



CBUAE issues new Outsourcing Regulation to ensure efficient risk management of banks' outsourcing activities

Abu Dhabi (8 June 2021): In an ongoing effort to introduce robust regulatory frameworks that properly govern and safeguard the UAE's banking sector, the Central Bank of the UAE (CBUAE) has issued a new Outsourcing Regulation and accompanying Standards for banks operating in the UAE.

The Regulation, which comes into effect one month following the date of publication in the Official Gazette, aims to ensure that banks are appropriately managing the risks when outsourcing certain functions. This includes the requirement for mandatory inclusion of board-approved policies and procedures for outsourcing activity in banks' governance frameworks. CBUAE also seeks through the introduction of this Regulation to ensure that banks' approaches to managing the risks inherent in outsourcing arrangements are in line with leading international prudent practices to contribute in enhancing financial stability.

Under the Regulation, banks operating in the UAE must obtain a notice of non-objection from CBUAE prior to outsourcing any material activity.

Commenting on the regulation, **His Excellency Khaled Mohamed Balama, Governor of the Central Bank of the UAE**, said: "Our introduction of the Outsourcing Regulation and accompanying Standards is testament to CBUAE's robust efforts to ensure the integrity of banks' risk management frameworks and operational stability. The Central Bank prioritizes the utmost importance to data protection and risk management by issuing directives that govern and safeguard banks and their consumers, in line with international standards and best practice. We are confident that this Regulation will amplify the ability of banks operating within the UAE to mitigate potential threats from outsourcing activities, ultimately ensuring the continued security of their institutions and consumers."

A key principle underpinning this Regulation is that a bank's outsourcing arrangements should not impair its ability to fulfil its obligations to its consumers and to CBUAE, nor impede on CBUAE's supervisory provisions.

As stipulated by the Regulation and accompanying Standards, it must be ensured that banks' consumers confidential data must not be shared outside the UAE without prior approval from both CBUAE and the concerned consumer.

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