



Thematic Review on Outsourcing

Issued January 2026

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Introduction

The Statement of Guidance – Outsourcing Regulated Entities ("SOG – Outsourcing") was revised and made effective on April 2023. The SOG – Outsourcing establishes the minimum expectations for how Regulated Entities should manage outsourcing arrangements, including sub-outsourcing and the delegation of material functions. Although principles-based and not prescriptive, the SOG – Outsourcing provides a clear framework designed to ensure that outsourcing matters align with legal and regulatory requirements in the Cayman Islands. Regulated Entities may also be part of wider corporate groups, and in such cases may rely on group-level governance structures provided these frameworks are suitable for local operations and compliant with Cayman-specific rules. Regulated Entities must perform a gap analysis and where gaps exist, entities are expected to develop tailored arrangements that meet Cayman requirements.

A central theme of the SOG – Outsourcing is that outsourcing does not diminish regulatory responsibility. Governing Bodies and Senior Management remain ultimately accountable for all outsourced material functions, ongoing regulatory obligations, and interactions with the Authority. While the Authority generally does not expect Regulated Entities to outsource material functions, it acknowledges that entities may do so for valid business reasons, such as access to expertise or economies of scale. In such cases, the decision must be strategically sound and fully aligned with the entity's business model and risk appetite.

In 2025, the Cayman Islands Monetary Authority (the "Authority") conducted a thematic review of the SOG – Outsourcing on sixteen (16) cross-sector selected entities (the "Selected Entities") focused on evaluating the effectiveness of governance structures, risk assessment practices, and oversight controls related to outsourcing arrangements. Attention was given to whether entities implemented the SOG – Outsourcing in proportion to the size, complexity, and risk profile of their operations. The review also assessed whether outsourcing arrangements were structured in a way that preserved the Authority's ability to conduct effective supervision, including ensuring the safeguarding and accessibility of books and records.

The thematic review is a useful tool in a regulatory environment where reliance on third-party service providers continues to grow. Outsourcing, if not properly managed, can heighten operational, compliance, data security, and strategic risks. The SOG – Outsourcing requires Regulated Entities to maintain the same level of oversight and accountability over outsourced functions as they would over internal ones, ensuring that obligations to clients remain unchanged and that outsourcing does not materially increase the entity's net risk. Regulated Entities must also ensure that their outsourcing arrangements do not hinder supervisory access and fully comply with all applicable laws and regulatory measures across relevant jurisdictions.

Ultimately, the Thematic Review Report (the "Report") highlights both strengths and areas requiring improvement in the implementation of outsourcing practices across the sectors. Regulated Entities are expected to use the SOG – Outsourcing to continually review and enhance their outsourcing risk-management frameworks, addressing deficiencies promptly especially when they pose significant risk. By reinforcing these regulatory expectations, this Report seeks to support stronger governance, more effective oversight of service providers, and continued alignment with Cayman Islands regulatory standards, thereby contributing to the overall stability and integrity of the financial services industry.

This Report provides insight into identified good practices and areas of concern in the following categories:

- The Outsourcing Framework;
- Materiality Assessment of Outsourcing Arrangements;
- Intra-Group Arrangements;
- Risk Management;
- Assessing Service Providers;
- Outsourcing Agreements;
- Confidentiality;
- Conflicts of Interest;
- Accountability;
- Termination and Exit Strategy; and
- Relations with the Authority

The Authority recognizes that outsourcing arrangements with related entities may, in some cases, present fewer risks than outsourcing to unrelated third parties. However, because intra-group outsourcing can still expose Regulated Entities to significant risks, the SOG - Outsourcing establishes several minimum expectations. These include having a detailed written outsourcing agreement that clearly outlines the scope of services, the nature of the relationship, and any subcontracting procedures, as well as the need to maintain a robust business continuity plan designed to address foreseeable risks.

Additionally, the Authority expects Regulated Entities to implement appropriate monitoring, reporting, and oversight processes, along with viable exit strategies should risks become too high. Books and records must remain accessible to meet legal and regulatory requirements, and the outsourced function must be subject to internal and external audit and risk-control measures equivalent to those applied within the Regulated Entity itself.

Summary of Overall Best Practices

Best practices were observed in the following areas:

- Regular review and approval of the Outsourcing policies and procedures at least on an annual basis.
- Evidence of the Board's approval of the material outsourcing arrangements.
- Regular review and maintenance of the log of the material outsourcing arrangements.
- Independent reviews or audits of outsourcing framework assessing compliance with set policies.
- Clear communication procedures in place between the Selected Entities and the service providers.
- Established adequate risk management framework, systems, policies and processes to assess, control and monitor material outsourcing arrangements.
- Feasible contingency plans in the event that the outsourcing arrangement fails.
- Performing risk, materiality and due diligence assessments of the Service Providers before entering into the initial outsourcing agreements and on a regular basis thereafter.
- Established conflicts of interest policies and procedures to identify conflicts of interest and ensure that measures are taken to manage any such conflicts.

