

## By Email

23 November 2022

To: Senior Executive Officers of Authorised Firms

### RE: Thematic Review on Outsourcing and Third-Party Risk

Dear SEO,

Business activities in the DIFC have been growing steadily over the last few years. Simultaneously, Authorised Firms reliance on services and products provided by third parties increased substantially, including scenarios where the Authorised Firm delegates a third party to carry out activities that would normally be undertaken by the Authorised Firm itself.

Outsourcing and third-party risk recently became an area of increased regulatory scrutiny. In November 2020, the Financial Stability Board published a [consultation paper](#) on “Regulatory and Supervisory Issues Relating to Outsourcing and Third-Party Relationships”.

The DFSA is launching a Thematic Review (the ‘Review’) on Outsourcing and Third-Party Risk. The Review aims to capture the level and materiality of outsourcing and third-party arrangements at Authorised Firms and examining the supporting control framework.

The Review will be conducted over two phases:

- The first phase is launched today requiring all DFSA Authorised Firms (excluding Representative Offices and Credit Rating Agencies) to respond to a questionnaire providing an overview of their outsourcing and third-party arrangements and controls.
- The second phase is expected to be launched in Q1 2023 engaging a subset of Authorised Firms to be selected from the outcome of the first phase. It will involve a detailed review of the control framework, including policies and procedures, of the selected Authorised Firms and includes an on-site assessment visit.

Following the Review, the DFSA will be publicly sharing key findings and observed practices.

The Review questionnaire is now accessible via the [DFSA ePortal](#) under “Online Forms”. The Questionnaire is titled “DFSA Outsourcing and Third-Party Risk Thematic Review 2022”.

All Authorised Firms are required to submit their responses no later than **20 December 2022**.

If you have any question in relation to the Review or require further guidance to complete the questionnaire, please contact the DFSA by email on [OutsourcingTPRthematic@dfsa.ae](mailto:OutsourcingTPRthematic@dfsa.ae).

Yours sincerely,



**Justin Baldacchino**  
**Managing Director, Supervision**

CC: Compliance Officers of all Authorised Firms