Emirates

POSITION PAPER · OCTOBER 2026

Operational risk and resilience readiness for UAE licensed financial institutions

What CBUAE Circular No. 1/2026 requires of banks, insurers, exchange houses and other licensed institutions, and how boards and risk teams can close the gaps.

IN FORCE
14 September 2026

APPLIES TO
All CBUAE-licensed financial institutions

REPLACES
Circular No. 163/2018

Five points for boards and risk leaders

The Regulation moves operational risk from a policy exercise to something the Board approves, the business maps and the CBUAE can test, with fixed clocks for incidents and change.

In force	The Operational Risk Management Regulation, CBUAE Circular No. 1/2026, took effect on **14 September 2026**. It states no transition period.
All LFIs	It applies to every Licensed Financial Institution that is a juridical person: **banks, insurers and takaful companies, exchange houses** and other CBUAE-licensed institutions (Art. 1.16, 1.20).
4h • 24h • 72h	Notify the CBUAE within 4 hours of an event hitting Critical Operations, report within 24 hours, and notify high-risk Incidents within 72 hours (Art. 15).
In the UAE	The Master System of Record must be maintained and stored in the UAE, including when activities are outsourced (Art. 8.9).
Replaces 2018	It cancels the 2018 Operational Risk Regulation and Standards (Circular No. 163/2018), so existing frameworks need re-mapping (Art. 19.1).

WHAT CHANGES IN PRACTICE

The Board approves the risk appetite and the tolerance for disruption each year. Critical Operations are mapped end to end. Incidents reach the CBUAE within hours, and material changes wait for its no-objection.

The Regulation in one page

Twenty articles set the minimum requirements for operational risk and operational resilience. The CBUAE may add standards or guidance, and may impose requirements beyond the minimum.

THE TIMELINE · CBUAE Circular No. 1/2026

3 February 2026
Circular No. 1/2026 issued

24 July 2026
Notice CBUAE/BIS-RD/2026/4047 to LFIs

14 September 2026
In force, with no transition period

LEGAL BASIS
Federal Decree-Law No. (6) of 2025

REPLACES
Circular No. 163/2018 and the 2018 Standards

ANNEX 1
Eleven example tools to identify and assess risk

FIFTEEN ARTICLES IN FIVE THEMES

Governance

- **4** Role of the Board
- **5** Role of Senior Management
- **6** ORM function

Framework

- **2** ORM framework
- **7** Internal control system
- **10** Risk data and systems

Resilience

- **3** Operational resilience
- **11** Business continuity
- **9** Incident management

Technology and third parties

- **8** ICT and cybersecurity
- **12** Change management
- **13** Third-party risk

Reporting

- **15** Notification and reporting
- **16** Disclosure

ALSO IN THE REGULATION

- **1** Definitions
- **14** Shari'ah risk, Islamic only
- **17** Enforcement
- **18** Interpretation
- **19** Cancellation
- **20** Publication

Sanctions (Art. 17). Breaches may lead to supervisory action, fines, restrictions on Board or Senior Management powers, interim management, or barring individuals from the UAE financial sector.

Does the Regulation apply to you

Three tests decide whether an institution is in scope; a fourth decides which articles apply in full. For banks, insurers and other CBUAE-licensed institutions, the answer is yes.

TEST 1 Licensed by the CBUAE

An LFI is a Bank, a (Re)Insurance Company or an Other Financial Institution licensed under the Central Bank Law to carry on a Licensed Financial Activity. Art. 1.16, 1.20

WHAT TO CHECK Banks, insurers, exchange houses, finance companies and payment firms licensed by the CBUAE. Check each group entity's licence.

TEST 2 A juridical person

The Regulation applies to LFIs that are juridical persons. (Scope)

WHAT TO CHECK Companies and branches qualify, whether a PJSC, an LLC or a branch.