- Established policies, procedures and processes for oversight of Intra-group outsourcing arrangements.
- Informing the Authority of newly signed or terminated outsourcing arrangements in a timely manner.
- Comprehensive confidentiality clauses and representations are encompassed in the service level agreements holding the service providers accountable for ensuring that client information as well as the Selected Entities' information remain confidential.
- Evidence of duly signed, dated and legally binding outsourcing agreements.

Outsourcing agreements incorporated the minimum provisions required in the SOG – Outsourcing, including a detailed scope of arrangements (covering services, rights, responsibilities, expectations, reporting requirements, and fees), provisions for regulatory compliance, obligations for regular reviews and reporting to Selected Entities, requirements for service providers to maintain appropriate insurance coverage, and clauses outlining dispute resolution, remedies, choice-of-law, and jurisdiction, among others.

Summary of Overall Areas for Improvement

Weaknesses were observed within the following areas for certain Selected Entities:

- Failure to evidence the review and approval of outsourcing policies and procedures.
- Inadequate policies, procedures and outsourcing agreements to ensure that service providers periodically review, identify, disclose, monitor and manage all conflicts of interest.
- Failure to notify the Authority of termination of material outsourcing arrangements.
- Lack of legally binding agreements.
- Agreements did not include a stipulation in the outsourcing agreement that the Service Provider cooperates with respect to access to relevant systems (and documents) maintained by the Service Provider relating to the outsourced material function or activity.
- Selected Entities not ensuring that outsourcing arrangements are subject to regular reviews and reporting to the Selected Entities in keeping with the level of risks and the nature of the outsourced activity.
- Outdated and incomplete outsourcing logs that do not account for all material outsourcing arrangements.
- Failure to conduct independent reviews or audits of the outsourcing framework to ensure compliance with established policies.
- Due diligence, risk and materiality assessments are not completed prior to initiation of the outsourcing arrangement and regularly thereafter.
- Inadequate assessment scope and methodologies for performance of due diligence, risk and materiality assessments.
- Lack of policies, procedures and processes for oversight of Intra-group outsourcing arrangements.
- Lack of control mechanisms for ensuring that the service providers have in place adequate policies, procedures and physical and technological measures to protect information that a customers of the Selected Entities might reasonably expect to be confidential.
- Failure to formalize termination and exit strategies of the outsourcing arrangements.

Outsourcing Thematic Review: Scope and Overview

The objectives of the Thematic Review were to assess the Selected Entities' policies, procedures, governance and oversight mechanisms and internal control systems in relation to Outsourcing to ascertain compliance with the Monetary Authority Act (2020 Revision) (the "MAA"), and as applicable, the Bank and Trust Companies Act (2021 Revision) (the "BTCA"), the Insurance Act (2010) (the "IA"), the Companies Management Act (2025 Revision) (the "CMA"), the Mutual Funds Act (2021 Revision) (the "MFA"), the Securities Investment Business Act (2020 Revision) (the "SIBA"), and the Statement of Guidance (April 2023); as well as other applicable legislation and accepted standards of best practice. Analysis of the selected areas allowed the Authority to gain a better understanding of the Selected Entities' Outsourcing framework.

To achieve the stated objectives, the Thematic Review focused specifically on the assessment of:

- The Outsourcing Framework;
- Materiality Assessment of Outsourcing Arrangements;
- Intra-Group Arrangements;
- Risk Management;
- Assessing Service Providers;
- Outsourcing Agreements;
- Confidentiality;
- Conflicts of Interest;
- Accountability;
- Termination and Exit Strategy; and
- Relations with the Authority

This Report highlights the general themes observed across the Selected Entities including the good practices and areas of concern. Through bilateral communication, the Authority has outlined to the respective participating Selected Entities the deficiencies identified as well as the requirements needed to enhance the Selected Entity's outsourcing framework.

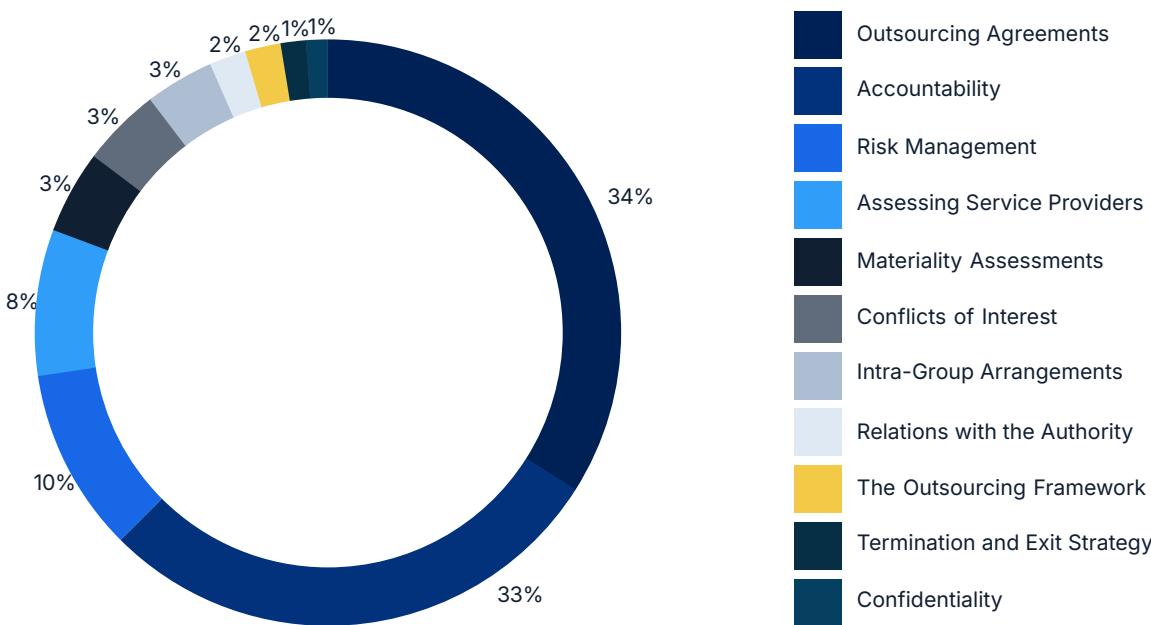
Key Findings from the Outsourcing Review

