

## **Consultations on Information Security Guideline and Outsourcing Guideline DATE:**

**January 18, 2021**

**DISTRIBUTION: All BC Credit Unions, Insurance and Trust Companies, Pension Plan Administrators**

**ADVISORY NUMBER: 21-003**

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### **PURPOSE**

This Advisory is to provide notice of the forthcoming release of two related Guidelines on information security and outsourcing that BCFSA plans to release for consultation in the first calendar quarter of 2021.

BCFSA takes a risk-based approach to determining whether Provincially Regulated Financial Institutions<sup>1</sup> (“PRFIs”) and pension plans are in sound financial condition and comply with applicable legislation along with supervisory standards. This approach includes developing Guidelines that outline principles-based expectations for PRFIs and pension plans to follow to mitigate risks.

BCFSA has identified information security and outsourcing (also referred to as third party risk) as key risks currently facing regulated entities. In response, BCFSA has developed draft Guidelines to set out its expectations for mitigating these risks.

Outsourcing risk has also been identified as one of the biggest challenges facing PRFIs. PRFIs often outsource business activities, functions and processes to meet the challenges of technological innovation, increased specialization, cost control, and heightened competition. However, outsourcing can increase an institution’s dependence on third parties, which may increase its risk profile including taking on information security risk related to the third party.

The increasing frequency, creativity, and severity of information security incidents, including cybersecurity attacks, pose a significant reputational risk to PRFIs, pension plans and the financial system. As a result of these profound and accelerating changes, BCFSA has developed a risk-based Information Security Guideline that outlines expectations for the management of information security risk to strengthen the resilience of PRFIs and pension plans to these types of incidents.

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<sup>1</sup> A PRFI is a credit union, insurance company, or trust company that is regulated by BCFSA.

Given the connection between information security and outsourcing risks, BCFSa plans to hold separate consultations on both Guidelines over the same period of time. Following the release of the draft guidelines, BCFSa will undertake a 60-day consultation process that will include meeting with various stakeholder organizations and targeted sector representatives. Details regarding those meetings will be released along with the draft Guidelines. BCFSa values the feedback it receives during its consultations and, where appropriate, feedback will be used to amend and strengthen the guidelines. Feedback received during the consultation will also be summarized and BCFSa's responses will be published on the BCFSa website.

## **INFORMATION SECURITY GUIDELINE**

- The Guideline will apply to (i) BC incorporated credit unions, (ii) insurance and trust companies incorporated or licensed to do business in BC and (iii) administrators of BC pension plans.
- The Guideline outlines principles-based expectations for the management of information security risk. It further recognizes that the dynamic nature of information security threats requires evolving methods to mitigate these threats. Specific application will be determined on an institution by institution basis driven by their internal risk assessments.

## **OUTSOURCING GUIDELINE**

- The Guideline will apply to (i) BC incorporated credit unions and (ii) insurance and trust companies incorporated or licensed to do business in BC.
- The Guideline outlines principles-based expectations for credit unions, insurance companies, and trust companies that outsource one or more of their business activities to a service provider. These expectations should be considered prudent practices, procedures or standards that should be applied according to the characteristics of the outsourcing arrangement and the circumstances of the financial institution.

## **ADDITIONAL INFORMATION**

We value your input in the development of our regulatory guidance. While additional information on the proposed guidelines and consultation process will be released in the first calendar quarter of 2021, please feel free to submit general questions or comments in advance to [regulation@bcfsa.ca](mailto:regulation@bcfsa.ca).