service provider and execute business continuity management plans and exit strategy.



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43. In the event that overseas authorities request to access any customer data, authorized institutions should seek legal opinions from the internal legal function or an external legal firm specialized in the matter in order to fully understand its obligations such as the extent and the authorities to which they are legally bound to provide information. Authorized institutions should also notify the AMCM. Where such request is deemed to be inappropriate or incompliant with any related regulatory requirements, the AMCM reserves the right to require the authorized institution to make alternative arrangements for the outsourcing activities.
44. In general, the proposal to outsource business activities / functions to an entity outside Macao would be acceptable to the AMCM if the outsourcing is to a regulated entity (e.g. a bank) in a jurisdiction which is adequately regulated. In line with local outsourcing, authorized institutions should ensure that the AMCM would have the right of access to the service provider (see paragraphs 23, 40 and 41 above). Authorized institutions should also notify their customers of the jurisdiction in which the service provider is located and the right of access, if any, available to overseas authorities.

Material cloud outsourcing

45. Cloud computing services include a wide range of services that enable on-demand access to a shared pool of resources such as applications, servers, storage, network security, etc. Authorized institutions should understand the service model (SaaS, PaaS, IaaS, etc.) they are adopting and what their and the cloud service provider's responsibilities are. As more authorized institutions are adopting cloud computing services to help fulfil their business and operational requirements and/or to reduce costs, authorized institutions should become aware of the technology and security requirements for protecting customer information. The board and senior management of authorized institutions should retain ultimate responsibility and accountability to manage and proactively address the risks associated with cloud outsourcing.
46. In addition to the requirements set out in paragraphs 16 to 18, the comprehensive risk assessment should also cover the cloud security controls that are commensurate with the cloud-related security risks in the outsourcing arrangement. Authorized institutions are expected to adopt the controls outlined in the AMCM's "Industry Guidance on Cloud Outsourcing Controls" where applicable.
47. Authorized institution is expected to comply with this Guideline as soon as practicable and within 12 months of the date of this Guideline.



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Appendix

Required information for proposal submission

When authorized institutions wish to submit proposals for outsourcing, they should provide to the AMCM the following information in detail:

- 1) full description and details of the activities / functions to be outsourced (e.g. full list of systems involved / affected and their corresponding purposes);
- 2) the rationale for the outsourcing arrangement (e.g. whether the outsourcing is to facilitate recovery and resolution planning);
- 3) details relating to the service provider (e.g. name, relationship with the authorized institution, entity background and experiences);
- 4) results of the risk assessment on the proposed outsourcing arrangements or the proposed changes to the scope of existing outsourcing arrangements;
- 5) results of due diligence of the service provider(s) for the proposed outsourcing arrangements;
- 6) business continuity plan in case of service disruption from service providers; and
- 7) a description of the methods that the authorized institution would employ to ensure that it retains its ability to control and monitor the outsourced activities / functions.
- 8) assessment of the outsourcing arrangement against sections 28 and 29 of the Guideline and the relevant statutory requirements in relation to customer data protection.