TEST 3 Operating inside the State

LFIs incorporated in the UAE, and UAE branches or subsidiaries of institutions incorporated abroad or in a Financial Free Zone. Art. 1.16

WHAT TO CHECK Group entities licensed only by the DFSA or FSRA sit under their own regulator. Map which entity holds which licence.

Tests 1 to 3 met?

The Regulation applies now. The Board should know where the institution stands against each article, and what it will take to close the gaps.

TEST 4 Then check what varies

Some articles depend on the type of institution:

Art. 4.9	Art. 5.6	Art. 14	Art. 16.5	Art. 8.9
Board committee	Annual internal control report	Shari'ah risk	Branch disclosure	Branch data copies

See the next page for the three groups side by side.

One Regulation, three groups of institutions

The core duties are the same for every LFI. A handful of articles change with the type of institution, and each group tends to start in a different place.

WHAT VARIES	Banks Conventional and Islamic banks Bank (Art. 1.1)	Insurers and takaful Insurance and reinsurance companies, including takaful (Re)Insurance Company (Art. 1.14, 1.23, 1.24, 1.30)	Other financial institutions For example, exchange houses, finance companies, payment and stored value providers Other Financial Institution (Art. 1.20)
Report on internal control	**At least annually** to the Board and the CBUAE Art. 5.6	**At least annually** to the Board and the CBUAE Art. 5.6	**Regularly** to the Board and the CBUAE Art. 5.6
Board ORM committee	**Mandatory** if designated systemically important Art. 4.9	**Mandatory** if designated systemically important Art. 4.9	**If designated** or if the CBUAE requires it Art. 4.9
Shari'ah risk	**Islamic banks** Art. 14	**Takaful companies** Art. 14	**Shari'ah-compliant business** Art. 14
Board	**Board of directors or board of managers**, for every group Art. 1.2		

☐ Differs from banks and insurers

WHERE EACH GROUP OFTEN STARTS ILLUSTRATIVE

Banks
Core banking and digital channels, cyber resilience, and payment and card partners (Art. 8, 12, 13)

Insurers and takaful
Claims and policy administration, group outsourcing and third-party administrators (Art. 3, 13)

Other financial institutions
Branch and cash operations, correspondent and payment partners, and core platforms in the cloud (Art. 8, 13)

UAE branches of foreign institutions may, with CBUAE approval, keep an up-to-date UAE copy of the Master System of Record (Art. 8.9), and may largely rely on group disclosures with a UAE summary on their website (Art. 16.5). Each institution should confirm its group against its own licence.

What the Regulation asks for

Eight requirements a supervisor is likely to test first, grouped by what they ask the institution to do. Each traces to a named article.

Know the business	**Critical Operations**	Art. 3.4, 3.5	Identify Critical Operations and map the people, processes, technology, data, facilities and third parties behind each.
	Process universe	Art. 7.8	Keep a register of processes, each with a named process owner and risk owner.
Govern	**Risk appetite**	Art. 4.2	The Board approves the operational risk appetite and the tolerance for disruption, at least annually.
	Internal control	Art. 5.6, 7.14	Assess internal control and report to the Board and the CBUAE. Penetration test Critical Functions independently.
Withstand and respond	**Continuity and recovery**	Art. 11.10	Test BCPs and DRPs regularly, and at least annually for Critical Operations.
	Incidents	Art. 15.2, 15.3	Notify the CBUAE within 4 hours, report within 24 and notify high-risk Incidents within 72.
	Change	Art. 12.5	Material changes need testing, an external expert report, 30 days' notice and CBUAE no-objection.
	Third parties	Art. 13.5, 13.11	Get no-objection before outsourcing that could hit Critical Operations, and keep viable exit plans.

Annex 1 sets out a risk toolkit. Event management, loss data, self-assessment, process mapping, control monitoring, KRIs, scenarios and more. Institutions should not rely only on internal audit to identify operational risks.

Two clocks to build around

One clock starts when an incident happens; the other runs on fixed dates. Both need named owners, templates and a tested process before they are needed.

