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EACB comments

on EBA consultation paper on Guidelines on Outsourcing arrangements

The voice of 3.135 local and retail banks, 80.5 million members, 209 million customers in EU

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The **European Association of Co-operative Banks** ([EACB](http://www.eacb.coop)) is the voice of the co-operative banks in Europe. It represents, promotes and defends the common interests of its 28 member institutions and of co-operative banks in general. Co-operative banks form decentralised networks which are subject to banking as well as co-operative legislation. Democracy, transparency and proximity are the three key characteristics of the co-operative banks' business model. With 4,050 locally operating banks and 58,000 outlets co-operative banks are widely represented throughout the enlarged European Union, playing a major role in the financial and economic system. They have a long tradition in serving 210 million customers, mainly consumers, retailers and communities. The co-operative banks in Europe represent 79 million members and 749,000 employees and have a total average market share of about 20%.

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General comments

The EACB welcomes the opportunity to comment on this EBA consultation paper.

Outsourcing is a sensitive issue for cooperative groups and networks, whose organizational structure consistently relies on a division of tasks. Due to their distinctive “division-of-labour” structures, group / network entities or central institutions provide numerous services for the affiliated banks. This traditional supporting pillar finds its basis in the respective national legal frameworks. For example, the laws and statutes governing local cooperatives or their central institutions or associations regularly stipulate that the central support services organized in the respective network are to be offered by the central institution or used by the local banks belonging to the network. Also the CRR and the Commission delegated regulation on liquidity coverage requirement for credit institutions make reference to this situation.¹ Moreover, it is stipulated in the statutes of many cooperative central institutions / bodies that their main mission is to provide services to local banks.

Such organizational structures, especially the bundling of tasks in specific entities, not only improve their cost efficiency and achieve economies of scale. In many cases, the local banks would not be able to reach the level of quality, maintenance and stability, which is now ensured by the central institution or common specialized entities due to the size, resources, specific technical knowledge of the latter.

In this context, we welcome that the EBA specifically reflects of outsourcing arrangements within a group - including the situation where institutions are permanently affiliated to a central body - and within an institutional protection scheme (IPS).

However, in our opinion, the guidelines do not sufficiently reflect the value of outsourcing, i.e. quality enhancing and risk-reducing effects. Moreover, in consideration of the above-mentioned organizational structure (i.e. division of tasks), the guidelines should take into account this specific feature when it comes to a decision on outsourcing.

Finally, we believe that more emphasis should be put on the principle of proportionality that should be reflected not only with regard to the size of the institutions but also to the risk, the relevance and criticality of the outsourced functions.

¹ Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. OJ L 176/126 June 2013. E.g. Art. 10, 113(7), 400(2)(d). COMMISSION DELEGATED REGULATION (EU) 2015/61 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions. OJ L11/1 10 October 2014. E.g. Recital 12, Art. 7(2)(b), Art. 16, Art. 27(1)(b), Art. 29(1)(b), Art. 34(1)(b).



Answers to specific questions

Q1 Are the guidelines regarding the subject matter, scope, including the application of the guidelines to electronic money institutions and payment institutions, definitions and implementation appropriate and sufficiently clear?

The guidelines seem sufficiently clear regarding the scope of application to the relevant types of institutions. Moreover, most definitions are sufficiently clear (except the definition of outsourcing and the definition of critical or important function in para. 11. The latter can be read like a circular definition and could be improved by a reference to section 9.1).

In particular, the definition of outsourcing (para. 11) (*"arrangement ... between an institution and a service provider by which that service provider performs a process, a service or an activity, or parts thereof that would otherwise be undertaken by the institution (...) itself."*) is wide and does not provide much guidance. We believe the guidelines should provide further explanations on details to better frame the scope of outsourcing by providing an interpretation of certain elements of the guidelines, with particular regard to:

A. The meaning of "(...) not normally performed by the institutions (...)".

While we appreciate the intention of para. 23 to clarify to some extent the definition of outsourcing and to exclude the acquisition of services, goods or utilities that are not normally performed by the institution, the para. is unfortunately very lean.

We believe this para. 23 should clearly mention that processes/activities/services that are not directly connected to banking activities are outside the scope of outsourcing (in other words, a process/activity or a service should be deemed as outsourcing only if it is a supervised process/activity or a service. This means, for example, that a process/activity or a service connected to human resources cannot be in the scope of outsourcing). If our proposal for changes to para. 23 will not be reflected, the guidelines would imply a relevant administrative burden and would not be coherent with the principle of proportionality.

