

NYSE Regulation  
Outsourcing Questionnaire  
December 2009

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**Scope:** Under the umbrella of outsourcing, we will be reviewing the policies and procedures around the practice of contracting with unaffiliated third party vendors to perform certain functions for the firm, as well as contracting with foreign and domestic affiliates. We are excluding outsourcing arrangements with SROs or with settlement and clearing organizations. In addition, we are interested in the policies and procedures concerning moving certain activity outside the firm's current operating structure (e.g., insourcing, centers of excellence).

Please feel free to provide supporting documentation (e.g., prototypes, procedures, agreements) that would respond to the information requested. It is not our intention to capture every detail of your outsourcing practices; we would like to know the key elements common to your outsourcing practices, as well as the extent to which your outsourcing practices differ (e.g., based on type of activity or to whom the function is outsourced).

<b>1. What activities central to your functioning as a Broker/Dealer does your firm outsource (e.g., Information Technology, Legal &amp; Compliance, Operations, Regulatory Reporting, Transaction Accounting &amp; Finance)?</b>
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Response to #1:
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### Initiation of Outsourcing Relationship

<b>2. What criteria do you consider when entering into an outsourcing relationship?</b>
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Response to #2:
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<b>3. Do your criteria differ for outsourcing to an affiliate versus a third party provider? Please explain. Do criteria differ for outsourcing to a service provider outside of the U.S.? Please explain.</b>
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Response to #3:
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4. What is the process for entering into the outsourcing relationship? What disciplines within your organization are involved in approving outsourcing arrangements?

Response to #4:

5. What due diligence is performed when you consider outsourcing? Do you undertake different due diligence practices when outsourcing to affiliates? Do you use different practices when using a service provider outside of the U.S.?

Response to #5:

6. Does your firm consider the potential risk of concentration of outsourcing by the industry overall to a given industry service provider?

Response to #6:

### Ongoing Monitoring

7. Does your firm take any actions to monitor the services being performed by a service provider to whom you have outsourced services? What arrangements does your firm have in place to assess whether an outsourced function is being performed in accordance with the service agreement? Describe the way in which you make this assessment.

Response to #7:

**8. For each outsourcing arrangement, what function at your firm is responsible for ongoing monitoring and maintenance of the relationship?**

Response to #8:

**9. What type of arrangements do you make with the service provider of the outsourced function to protect proprietary and client confidential data? Do you conduct monitoring or testing of such arrangements?**

Response to #9:

**10. What types of arrangements does your firm have for access to books and records for outsourced functions at the service provider (i.e., right of inspection) and right to audit?**

Response to #10:

### Issues/Trends

**11. What issues, if any, would your firm identify as major concerns regarding outsourcing??**

Response to #11:

**12. During the course of the past 18 months has your firm utilized outsourcing more frequently than in the 18 months preceding that period?**

Response to #12:

13. What trends do you see for your firm's future outsourcing activities (e.g., countries outsourced to, activities outsourced, types of entities providing outsourced functions, types of relationships with such entities)?

Response to #13:

14. What trends do you see for the industry's future outsourcing activities (e.g., countries outsourced to, activities outsourced, types of entities providing outsourced functions, types of relationships with such entities)?

Response to #14:

## Contact With Regulators

15. What interaction(s) does your firm have with regulators with respect to outsourcing (e.g., consultation, guidance, notification)?

Response to #15:

16. What type of guidance with respect to outsourcing would your firm find helpful from a regulatory perspective?

Response to #16: