

**Valdis Dombrovskis**  
**Vice-President for the Euro and**  
**Social Dialogue, also in charge**  
**for Financial Stability, Financial**  
**Services and Capital**  
**Markets Union**  
**European Commission**  
**Rue de Spa 2**  
**1049 Brussels**  
**Belgium**

**Ref: FinTech Action Plan – ICT / cybersecurity topics and cloud outsourcing**

Dear Vice-President Dombrovskis,

DEAR VALDIS,

The European Commission's FinTech Action Plan<sup>1</sup> invites the European Supervisory Authorities (ESAs) "to map, by Q1 2019, the existing supervisory practices across financial sectors around ICT security and governance requirements, and where appropriate: a) to consider issuing guidelines aimed at supervisory convergence and enforcement of ICT risk management and mitigation requirements in the EU financial sector and, b) if necessary, provide the Commission with technical advice on the need for legislative improvements." Furthermore, the Action Plan invites the ESAs to evaluate "the costs and benefits of developing a coherent cyber resilience testing framework for significant market participants and infrastructures within the whole EU financial sector".

I am pleased to inform you that ESMA has completed its work in response to these requests. I enclose ESMA's mapping of existing supervisory practices around ICT security and governance requirements. This work, carried out in H2 2018, supports the important objective of enhancing cyber resilience in the EU financial sector. A key finding in the enclosed mapping is that supervisory practices mainly comprise risk monitoring and assessment, rather than risk mitigation measures. Incident reporting is fragmented across NCAs and sectors. Against this backdrop, a majority of NCAs see a need for new EU-level rules, either in the form of ESMA guidelines or new level 1 or level 2 rules. As regards supervisory convergence, a majority of

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<sup>1</sup> EC "FinTech Action plan: For a more competitive and innovative European financial sector", Brussels, 8.3.2018 COM(2018) 109 final



NCA's would like to see further ESMA-level cooperation. ESMA will continue to facilitate coordination between NCA's on cyber issues through a recently-established contact group.

The mapping has informed our work on the other tasks relating to cybersecurity set out in the Action Plan. Today, jointly with the other ESAs, we have published two pieces of Advice to the Commission, one on legislative improvements relating to ICT risk management requirements in the EU financial sector and the other on a coherent cyber resilience testing framework for significant market participants and infrastructures within the whole EU financial sector. I have written to you separately on this matter in a joint letter with the Chairs of EBA and EIOPA, setting out the key findings and proposals in the joint Advice.

I would also like to report ESMA's response to FinTech Action Plan mandate to "*explore the need for guidelines on outsourcing to cloud service providers by Q1 2019*". ESMA is working to promote supervisory convergence by intensifying dialogue among NCA's, and will hold a workshop on cloud and cyber issues in the coming months. Additionally, as part of ESMA's direct supervision work, on 31 July 2018 ESMA sent a letter to all its supervised entities setting out its expectations for cloud-based outsourcing. Finally, ESMA's assessment is that guidelines on outsourcing to cloud service providers would help clarify supervisory expectations in this area, and ESMA plans to work on such guidelines in H2 2019.

For any question or further information on this issue, please do not hesitate to contact me or Steffen Kern, Head of the Risk Analysis and Economics Department.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'S. Maijoor', written over a light blue line.

Steven Maijoor

C.C.: Olivier Guersent, Director General, DG Financial Stability, Financial Services and Capital Markets Union, European Commission

Enc: ESMA mapping of NCA supervisory practices around ICT security and governance requirements