Following the conclusion of the 2025 Outsourcing Review, conducted on the Selected Entities across the Insurance, Fiduciary (i.e. Company Management and Trusts), Investment, Securities and Banking industries, good practices as well as weaknesses were identified in the following areas:

1. Outsourcing Agreements
2. Accountability
3. Risk Management
4. Assessing Service Providers
5. Materiality Assessments
6. Conflicts of Interest
7. Intra-Group Arrangements
8. Relations with the Authority
9. The Outsourcing Framework
10. Termination and Exit Strategy
11. Confidentiality

The below graph illustrates the distribution of the findings for the above-mentioned themes highlighted by the review:

Distribution of Outsourcing Review Weaknesses

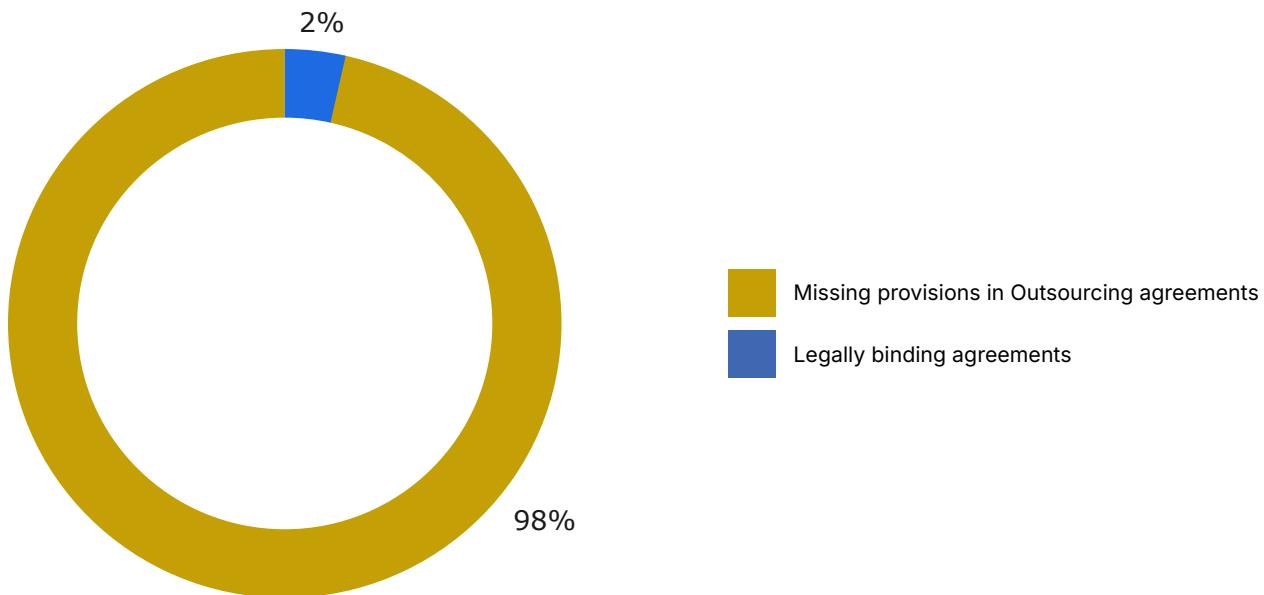


Deficiencies related to the adequacy and effectiveness of the outsourcing agreements constituted most of the findings noted at thirty-four percent (34%). Accountability findings accounted for thirty-three percent (33%), risk management weaknesses accounted for ten percent (10%) assessing service providers weaknesses accounted for eight percent (8%) of the findings noted. Together these four areas formed the majority of the weaknesses summing up to eighty-five percent (85%). The remaining fifteen percent (15%) constituted different areas of the outsourcing review such as materiality assessments, intra-group arrangements, conflicts of interest, outsourcing framework, relations with the Authority, termination and exit strategy (1%) and confidentiality (1%).

The Authority reiterates that good practices were also observed in these areas in some of the Selected Entities as included in the summary of good practices tables.

