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Outsourcing – Findings and Issues for Discussion  
Supervisory Risk Division  
Central Bank of Ireland  
New Wapping Street  
North Wall Quay  
Dublin 1  
DO1 F7X3  
Ireland

31 January 2019

Dear Sir/Madam,

**Re: Outsourcing - Findings and Issues for Discussion – DP 8**

We are writing to you in response to the Central Bank’s Discussion Paper 8, “Outsourcing – Findings and Issues for Discussion” (“**DP 8**”).

We have been part of the Irish Funds working group for this paper and we have reviewed the Irish Funds’ response to DP 8 and wish to express our support for the detailed submissions made in that response.

We wish to note two key points within the Irish Funds’ response which we consider to be of particular importance:

**1. Regulatory environment – Delegation vs. Outsourcing**

Under the AIFMD and UCITS requirements, depositaries are entitled to delegate safekeeping functions. We believe that the supervisory requirements in relation to “outsourcing” and “delegation” must be kept separate. Imposing the same requirements locally in Ireland in relation to delegation as outsourcing would move Ireland out of line with other European jurisdictions from a UCITS/AIFMD perspective. It is important that there continues to be a clear distinction between delegation and outsourcing, particularly in the case of Fund Service Providers. One specific example helps to illustrate this point. A depositary may be obliged to delegate the safekeeping of financial instruments to a prime broker pursuant to Article 22(11) of the AIFM Regulations. Whilst there is a clear delegation in this instance, this is clearly not an outsourcing arrangement and the application of outsourcing requirements to same would impose obligations on an Irish depositary significantly beyond those required of its other EU counterparts.

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## 2. Proportionality

We endorse the view of Irish Funds that the concept of proportionality must be addressed in any regulations or regulatory guidance concerning outsourcing. As part of their ongoing risk management framework, firms will identify those outsourced activities which are of critical importance and ensure their management is properly resourced and overseen.

Firms should be allowed to determine how they manage their outsourced operations and consider how this fits within the context of their overall risk appetite. Equally firms should document the results of this process. As part of this risk based approach, it will be appropriate and necessary for firms to have a different oversight approach at times between the following arrangements:

- Unregulated/support activities versus regulated/operations activities.
- Intra-group versus third party arrangements

It is important that this is recognised within the regulations and guidance, rather than applying a one size fits all approach to all outsourcing.

We hope the CBI finds these comments helpful and we would be glad to discuss the points raised in this response further.

Yours faithfully,



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Liam Butler  
Director  
Northern Trust (Ireland) Limited