In addition, we would believe that *"normally performed by the institution"* implies a certain regularity and stability of the provision of the service. Therefore, one-off or occasional deliveries would be indicators against *"normally performing"*. At least, we would like to see a clarification in this respect: **non-recurring or occasional purchase of goods or services from third parties is not outsourcing.**

Finally, there are many examples for activities normally provided by specialised providers along a value chain in banking. Examples range from payments and cards processing via various IT services to cases of FinTech start-up banks with a comprehensive outsourcing approach. Therefore, any definition of *"normally performed"* falls short of the division of tasks, especially in the digital economy.



B. The meaning of "otherwise be undertaken by the institution (...) itself."

We would like to see more substance in the term "otherwise be undertaken by the institution (...) itself". In particular, a clarification that certain services and processes in financial groups or networks that an institution itself cannot undertake itself due to:

- (i) legal / regulatory reasons / statutory or
- (ii) factual circumstances

are not considered as outsourcing (e.g. use of central institution services in group/IPS, like liquidity lines/liquidity management, payment or securities processing, custodian services, etc.)². An example is given by those networks consisting of central credit institutions and associated local banks which are legally or contractually responsible for cash-clearing operations within the network (see Art. 400(2)(d) CRR).

Especially in the case of small cooperative banks affiliated to a central body / institution in the context of arrangements according to article 10 or 113(7) CRR, which are characterized by their division-of-labour structures, a meaningful differentiation is highly relevant. In those groups and networks, the service provider (generally the central body / institution) has been set up mainly to perform standardised services for the affiliated institutions which would not be able to undertake those services by themselves (principle of subsidiarity). In contradiction to para. 22 (second sentence) this would be relevant. In this context, for example, the German supervisory authority has recognized the special situation of cooperative banking groups and decentralized banking sectors and has introduced a special definition for "acquired services" to avoid a huge bureaucratic impact for smaller banks.

Therefore, the second sentence of para. 22 should be cancelled and in para. 11 the following separate definition of "acquisition of services" is needed to avoid misunderstandings "outsourcing" and other "acquired services":

"Acquired Services": "Singularly or regularly acquired services that couldn't be provided by the institution itself due to factual circumstances or legal requirements."

Finally, the definition of outsourcing raises the questions how the "normally" outsourced process/service/activity would otherwise be performed by the institution and which role costs are playing in that respect.

If our suggestions for the above interpretation of outsourcing are not shared, many additional explicit exemptions would become necessary, as the normal alternative of a "do-it-yourself-approach" does not exist. Some exemptions are already provided for in para. 19 and 20 (e.g. centralised operational monitoring, central pre-outsourcing assessment, etc...). We appreciate this, but we see a need for further exemptions or clarifications, for example (non-exhaustive):

- within a cooperative group/network, the decisions related to outsourcing in many cases are not possible on a stand alone basis. It would, for example, be counterproductive if each local bank draws its own and different conclusions from quality problems occurring in the services offered by the central institution, changing separately to other service providers and new systems not fitting to the

² For further details, see Annex I.



system of the rest. Instead, the only opportunity is a coordinated “democratic” process involving all the local banks (for example to transfer as an exit strategy the critical function to another service provider) (para. 32 b and g; para 34) – for more details see answer to Q12;

- the concentration risk, resulting from multiple outsourcing to the central institution or its subsidiaries is not relevant, as there must not be supervisory pressure to break up those networks (nothing would be improved if not everybody joins in using the network services) (para. 59 a) – for more details see answer to Q9;
- it must be possible to rely, for own judgement of local banks, solely on third party auditing reports established by the central institution or other third parties as a service provider and to avoid individual audits by each local bank (para. 74, 75 f) for more details see answer to Q10.

Q2: Are the guidelines regarding Title I appropriate and sufficiently clear?

We appreciate that the guidelines shall be applied by the central body and its affiliates as a whole, in case waivers according to Art.10 CRR or Art. 21 CRD have been granted. Therefore, we understand that in that case any activities which are centrally performed by any entity in the scope of prudential consolidation are not considered as outsourcing.

However, a more proportionate approach should also be considered in case the waiver is not granted with regard to decentralised networks (with or without an IPS) where the functions of hundreds of affiliated institutions are centralised in the central institutions or in network entities. In decentralized networks outsourcing arrangements particularly exist in the area of treasury, reporting, risk management, payment transactions, information and communication technology (data centers) and customer relationship management (CRM). Since they provide efficiency and financial stability, these arrangements are also supported and promoted by the competent national supervisors.