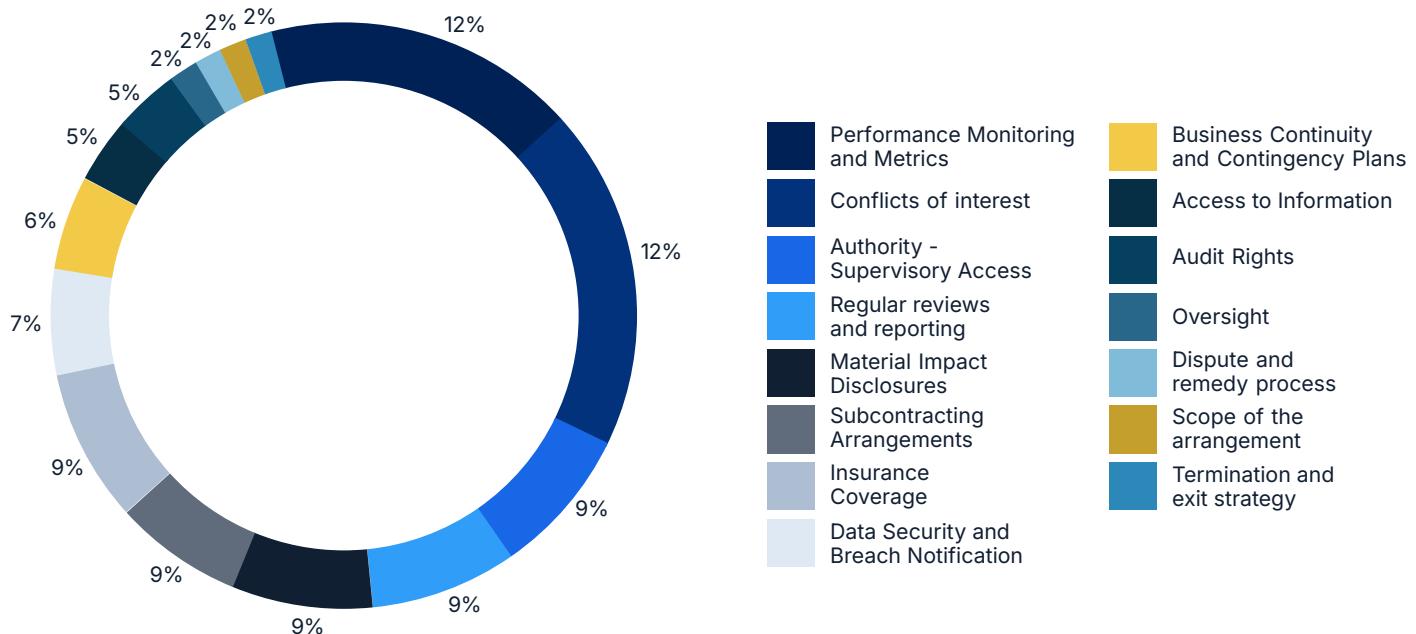
Outsourcing Agreements

Areas of Weakness in the Outsourcing Agreements



An analysis of the Selected Entities' outsourcing arrangements revealed weaknesses regarding the outsourcing agreements. Of the weaknesses identified, two percent (2%) of the weaknesses were in relation to lack of legally binding agreements where the Selected Entities did not ensure that the outsourcing agreements are fully executed. Ninety eight percent (98%) related to missing provisions in the outsourcing agreements reviewed.

The Authority noted that several Selected Entities' outsourcing agreements did not include a number of key provisions as further broken down below:



Performance Monitoring and Metrics, and Conflicts of interest, made up twelve percent (12%) each of the missing provisions in the Selected Entities' agreements. Missing provisions for supervisory access for the Authority, regular reviews and reporting and sub-contracting arrangements made up nine percent (9%) each. Another nine (9%) was related to the lack of provisions for the service providers to disclose, to the Selected Entities, any developments that may have a material impact on their ability to carry out the outsourced material function or activity effectively, and in compliance with applicable legal and regulatory requirements. Another nine percent (9%) related to missing the obligation of the service providers to maintain appropriate insurance coverage. These omissions accounted for over sixty-nine percent (69%) of the missing provisions in the outsourcing agreements.

The Authority also observed that seven (7%) of the missing provisions were in relation to the service provider's obligation to notify the Selected Entities regarding any breach in data/information security.

Six percent (6%) of the weaknesses were in relation to missing details regarding contingency plans and business continuity plans.

Five percent (5%) of the weaknesses related to missing provisions allowing the Selected Entities to conduct audits on the service providers, and their sub-contractors, with respect to the material outsourced activities, whether by their internal and external auditors or by agents appointed by them.

Five percent (5%) of the weaknesses related to missing stipulations in the outsourcing agreements that require the service providers to cooperate regarding access to relevant systems and documents, maintained by the service providers, relating to the outsourced material functions or activities.

The remaining eight percent (8%) was made up of missing provisions in relation to the scope of the arrangement, oversight of the arrangement, dispute and remedy processes, and termination strategies. Each of these four areas accounted for two percent (2%) each of the weaknesses identified.

Regulated Entities are expected to regularly review their outsourcing agreements and where any gaps are identified, to update the agreements to ensure that they accurately reflect all services being procured and contain all required provisions as stated in the SOG – Outsourcing. Additionally, Regulated Entities are expected to review and update their outsourcing policies and procedures to include processes and measures to address deficiencies noted in outsourcing agreements.

