

Brussels, September 20, 2018.

Dear Madam/Sir,

The European Confederation of Institutes of Internal Auditing (ECIIA) is a confederation of national associations of internal auditors speaking for the profession in the wider geographic area of Europe and the Mediterranean basin. It represents a membership base of over 47,000 internal audit professionals. The ECIIA is an associated organisation of the global Institute of Internal Auditors (The IIA), a professional body with more than 181,000 members in some 200 countries. Throughout the world, The IIA is recognised as the internal audit profession's leader in certification, education and research regarding internal auditing. The IIA also maintains the International Professional Practices Framework (IPPF) which includes the International Standards for the Professional Practice of Internal Auditing, the definition of internal auditing, the code of ethics, practice advisories and other guidance.

([http://www.theiia.org/guidance/standards-and-guidance/interactive-ippf/.](http://www.theiia.org/guidance/standards-and-guidance/interactive-ippf/))

The ECIIA welcomes the proposed update of the EBA Guidelines on outsourcing (as described in EBA/CP/2016/16), and is grateful for the opportunity to contribute. We attach in the appendix some specific comments and proposals and would like in this regard to highlight two key points.

The guidance (specifically section 11), should give more emphasize to the role of the first and second lines of defense in the oversight of the outsourced functions. More specifically, the internal audit function as a third line, must focus on the assurance of the outsourcing framework in terms of risks taken. The monitoring of the outsourcing process is performed by the second line while the first line is in charge of the operational aspects of the arrangements.

We also recommend to lightened principles for intra-group outsourcing considering lower risk exposure than external outsourcing. A distinction should also be made for outsourcing of services within European area and for those highly regulated (eg IT, modeling, ...) than for others. This remark is a principle applicable for the whole guidance.

You will see in appendix the details of our remarks.

We would be very happy to discuss our comments and proposals with you, if you would find that helpful.

We hope you will find our input useful. Please do contact us if you have any questions or if there are any issues you would like to discuss.

Kind regards,



Henrik Stein
Banking Committee Chair



Thierry Thouvenot
Vice President