

December 11, 2008

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir,

**Guidelines on Managing Risks and Code of Conduct in
Outsourcing of Financial Services by Banks**

Please refer to Para 7 of our circular DBOD.No.BP.40/21.04.158/2006-07 dated November 3, 2006 on the captioned subject.

2. It has been decided to add a new sub para 7.4 as below:

“As regards the off-shore outsourcing of financial services relating to Indian Operations, banks should additionally ensure that

- a) Where the off-shore service provider is a regulated entity, the relevant off-shore regulator will neither obstruct the arrangement nor object to RBI inspection visits / visits of banks internal and external auditors.
- b) The availability of records to management and the RBI will withstand the liquidation of either the offshore custodian or the bank in India.
- c) The regulatory authority of the offshore location does not have access to the data relating to Indian operations of the bank simply on the ground that the processing is being undertaken there (not applicable if off shore processing is done in the home country of the bank).
- d) The jurisdiction of the courts in the off shore location where data is maintained does not extend to the operations of the bank in India on the strength of the fact that the data is being processed there even though the actual transactions are undertaken in India and
- e) All original records continue to be maintained in India.”

Yours faithfully,

(Prashant Saran)
Chief General Manager-in-Charge