INCIDENT CLOCK · starts at the event

Event
Event hits a Critical Operation
Art. 15.2

4 hours
Notify the CBUAE, name the operations hit
Art. 15.2.1

24 hours
Summary report to the CBUAE
Art. 15.2.2

72 hours
Notify high-risk Incidents
Art. 15.3

Recovery
Confirm return to normal
Art. 15.2.3

CALENDAR CLOCK · fixed dates

30 days
Notice before a material change, with an expert report
Art. 12.5

Annual
Board approves appetite and tolerance
Art. 4.2

Annual
BCP and DRP tests for Critical Operations
Art. 11.10

Before
No-objection before material outsourcing
Art. 13.5

Report on internal control: at least annually for banks and insurers, regularly for other institutions (Art. 5.6)

WHAT TO HAVE READY

Severity matrix and notification playbook
Who decides, who calls the CBUAE, and the 4, 24 and 72-hour templates
Incident clock

Board calendar
Approvals, plan tests and the internal control report, dated for the year
Calendar clock

Change risk assessment
A materiality test that flags changes needing notice and an expert report
Calendar clock

Third-party register
Which arrangements touch Critical Operations, with due diligence and exit plans
Both clocks

Six judgement points to settle early

The Regulation leaves these to each institution. Our working views are below, to confirm against your licence, structure and any CBUAE guidance.

01 Who is the Board?

OUR WORKING VIEW

For an LLC, the board of managers; for a branch, confirm which body acts as the Board. This decides who approves appetite, tolerance and plans.

Art. 1.2, 4.2

02 Which operations are critical?

OUR WORKING VIEW

Start from what customers and the market would feel first, such as payments, claims, policy servicing, remittances and currency exchange.

Art. 1.10, 3.4

03 Which outsourcing needs no-objection?

OUR WORKING VIEW

Group IT, cloud platforms, payment partners, agents and third-party administrators. Test each against Critical Operations.

Art. 13.5

04 Where is the Master System of Record?

OUR WORKING VIEW

Core banking, policy or remittance data held abroad or in the cloud needs a UAE answer, or an approved branch copy.

Art. 8.9

05 What makes an Incident high-risk?

OUR WORKING VIEW

The Board defines the criteria. Set them before the first event, not during it.

Art. 15.3

06 What is a material change?

OUR WORKING VIEW

New systems, channels and providers can trigger notice and an expert report. Agree a materiality test now.

Art. 12.5

Settling these first avoids rework in the policies, registers and plans that follow.

Ten questions for your board and risk team

If any answer is "not yet", it belongs on a remediation plan with an owner and a date.

01	☐	Has the Board approved an operational risk appetite and a tolerance for disruption this year?
02	☐	Do we have a list of Critical Operations, each mapped to its people, systems, data, sites and suppliers?
03	☐	Does every process have a named process owner and risk owner?
04	☐	Could we notify the CBUAE within 4 hours of an event, and who would do it?
05	☐	Has the Board set the criteria for a high-risk Incident?
06	☐	Do we know which outsourcing arrangements need CBUAE no-objection?
07	☐	Is our Master System of Record maintained and stored in the UAE?
08	☐	Were our BCPs and DRPs tested in the last year for each Critical Operation?
09	☐	How do we decide whether a change is material, and who signs it off?
10	☐	When did an independent third party last penetration test our Critical Functions?

The CLA Operational Risk and Resilience Framework

Nine pillars on two foundations, each traced to a named article of the Regulation.