Against this background and in order to avoid an enormous bureaucratic burden (e.g. the notification of any planned outsourcing to the Competent Authority, the assessment of the service provider, etc..) for hundreds of small cooperative banks and to take into consideration also decentralised networks with or without an IPS, we suggest para 21 should be changed as follows:

*"Where waivers have been granted on an individual basis on the basis of articles 7, 10, **113(6), 113(7)** of Regulation (EU) No 575/2013, of Article 21 of Directive 2013/36/EU **or to a cooperative network in a Member State**, the provisions of these guidelines should be applied by the parent undertaking in a Member State for it and its subsidiaries or by the central body and its affiliates as a whole."*

Finally, for clarity purposes we suggest:

- Para. 17 should mention also affiliates to central body in addition to subsidiaries of parent undertaking: *"Institutions and payment institutions which are subsidiaries of an EU parent undertaking or of a parent undertaking in a Member State **or which are affiliated to a central body** to whom no waivers have been granted on the basis..."*



- Para. 19(b) on the register kept at central level should also mention the IPS to be coherent with Para. 46.

Q3: Are the guidelines in Title II and, in particular, the safeguards ensuring that competent authorities are able to effectively supervise activities and services of institutions and payment institutions that require authorisation or registration (i.e. the activities listed in Annex I of Directive 2013/36/EU and the payment services listed in Annex I of Directive (EU) 2366/2015) appropriate and sufficiently clear or should additional safeguards be introduced?

See answer to Q1 concerning the assessment whether an arrangement with a third party falls under the definition of outsourcing.

We also believe that the guidelines should provide further details to better frame the scope of outsourcing and – as already stated under answer to Q1 – to avoid misinterpretations between “acquisition of services (purchases)” and “outsourcing”. A list of business functions/services which are typically seen as outsourcing and a list of functions/activities which are typically seen as purchase would help to gain clarity.

Q4: Are the guidelines in Section 4 regarding the outsourcing policy appropriate and sufficiently clear?

If our proposals for changes in para 11, 21 and 22 (see answers to Q1 and 2) are not reflected, we would support the rationale behind para. 35(c) according to which the outsourcing policy should distinguish between intra group outsourcing, outsourcing within the same IPS and outsourcing to entities outside the group. However, the guidelines should also mention intra network outsourcing and provide more details on the less restrictive provisions regarding intra-group/network outsourcing and outsourcing within the same IPS.

Concerning para. 34(e) on exit strategies, a more proportional approach should be taken into account, if our proposals for changes in para 11, 21 and 22 (see answers to Q1 and 2) are not reflected. First, it is not proportional to require that small institutions have in place exit strategies for critical functions such as the IT system provided by a central data centre within a cooperative network (in this regard, it is worth mentioning that in case of smaller co-operative banks it is common to have a fully outsourcing of the IT system, typically to a datacentre owned by the banks collectively). We also wonder how an exit strategy for several hundred banks in a network could reasonably look like. According to our understanding (see above), this is not even “outsourcing” because the smaller cooperative bank could not do the IT system “otherwise” itself. If the question what otherwise would be done is answered without any regard to the cost involved, it still has to be taken into account that it hardly would fit to the supervisory goal of banking stability and solid financial markets, if every small cooperative bank were forced by EBA guidelines to act on a stand alone basis and possibly to decide as the only member of the network to change the service provider. Instead, supervisors should be interested in the cohesion of networks which means that only the whole network could have an exit strategy changing the provider on the basis of a coordinated “democratic” process.



Second, it has to be reflected that in cooperative networks, as well as in other groups, services are often “outsourced” to providers that adhere to the group or are owned by the network and exclusively service the group/network. Where a bank relies on such an internal service provider for decades and will most probably continue to do so in the future, an elaborated exit strategy seems disproportionate. Moreover, these dedicated entities produce products, tools exclusively for the use and the benefits of local banks and can hardly be replaced.

Finally, para. 30 of the guidelines requires that an outsourcing function should be established or a senior staff member should be designated to ensure a clear division of tasks and responsibilities for the monitoring of outsourcing arrangements. This requirement would imply a relevant burden in terms of costs and, therefore, we would propose to delete it.

Q5: Are the guidelines in Sections 5-7 of Title III appropriate and sufficiently clear?

