



BANK OF THAILAND NEWS

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The issuance of Bank of Thailand circular Re: Practical Guidelines for IT Outsourcing

Bank of Thailand has issued Practical Guidelines for IT Outsourcing to provide financial institutions with best practices in IT outsourcing. Financial institutions need to ensure the continuity and reliability of the services as if they were undertaken by the financial institutions themselves. Details of the guidelines are as follows:

1. “Information technology” means any work concerning information technology that has a significant impact on the risk of financial institutions.

“Outsourcing” means arrangement for other service providers to perform functions that are normally undertaken by financial institutions themselves.

“Other service providers” means any other persons or juristic persons, both local and overseas, who are not the financial institutions themselves.

2. The IT outsourcing may create risks to financial institutions such as operational risk, strategic risk, reputational risk, and legal risk. In addition to such risks, financial institutions should take into account the need to develop their own competencies that are supportive of core businesses in the long run. In case where foreign service providers are used, financial institutions should duly consider risks that may arise from the difference of laws and regulations of cross-border activities.

3. The guidelines require financial institutions to develop IT policies that clearly state the reasons and objectives for IT outsourcing, risk management procedures, service provider selection procedures, key features of contractual agreements between financial institutions and the IT service providers, the monitoring and performance evaluation of the IT service providers, and adequacy of contingency plans.

4. Financial Institutions may proceed with the IT outsourcing arrangements described in the guidelines without seeking prior approval from Bank of Thailand.

Those financial institutions whose services are outsourced to their head office or their branches in other countries should apply the same risk management principles indicated in the guidelines.

Bank of Thailand

14 May 2003