Summary of Good Practices

- Duly signed, dated and legally binding outsourcing agreements.
- Nature of the relationship was detailed in the outsourcing agreements.
- Detailed scope of the outsourcing arrangements, including but not limited to services to be provided, rights, responsibilities and expectations of all parties, reporting requirements and their respective fees arrangements.
- Provisions for ensuring compliance with regulatory obligations were included.
- Provisions to ensure regular reviews and reporting to several Selected Entities.
- Agreements included the obligation of the service providers to maintain appropriate insurance coverage.
- Agreements that outline dispute resolution and remedies, incorporating choice-of-law and jurisdiction clauses for potential disputes
- Agreements incorporating the obligation to notify the Selected Entities in respect of any breach in data/information security.

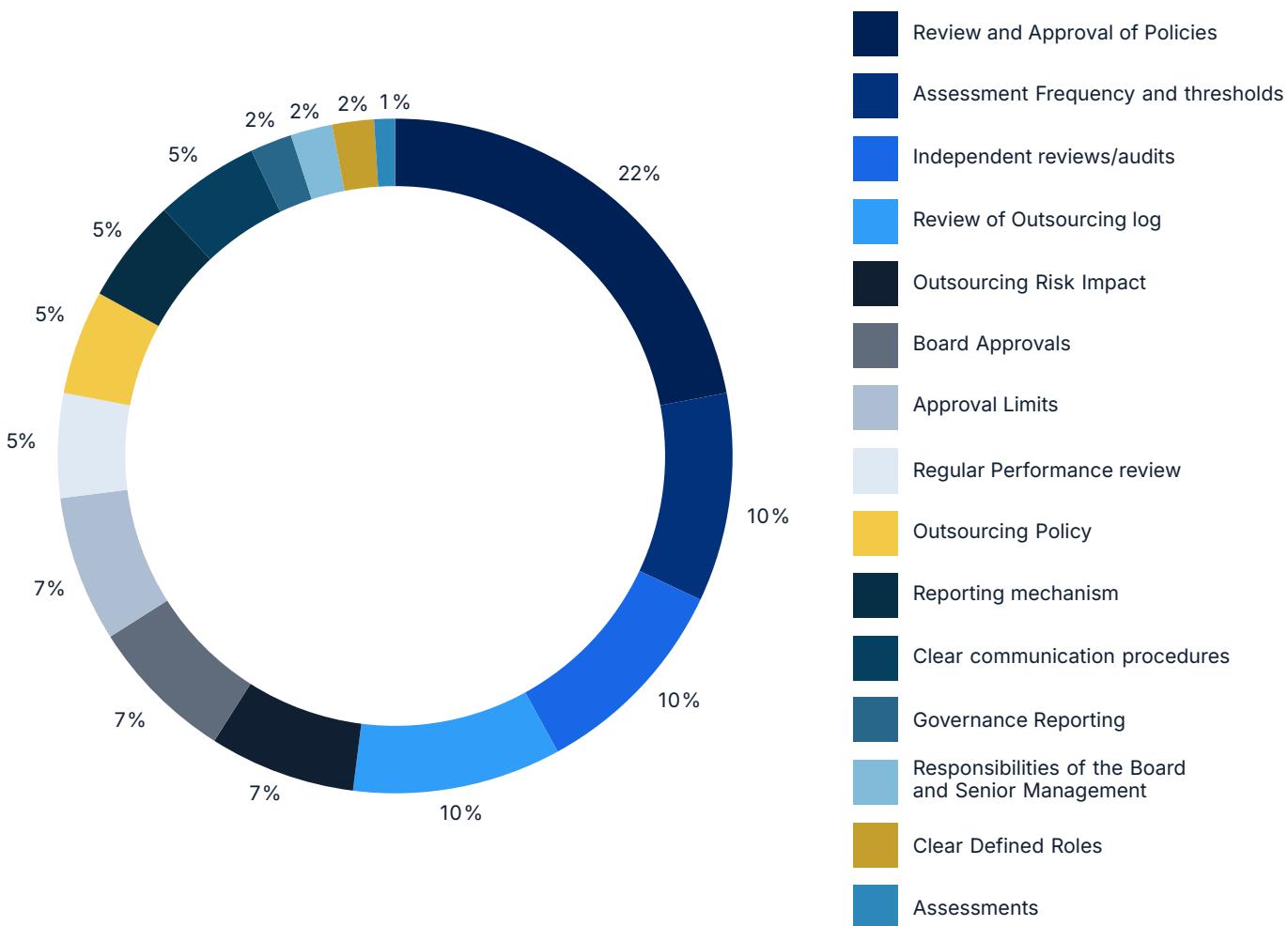
Summary of Areas for Improvement

Regulated Entities should:

- Ensure that agreements in place are fully executed.
- Ensure that the outsourced services are appropriately classified.
- Ensure agreements include obligations for the service providers to identify, disclose, monitor, and manage conflicts of interest.
- Ensure that outsourcing agreements include a stipulation that the service providers cooperate regarding access to relevant systems (and documents) maintained by them relating to the outsourced material functions or activities.
- Ensure that outsourcing arrangements are subject to regular reviews.