According to para. 38 on conflict of interest “institutions should ensure that the conditions, including financial conditions, for the outsourced service are set at arm’s length”. The notion of arm’s length should not be understood in a rigid manner and should reflect the realities of a group and network. Within cooperative groups/networks very often specific entities have been established to provide services mainly – if not only - to the affiliated institutions at better financial conditions than market providers. This exclusivity will be reflected to some degree in the business relation, but also in the financial conditions and may significantly differ from those of free market providers. Sometimes those specific entities owned directly or indirectly by the members of the cooperative group/network are only working at cost base, which obviously makes a difference towards market providers pursuing their own profit interests.

Concerning Section 6 “Business continuity plans”, the guidelines should specify that in cooperative groups / networks - where business continuity plans for the case of technical failure should be in place - the outsourcing institution and the service provider do not necessarily have to provide different plans. For example, in the case of outsourcing of IT services to a data centre, it should be sufficient that the service provider establishes a business continuity plan (e.g. several processing sides, back-up systems), which would then also be accepted for the bank.

Q6: Are the guidelines in Sections 8 regarding the documentation requirements appropriate and sufficiently clear?

If our proposals for changes in para. 11, 21 and 22 (see answers to Q1 and 2) are not reflected, we would appreciate that less restrictive provisions are provided concerning the maintenance of register for institutions permanently affiliated to a central body or which are members of the same IPS. However, the guidelines should consider the central maintenance of the register also for cooperative networks without IPS. It should also be mentioned that the maintenance of the register could be outsourced.

Moreover, for the avoidance of any doubts it should be better clarified that the centralised register forms an alternative to the possibility of keeping individual registers at institutions’ level. In case the register is centralised, there should be an appropriate period within which the centralised



register has to be updated, e.g. 1 month. We believe that such a period is necessary to enable the development of proper outsourcing policies and procedures.

In addition, due to the important administrative burden this register would imply and in line with the low level of risk related to outsourcing of non-critical or non-important function, we consider that its content should be limited to arrangements related to outsourcing of critical or important function and outsourcing to cloud service providers. In particular, contracts below certain volumes and of limited relevance should not be put in the register ("*de minimis clause*").

In case all arrangements remained in the scope of the register, and for the same reasons mentioned above, we consider that for the arrangements of non-critical or non-important function, the documentation should be limited to the following information:

- ✓ a brief description of the function outsourced,
- ✓ the name of the service provider and
- ✓ whether or not the service provider is part of the institution's group.

In any case, considering the relevant burden the implementation of the register would imply, an additional period of at least 12 months should be provided to establish the register (i.e. the IT tool) and an additional period of at least 12 months to fill in the register with the information on all existing outsourcing arrangements.

Q7: Are the guidelines in Sections 9.1 regarding the assessment of criticality or importance of functions appropriate and sufficiently clear?

Considering the more restrictive requirements related to the outsourcing of critical / important operational functions, the guidelines should provide a more precise definition of "important or critical outsourcing", rather than simply listing the criteria to be taken into account to qualify an operational function as "important or critical". In this sense, a non-exhaustive list of functions that are considered as important or critical could be provided by the guidelines. In any case, if the service / activity is outsourced to a provider which is a supervised entity, this service/activity should not be deemed as "important or critical outsourcing".

Finally, the guidelines should specify that - although control functions are deemed critical - activities that aim to support control functions (such as data preparation for internal controls) should not be considered critical.

Q8: Are the guidelines in Section 9.2 regarding the due diligence process appropriate and sufficiently clear?

If our proposals for changes in para. 11, 21 and 22 (see answers to Q1 and 2) are not reflected, it is worth specifying the following concerning due diligence.

Any due diligence process performed by an affiliated institution within a cooperative group / networks regarding a service provider within the same group / network would result in a formal process. Indeed, entities – such as the central institution – have been established with the main



purpose of providing specific services to the affiliated institutions. Therefore, the ability, capacity, resources, organisational structure of those entities are tailored to the needs and features of the affiliated institutions.

Against this background, in case of “outsourcing” within cooperative groups (regardless of whether waivers have been granted) and networks, affiliated institutions should be exempted from the due diligence process.

Q9: Are the guidelines in Section 9.3 regarding the risk assessment appropriate and sufficiently clear?

If our proposals for changes in para. 11, 21 and 22 (see answers to Q1 and 2) are not reflected, it is worth specifying the following concerning concentration risk.

