Attachment

Background explanation of the Draft Amendment of Outsourcing Regulations:

1. The Financial Supervisory Commission (FSC) has considered that the current contents of outsourcing risks for financial institutions are different. In recent years, with the advent of digital finance and technology finance era, as well as the changes brought by the COVID-19 pandemic to financial services and remote work, financial institutions not only expand the use of professional services such as information system applications and data processing but also actively adopt emerging technologies such as cloud computing and cloud storage to enhance digital transformation and increase agility and flexibility of financial services. The scope of application has gradually diversified, and it is necessary to adjust the relevant management aspects for outsourcing based on risk-based principles.

2. While financial institutions adopt emerging technologies, they also face various emerging challenges, such as the high expertise and complexity of emerging technologies, the security of customer data, and various new types of network threats. Financial institutions must establish a complete risk management framework and operational standards for outsourcing projects to ensure operational resilience such as customer data protection, information security, and uninterrupted operations.

3. The FSC has collected regulations for the outsourcing of financial institutions from financial supervisory agencies such as the European Union, Singapore, the United Kingdom, the United States, and Hong Kong, all of which are based on the Risk-Based Approach (RBA) as the core supervisory principle. Therefore, the following supervisory principles of various countries are referred to for drafting the amendment to the Outsourcing Regulations:

(1) Financial institutions are required to establish a complete internal governance and risk management framework for outsourcing operations. The management level of outsourcing matters should be proportional to the level of risks and maintain the same level of control and service quality as the outsourced operations were conducted by financial institutions themselves.

(2) Financial institutions should clearly define the scope of outsourcing matters and the division of responsibilities between the service provider and the entrusted institution in the outsourcing contract, and the financial institution should bear the ultimate responsibility for outsourcing operations and customer rights protection.

(3) The supervisory authority understands the content and changes of outsourcing operations of financial institutions through regular reporting (Register) and achieves the purpose of dynamic supervision.