Accountability

Areas of Weakness in Accountability



An analysis of the Selected Entities' outsourcing arrangements revealed weaknesses regarding accountability. Of the weaknesses identified, twenty-two percent (22%) related to insufficient reviews of policies and procedures by the Board of Directors. The Authority noted that several Selected Entities' Outsourcing Framework did not include a requirement for the Governing Bodies to regularly review the policies that apply to outsourcing arrangements, and either amend or re-adopt its policies as appropriate. There were also instances where several Selected Entities were unable to provide evidence that the Board of Directors performed an annual review and amendment or re-adoption of their policies and procedures.

Ten percent (10%) of the weaknesses were in relation to some Selected Entities not evidencing mechanisms in place for frequency of expected comprehensive assessments including the establishment of realistic thresholds for success, performance or substandard performance.

Ten percent (10%) of the weaknesses were in relation to some Selected Entities not ensuring that there are independent reviews or audits to assess compliance with outsourcing policies.

Summary of Good Practices

- Regular review and approval of the Outsourcing policies and procedures at least on an annual basis.
- Regular review of the log of the material outsourcing arrangements.
- Independent audits scoping outsourcing framework.
- Clear communication procedures in place between the Selected Entities and the service providers.
- Evidence of the Board's approval of the material outsourcing arrangements.
- Discussion of the Outsourcing service provider reports in the Board meeting minutes.
- Board meeting minutes evidencing discussion of the assessment of the service providers.

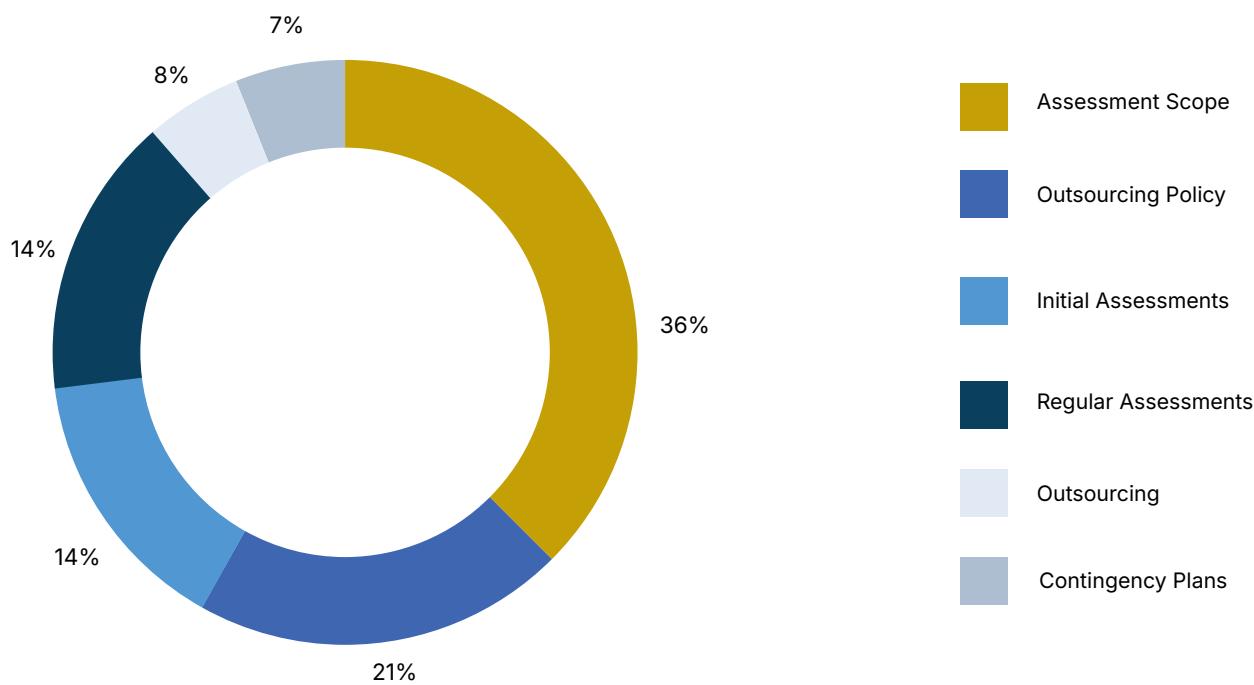
Summary of Areas for Improvement

Regulated Entities should:

- Develop and implement sound and prudent outsourcing policies, procedures and effective controls commensurate with the nature, scope and complexity of the outsourcing arrangement to ensure investor/client protection and adequate management of associated risks.
- Periodically review the effectiveness of outsourcing policies and procedures and material outsourcing arrangements
- Periodically review the outsourcing log to ensure that all material outsourcing arrangements are accounted for.
- Approve a framework for reporting to the Governing Body and Senior Management on matters relating to outsourced activities including incident reports and testing results.
- Ensure that there are independent reviews or audits for compliance with set policies.

Risk Management

Areas of Weakness in Risk Management



An analysis of the Selected Entities' outsourcing arrangements revealed weaknesses regarding risk management. Of the weaknesses identified, thirty-six percent (36%) related to several Selected Entities not performing risk assessments that take into consideration all the minimum risks as required by SOG – Outsourcing. The Authority noted several instances where the Selected Entities' Risk assessment procedures did not incorporate risks such as country, strategic and exit risks.

