



EDBS/KH/30/2016
9th June 2016

Chief Executive Officer
All Retail Banks
All Financing Companies
Manama
Kingdom of Bahrain

Dear Sir,

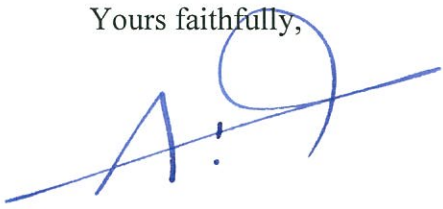
Subject: Outsourcing of Functions Containing Customer Information

As part of the CBB's objective to protect customers' confidentiality, and following the consultation process and discussions with the industry, please find below the final rules related to outsourcing of services containing customers' information:

- All licensees are required to seek the CBB prior written approval for third party & intragroup outsourcing of functions/services containing customer information including but not limited to payment services, debt collection, card and data processing, IT function, internal audit and electronic/internet banking services but excluding legal services.
- For a third party outsourcing of functions/services containing customer information, the service providers must be licensed by the CBB and located in Bahrain. If the outsourced service is not available in Bahrain after 31st June 2017, licensees must submit to the CBB a written request, at least 30 days before the end of the above-stated date, detailing the circumstances under which the extension of outsourcing activities is being requested. Banks must provide to the CBB quarterly progress reports on the steps and procedures taken in implementing the above-stated requirement. The progress report must be provided to the bank's supervisory point of contact at the CBB and the first report must be submitted by 31st July 2016.
- For intra-group outsourcing of functions/services containing customer information, the following conditions must be met:
 - i. The outsourcing providers must be annually audited by the group internal audit team and the audit findings must be reported to the CBB;
 - ii. The service level agreement must clearly state that the CBB has the legal right to conduct onsite examinations of the outsourcing provider (expenses to be borne by the licensee);

- iii. Any report by any other regulatory authority on the quality of controls of the outsourcing provider must be submitted immediately by the licensee to the CBB; and
 - iv. Where customer information is shared with the outsourcing provider, prior written customer consent must be obtained.
- 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 or executed.

Yours faithfully,



P.P. Khalid Hamad