



**FINANCING COMPANIES  
OPERATIONAL RISK  
MANAGEMENT MODULE**

DRAFT



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## OM-2.8 Intra-group Outsourcing

**OM-2.8.1** As with outsourcing to non-group companies, the Board and management of licensees are held ultimately responsible by the CBB for the adequacy of systems and controls in activities outsourced to group companies.

OM-2.8.2 However, the degree of formality required – in terms of contractual agreements and control mechanisms – for outsourcing within a licensee's group is likely to be less, because of common management and enhanced knowledge of other group companies.

**OM-2.8.3** A licensee must formally request prior approval from the CBB at least 6 weeks before committing to an intra-group outsourcing. The request must be made in writing to the licensee's normal supervisory point of contact, and must set out a summary of the proposed outsourcing, its rationale, and an analysis of its associated risks and proposed mitigating controls. The CBB will respond to the notification in the same manner and timescale as set in Section OM-2.3.

OM-2.8.4 The CBB expects, as a minimum, an agreed statement of the standard of service to be provided by the group provider, including a clear statement of responsibilities allocated between the group provider and licensee.

OM-2.8.5 The CBB also expects a licensee's management to have addressed the issues of customer confidentiality, access to information and business continuity covered above (Section OM-2.5).

**OM-2.8.6** For further rules on intragroup outsourcing of functions containing customer information, see OM-2.9.7.



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## OM-2.9 Outsourcing of Functions Containing Customer Information

### *Third Party Outsourcing of Functions Containing Customer Information*

**OM-2.9.1** The requirements in this Section are applicable to the outsourcing of functions/services involving customer information, including but not limited to card processing and electronic/internet services.

**OM-2.9.2** Because of the critical importance of functions containing customer information, all proposals to outsource such functions/operations are to be considered material.

**OM-2.9.3** For further clarification, services such as web design, web hosting and card printing/ mailing, IT technological support, Admin support and Internal Audit are not subject to the requirements of this section.

**OM-2.9.4** Licensees are allowed to outsource functions containing customer information, if required, only to service providers licensed by the CBB and located in Bahrain.

**OM-2.9.5** Licensees must ensure that service providers do not outsource the function/service to third party service providers.

**OM-2.9.6** The CBB reserves the right to require a licensee to terminate or make alternative outsourcing arrangements if the confidentiality of its customer information or the ability of the CBB to carry out its supervisory functions cannot be assured.



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## OM-2.9 Outsourcing of Functions Containing Customer Information (Continued)

### *Intra-group Outsourcing of Functions Containing Customer Information*

- OM-2.9.7** In addition to the requirements under Section OM-2.8, the CBB may allow intra-group outsourcing of functions containing customer information, subject to the following conditions:
- (a) The outsourcing provider is the head office of the licensee which is regulated by the financial regulator of the home jurisdiction;
  - (b) The group's subsidiaries providing the outsourcing activity is regulated by the financial regulator of the jurisdiction where they are located; and
  - (c) Where the outsourcing provider is one of the group's unregulated subsidiaries the following conditions must be met:
    - i. The outsourcing service providers must be regularly audited with regard to the adequacy of control by the Group Internal Audit team and the audit findings must be reported to the CBB immediately;
    - ii. The service level agreement must clearly state that the CBB has the right to conduct onsite examination of the outsourcing provider (expenses to be borne by the licensee) with the objective of evaluating the adequacy and effectiveness of internal controls, in accordance with the CBB's relevant rules.;
    - iii. Any report by any other regulatory authority on the review/audit of the subsidiary must be submitted immediately by the respective licensee to the CBB; and
    - iv. Where customer information is shared with the licensee's subsidiaries, prior written customer consent must be obtained.



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## OM-2.10 Transitional Arrangements

**OM-2.10.1** This Section issued in XX 201X, is effective on 1st January 201X. All financing company licensees to which Module OM applies must be in full compliance with this Chapter by the financial year end 201X.

**OM-2.10.2** In cases where the required type of service is not available in Bahrain, after the period stated in OM-2.10.1, has lapsed, outsourcing to service providers outside Bahrain will be allowed by the CBB, for a maximum period of 2 years, subject to the following conditions:

- (a) A written request must be submitted to the CBB, at least 30 days before the end of the transition period, stated in OM-2.10.1, detailing the circumstances under which the extension of outsourcing activities is being requested;
- (b) Outsourcing outside Bahrain must be conducted in a manner so as not to hinder efforts to supervise or reconstruct the Bahrain activities of the licensee (i.e. from its books, accounts and documents) in a timely manner;
- (c) Licensees must, enter into arrangements only with parties operating in jurisdictions that uphold confidentiality clauses and agreements;
- (d) Licensees must not outsource to jurisdictions where prompt access to information by the CBB or its appointed representatives may be impeded by legal or administrative restrictions;
- (e) Licensees must provide written confirmation to the CBB, that the CBB has been granted the right to access all the licensee's information, reports and findings at the service provider; and Licensees must immediately notify the CBB if any overseas authority were to seek access to its customer information or if a situation were to arise where the rights of access of the licensee and the CBB have been restricted or denied.



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## OM-2.10 Transitional Arrangements (Continued)

OM-2.10.3 The CBB may require additional measures to be taken by a licensee, depending on the potential impact of the outsourcing on the licensee and the financial system, or as circumstances warrant, the CBB may also directly communicate, where applicable, with the home or host regulator of the service provider, on their ability and willingness to cooperate with the CBB in supervising the outsourcing risks to the licensee.

OM-2.10.4 Licensees must notify the CBB of the steps taken to find alternative solutions for the outsourced service/activity required from outside Bahrain, at least 3 months prior to the completion of the 2 years period, stated in OM-2.10.2.