Twenty-one (21%) of the weaknesses identified related to inadequate outsourcing policy regarding risk management, such as ensuring limits on the level or authority that enables the approval of the outsourcing of material functions or activities.

Fourteen percent (14%) of the weaknesses related to some Selected Entities not evidencing that risk assessments were completed prior to initiation of the outsourcing arrangements. With another fourteen percent (14%) relating to some Selected Entities not evidencing consistent performance of risk assessments at least on annual basis, or a regular specified timeline determined, given the level of associated risk and materiality of the outsourcing arrangements.

Eight percent (8%) of the weaknesses were in relation to the Selected Entities not evidencing maintenance of a centralized log of all their material outsourcing arrangements that is complete and updated on an ongoing basis.

The remaining seven percent (7%) of the weaknesses were in relation to not establishing feasible contingency plans in the event that the outsourcing arrangement fails.

The Authority commends that several Selected Entities have established and documented an adequate risk management framework, systems, policies and processes to assess, control and monitor their material outsourcing arrangements. Furthermore, it was found that several Selected Entities were able to provide evidence of performing risk assessments prior to the initiation of the outsourcing arrangements and regularly thereafter, at least on an annual basis.

Summary of Good Practices

- Established adequate risk management frameworks, systems, policies and processes to assess, control and monitor material outsourcing arrangements.
- Feasible contingency plans in the event that the outsourcing arrangement fails.
- Risk assessments completed prior to initiation of the outsourcing arrangements and regularly thereafter, at least on an annual basis.

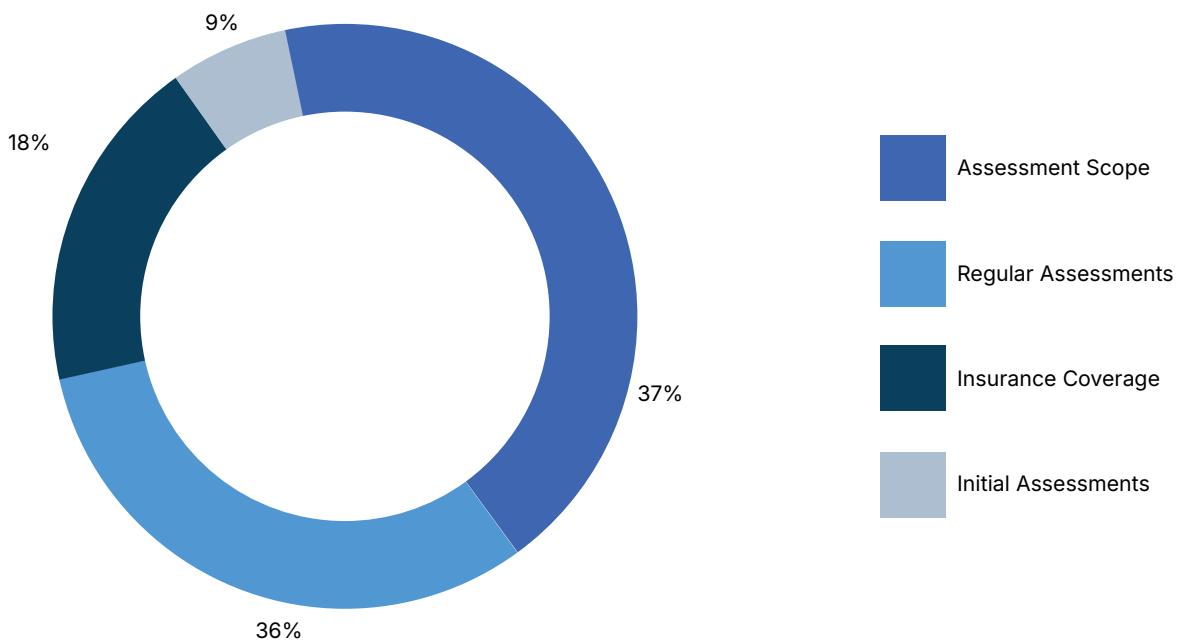
Summary of Areas for Improvement

Regulated Entities should:

- Maintain and regularly update a centralized log of all material outsourcing arrangements.
- Ensure that risk assessments are completed prior to initiation of the outsourcing arrangement, and regularly thereafter at least annually or as determined given the level of associated risk and materiality of the outsourcing arrangement.
- Conduct a risk assessment with respect to the jurisdiction in which the service providers are located, if outside the Cayman Islands, and appropriately mitigate any identified risks, as necessary, in accordance with the regulated entity's risk management policy.
- Establish feasible contingency plans in the event that the outsourcing fails.