In many cooperative groups and networks the functions of hundreds of affiliated institutions are centralised in the central institutions / network entities. Those institutions/entities have been established to provide services to the affiliated institutions and to create economies of scale (according to the principle of subsidiarity). In this context, Section 9.3 shall consider cooperative groups / networks organisational structure and, therefore, the outsourcing in a single central institution / network entity should not be considered as concentration risk, provided that appropriate emergency concepts exist. By overstating concentration risk, the guidelines would even prevent smaller institutions from creating economies of scale and, thereby, would severely interfere with competition. We see no need to fundamentally question practices that worked perfectly in the past and ensured trust in cooperative networks.

Not taking this aspect into appropriate consideration could lead, in the worst case, to significant changes in the organizational structure and the labour division model of cooperative groups. In this context, the cohesion of cooperative networks would be seriously compromised and this would obviously be counterproductive.

Q10: Are the guidelines in Section 10 regarding the contractual phase appropriate and sufficiently clear; do the proposals relating to the exercise of access and audit rights give rise to any potential significant legal or practical challenges for institutions and payment institutions?

If the definition of outsourcing is interpreted in a broad way on the basis of para. 11 also including cases where a local bank has economically no opportunity to fulfil the task provided by the central institution otherwise by itself at reasonable costs, the guidelines regarding the contractual phase are not appropriate and the proposals relating to the audit rights give rise to significant practical challenges to cooperative networks.

As labour sharing in cooperative networks is an economic necessity and the only chance to create a level playing field with a “normal” commercial bank being a joint stock company with many branches within the same legal entity, it is crucial to keep the cost of auditing the service provider low. This is not possible if auditing on a stand alone basis is required. In cooperative networks shared auditing must be sufficient. So it must be allowed to rely solely on third party reports



(contradiction with para 74) and not to retain the contractual right to perform individual audits at the own discretion of any single small co-operative bank.

The execution of termination rights can only happen on the basis of coordinated “democratic” process on the level of the whole network or IPS or group.

Moreover, if the definition of outsourcing is interpreted in a too broad way on the basis of para 11 (see answer to Q1), it should be clarified what security goals are intended to be achieved with the defined security requirements with regard to Section 10.2 (Security of data and system). This clarification is necessary to choose appropriate security standards.

Q11: Are the guidelines in Section 11 regarding the oversight on outsourcing arrangements appropriate and sufficiently clear?

N/A

Q12: Are the guidelines in sections 12 regarding exit strategies appropriate and sufficiently clear?

If our proposals for changes in para. 11, 21 and 22 (see answers to Q1 and 2) are not reflected, a more proportional approach should be taken into account. Indeed, it is not realistic requiring small institutions to have in place exit strategies for critical functions such as the IT system, especially in those cases in which central data centres within cooperative networks were set up to pool those services for the members.

In this context, only a pooled exit strategy based on a coordinated “democratic” process that involves all the affiliated institutions within a network / IPS / group is adequate.

Moreover, where a specific function (such as the internal audit) of an affiliated institution is outsourced to the central body due to a legal requirement, there is no reason for an exit strategy to exist.

Q13: Are the guidelines in Section 13 appropriate and sufficiently clear, In particular, are there any ways of limiting the information in the register which institutions and payment institutions are required to provide to competent authorities to make it more proportionate and, relevant? With a view to bring sufficient proportionality, the EBA will consider the supervisory relevance and value of a register covering all outsourcing arrangements within each SREP cycle or at least every 3 years in regard of the operational and administrative burden.

In case no change will be made to para. 23, it is worth specifying the following concerning notification.

With particular regard to networks where a high number of affiliated institutions outsource the same services to the central institution / other entities within the network, providing the competent authority with the same set of information every time an outsourcing planning occurs would be disproportionate and without any added value in terms of risks governance. In this



context, para. 93 should introduce the possibility of providing competent authorities with standardised “type” information.

Q14: Are the guidelines for competent authorities in Title V appropriate and sufficiently clear?

N/A

Q15: Is the template in Annex I appropriate and sufficiently clear?

Overall, as specified in the answer to Q6, we believe that the register should be limited to arrangements related to outsourcing of critical or important function due to the important administrative burden it would imply and in line with the low level of risk related to outsourcing of non-critical or non-important function.

Concerning the template in Annex I, some clarifications should be provided.

First of all, the guidelines should better specify that Annex I has to be intended as an example and, therefore, institutions can modify and adapt it to their business model.

