

BITS

FINANCIAL SERVICES
R O U N D T A B L E

BITS ISSUES FINANCIAL SERVICES INDUSTRY EXPECTATIONS FOR IT SERVICE PROVIDERS

Washington, D.C. August 25, 2003 — BITS, a nonprofit consortium of the 100 largest financial institutions in the US, published an RFI today that provides security-related expectations for information technology service providers and audit and assessment organizations. The *BITS IT Service Provider Expectations Matrix: Review of Audit and Assessment Methodologies for Financial Institutions* is one of a series of BITS publications seeking to streamline the service-provider evaluation process and help financial services companies manage outsourcing risk.

Financial institutions are outsourcing key functions to IT service providers at unprecedented rates—according to Gartner, outsourcing in the securities and financial services industries grew 10.4 percent in 2002. When services are outsourced, institutions face increased risks specific to the financial industry, including cyber security threats, identity theft, and other dangers. Because institutions must have assurance of the safety and soundness of their services, BITS created the Expectations Matrix to address critical security and privacy concerns.

The Expectations Matrix promotes a common understanding of the industry's needs by providing financial institutions, service providers, and audit and assessment organizations with a comprehensive set of expectations to reduce risk, facilitate compliance with regulatory requirements, and eliminate gaps in the audit and assessment processes. The expectations include critical disaster recovery/business continuity issues necessary to ensure products and services are supported by and coordinated with third-party service providers.

“Today BITS member companies spend enormous resources evaluating their service providers at the individual institution level. The Expectations Matrix streamlines that process by defining common industry requirements for service providers,” said Catherine A. Allen, CEO of BITS.

“The Expectations Matrix is an important step in ensuring the safety and soundness of financial services, as well as a key self-regulatory measure that reflects the industry's commitment to the security of the financial services infrastructure,” said BITS Chairman James E. Rohr, Chairman and CEO of The PNC Financial Services Group.

When applications, systems and services are outsourced, service providers are directly responsible for establishing controls and security for those products and services. However, responsibility for reputation, transactional, regulatory and other risks remains with the receiver company. The Expectations Matrix, presented in the RFI as a 33-page chart, outlines in detail service-provider practices, processes and controls relevant to financial services industry and regulatory requirements. While the specific controls and requirements will vary with risk and with the nature of an outsourced service, the expectations provide a template for the information that the financial institution will need in order to understand and manage risk.

“In an environment of escalating threats, it is critical that financial institutions and service providers set clear direction for continuity of service,” said Lari Sue Taylor, Senior Vice President, FleetBoston Financial Corporation and Co-Chair of the BITS IT Service Providers Working Group. “The Expectations Matrix helps provide a road map for third-party vendors to ensure that coordination exists.”

Viveca Ware, Director of Payment Systems for the Independent Community Bankers of America and Co-Chair of the BITS IT Service Providers Working Group, agreed, adding: “The Expectations Matrix has tremendous value for both large and small institutions in streamlining the outsourcing evaluation process. It also is a key tool for service providers, as it helps them to clearly demonstrate their commitment to addressing the financial services industry’s concerns.”

The eFinancial Enablers Council (eFEC), a group of leading Internet banking and payments providers to financial service companies, supports BITS’ efforts to bridge the gap between the industry’s expectations and the information outsourcers provide for security assessments.

The Expectations Matrix builds on the *BITS Framework for Managing Technology Risk for IT Service Provider Relationships*, a landmark document BITS published in October 2001. The *Framework* comprehensively addresses most aspects of managing IT control, design and management practices for IT outsourcing. The *Framework* is based on BITS’ Working Group members’ interpretation of regulatory requirements and industry best practices, and is now being updated with further considerations for cross-border outsourcing, disaster recovery/business continuity, vendor management, and security audits and assessments. The *Framework* is available at the BITS website at www.bitsinfo.org/wp.html.

The BITS IT Service Provider Expectations Matrix: Review of Audit and Assessment Methodologies for Financial Institutions is available at the BITS website, www.bitsinfo.org/wp.html. Responses to the RFI should be submitted to BITS c/o Faith Boettger, faith@fsround.org, prior to September 30.

About BITS

BITS (www.bitsinfo.org) was created in 1996 to foster the growth and development of electronic financial services and e-commerce for the benefit of financial institutions and their customers. A nonprofit industry consortium that shares membership with The Financial Services Roundtable, BITS seeks to sustain consumer confidence and trust by ensuring the security, privacy and integrity of financial transactions. BITS works as a strategic brain trust to provide intellectual capital and address emerging issues where financial services, technology and commerce intersect.

For additional information, contact:

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