1 Governance and Oversight Art. 4, 5, 6

Board ownership and annual approvals · Risk appetite and disruption tolerance · ORM function under the CRO · Three lines of defence

2 ORM framework and appetite

Art. 2

- ✓ Framework and taxonomy
- ✓ Limits and thresholds
- ✓ Fraud risk

3 Internal control

Art. 7

- ✓ Process universe and owners
- ✓ Control library and testing
- ✓ Penetration testing

4 Operational resilience

Art. 3

- ✓ Critical Operations register
- ✓ Dependency mapping
- ✓ Tolerance for disruption

5 Continuity and recovery

Art. 11

- ✓ Business impact analysis
- ✓ BCP and DRP
- ✓ Annual testing

6 Incident and crisis

Art. 9, 15.1 to 15.3

- ✓ Incident register
- ✓ Crisis management
- ✓ Regulatory notification

7 ICT and cyber

Art. 8

- ✓ ICT and cyber policy
- ✓ Cyber resilience programme
- ✓ UAE Master System of Record

8 Third-party risk

Art. 13

- ✓ Register and due diligence
- ✓ Contracts and subcontractors
- ✓ Exit and substitutability

9 Change management

Art. 12

- ✓ Change risk assessment
- ✓ Material change regime
- ✓ Post-change review

Foundation · Risk data, systems and reporting Art. 10, 7.10 to 7.12, 15.4 to 15.6

Foundation · Disclosure Art. 16

Tenth pillar for Islamic institutions and windows Shari'ah non-compliance risk (Art. 14)

HOW WE APPLY IT

Reuse first
Start from existing or group documents

Proportionate
Sized to the institution and its licence

Evidence over volume
Build what a supervisor would ask to see

Embedded
Run through your committees and owners

How CLA Emirates helps

An independent assessment, then a pragmatic build that starts from your existing documents. Every gap gets a priority, an owner, a treatment and a date.

Phase One · Compliance assessment
About 7 weeks

1 Mobilise and plan — Week 1
Scope, documents and any internal self-assessment

2 Review and assess — Weeks 2 to 3
Every article rated on evidence

3 Validate and test — Weeks 4 to 5
Walkthroughs and pillar owner interviews

4 Report and roadmap — Weeks 6 to 7
Gaps prioritised, roadmap to the Board

You receive Gap Register and compliance matrix, roadmap by priority, Board pack

Phase Two · Pragmatic implementation
About 6 months

A Update and approve — Months 1 to 3
Policies, appetite and tolerance approved by the Board

B Build and embed — Months 2 to 4
Process universe, registers and playbooks

C Run and test — Months 4 to 6
First cycles run, with evidence kept

D Train and hand over — Month 6
Owners trained; Gap Register closed

You receive Approved framework, registers, playbooks, first internal control report

OPTION Minimum compliant resilience

Critical Operations mapped, tolerance in the appetite, BCPs and DRPs updated, one combined test (Art. 3, 4.2, 11).

OPTION Maturity index

Each pillar scored 1 to 5, from your view to a validated score, with a target for each.

HOW WE PRIORITISE EACH GAP

1 Regulatory compliance

THE TEST

Would leaving it breach an article that applies today?

EXAMPLES

Board approvals (4.2), CBUAE notices (15.2, 15.3), outsourcing no-objection (13.5)

Months 1 to 3

2 Change-aligned

THE TEST

Is it required, and can it ride on a planned system or business change?

EXAMPLES

Master System of Record (8.9), automated controls (7.7), risk data from new platforms (10)

With change milestones

3 Longer-term maturity

THE TEST

Does it strengthen ORM beyond what the article requires?

EXAMPLES

Toolkit beyond the minimum, external loss data, scenario analysis (Annex 1)

Your choice

FOUR TREATMENTS · REUSE COMES FIRST

Adopt
Use a group document as it stands, with a short UAE addendum

Adapt
Update an existing document with tracked changes

Add
Draft a new document only where nothing exists

Run
Operate it once and file the evidence, such as a timed drill

Emirates

About CLA Emirates

A UAE firm with local depth in audit, tax and advisory, and an independent network member of CLA Global.

2005
Founded in Dubai

200+
Full-time professionals

#8
In the UAE by network fee income

#5
In the UAE by staff numbers

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