Regarding specific aspects of the template, the sheet “List of activities” includes under the header “Other” services such as payroll accounting that are not normally performed by the institution and therefore – as specified in the answer to Q1 – should not be considered outsourcing and deleted from the Annex.

Moreover, it is not clear why the template includes, under the header “ICT”, both software and hardware. In our opinion, this is not in line with the definition of outsourcing given by the draft Guidelines according to which outsourcing refers only to process, service or activity and not goods (like software and hardware).

Finally, some redundancies occur: for example, “compliance” is mentioned both within the control functions and in specific drivers (e.g. Securities).

Q16: Are the findings and conclusions of the impact assessments appropriate and correct; where you would see additional burden, in particular financial costs, please provide a description of the burden and to the extent possible an estimate of the cost to implement the guidelines, differentiating one-off and ongoing costs and the cost drivers (e.g. human resources, IT, administrative costs, etc.)?

N/A



Annex I

Below an example, referring to the Italian Cooperative Banking Group, where - due to a legal provision - certain services and processes have to be provided by the central institution to the affiliated banks (see also answer to Q1).

The Italian regulatory framework for Credit Cooperative Banks has been changed by Law no. 49/2016. According to **art. 37-bis** and **art. 37-ter** of the **Consolidated Law on Banking** (*Testo Unico Bancario*), each local cooperative bank (BCC) should be affiliated to a central institution. Affiliated local banks together with their central institution form the Cooperative Banking Group.

The Cooperative Banking Group is built on two pillars:

1. **A Cohesion agreement.** Through the cohesion agreement, each BCC underwrites the rules of its integration within the Co-operative Banking Group. The Central Institution of the Cooperative Banking Group performs tasks of direction and control. It enforces a general service function, with two main goals: (i) to support the capacity of each BCC to serve members and customers, to foster the development of the communities and the capability of the bank to generate economic value in a sustainable way; (ii) to guarantee the stability, the liquidity and the compliance with the new Banking Union legal and prudential framework.
2. **A Cross-guarantee scheme** by which the liabilities of any participating entity into the banking group are guaranteed by all other affiliated institutions.

Coherently with the two pillars upon which the cooperative banking group is built, implementing rules issued by Bank of Italy make clear why and how local cooperative banks affiliated to a central institution are not free to outsource activities to external entities other than the central institution or anyway, an entity under the control of central institution itself.

Hereinafter the **relevant provision defined by Bank of Italy** in the “**Circolare 285-2013**”, Parte Terza, Capitolo 6.

Section II, Para. 2, letter f

The central institution of the co-operative banking group must have the characteristics and comply with the requirements indicated below:

- f) have the operational structures and organizational structures/arrangements capable of:
- i. Ensuring the affiliated banks access, also indirectly, to the domestic and international interbank markets;
 - ii. Providing operational-accounting services through which the affiliated banks can make the exchange and the settlement of receipts and payments on the domestic and international clearing systems;
 - iii. Providing technological and infrastructural services for the access of the affiliated banks to the national and European interbank procedures;



- iv. Intermediating financial flows and managing the collateral of the affiliated banks for the participation at the monetary policy operations and for the indirect fulfillment of the reserve requirements at the Central Bank;
- v. Exercising the direction and coordination of the affiliated banks, exercising the related powers, controls and interventions, directly with the own structures and eventually through their territorial branches and, limited to the operational support tasks by entities belonging to the.

The activities that fall under the exclusive responsibility of the central institution as the subject entrusted with powers of direction and coordination on the affiliated banks and holding responsibility for the stability and sound and prudent management of the group, cannot be externalized or delegated to subjects other than the central institution. For examples, the activities of defining and issuing the central body's instructions, the prerogatives of the central institution regarding the appointment and revocation of the affiliated banks bodies, the monitoring and the classification of the affiliated banks, identification and implementation of corrective measures and sanctions, the approval of operations with strategic relevance fall into this category.

Without prejudice to provisions under letter f), the outsourcing of activities by the central institution and affiliated banks is allowed, provided that they comply with general prudential provisions on the matter.

Section III, Para. 1.3

For these purposes, the cohesion agreement provides that:

- the internal control functions for the affiliated cooperative credit banks are carried out by outsourcing from the central institution or by other companies of the cooperative banking group, without prejudice to the possibility of maintaining operational support structures at the largest affiliated banks and equipped with adequate organizational structures. In any case, the contact persons or person in charge for the control functions of the affiliated banks report, in addition to the bodies of the affiliated bank, also to the relevant functions of the central institution.