Assessing Service Providers

Areas of Weakness in Assessing Service Providers



An analysis of the Selected Entities' outsourcing arrangements revealed weaknesses regarding their assessments of service providers. Of the weaknesses identified, thirty-seven percent (37%) of the weaknesses related to several Selected Entities not adopting an appropriate assessment scope. These weaknesses were highly attributed to due diligence assessments not covering one or more of following elements:

- human, financial and technical resources (including information technology systems) to effectively undertake the outsourced tasks;
- ability, capacity and any authorisation required by law to perform the outsourced material functions or activities in a reliable and professional manner;
- ability to safeguard the confidentiality, integrity and availability of information entrusted;
- corporate governance, risk management, security, internal controls, reporting and monitoring processes;
- reputation, complaints or pending litigation;
- business continuity arrangements and contingency plans;
- reliance on, and success in dealing with sub-contractors;
- policies in general, business culture and how they align with the regulated entity's own policies and culture; and
- knowledge of the Cayman Islands' legal framework, where appropriate.

The Authority notes instances where the assessments were based on 'Yes' or 'No' responses with no evidence of the steps taken or conclusion made on some of the factors considered. The Authority emphasizes use of appropriate methodologies for assessments of service providers.

Forty-five percent (45%) of the weaknesses were due to several Selected Entities not evidencing that due diligence assessments were conducted prior to, and regularly thereafter, of commencing the outsourcing arrangements and service providers. The Authority also noted instances where several Selected Entities did not evidence that their service providers have in place, and maintain during the course of the outsourcing arrangement, comprehensive insurance coverage. This accounted for eighteen percent (18%) of the weaknesses.

Summary of Good Practices

- Provision of Senior Management Reports on the Outsourcing Arrangements which included thorough assessments of the risks posed to the Selected Entity, the controls in place to mitigate the risks, the service provider's ability to carry out the outsourced function, contingency plans and confidentiality requirements amongst other factors.
- Conducting due diligence assessments on the service providers before entering into the initial outsourcing agreements and on a regular basis thereafter.

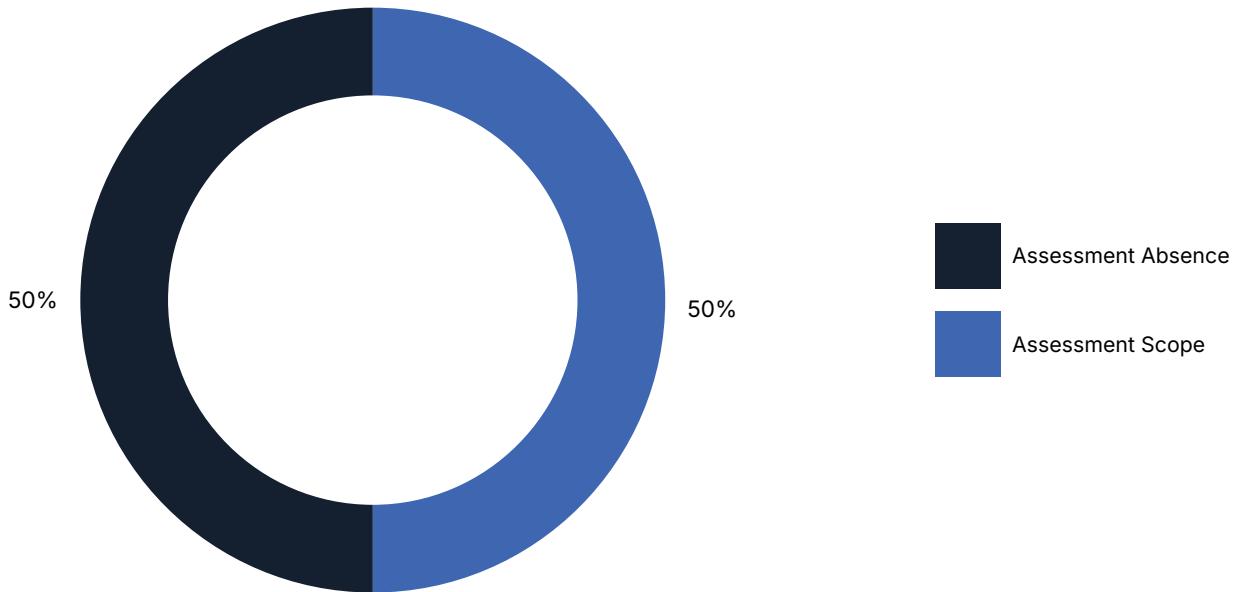
Summary of Areas for Improvement

Regulated Entities should:

- Regulated Entities should:
- Ensure documented evidence of initial due diligence assessments being completed prior to entering the outsourcing agreement.
- Ensure regular due diligence assessments are performed on regular basis at least annually or in keeping with the level of the perceived risk of the outsourcing arrangement.
- Adequate scope for assessment of the service providers during the due diligence process.
- Establish processes in place for satisfaction that service providers have in place, and maintains during the course of the outsourcing arrangement, comprehensive insurance coverage.

Materiality Assessment of Outsourcing Arrangements

Areas of Weakness in Materiality Assessment of Outsourcing Arrangements



The remaining fifty percent (50%) of the weaknesses related to inadequate scope of the materiality assessment. Instances were noted where the materiality assessment did not address elements such as cost considerations and the risk of potential loss, permanence of the arrangement, and the access to important data.

The Authority also noted demonstrations of adequate materiality assessments performed by several Selected Entities.

Summary of Good Practices

- Materiality assessments are performed and well documented.
- Easy access to the materiality assessments by the Authority.
- Adequate scope of the materiality assessment performed with analysis and conclusions.

Summary of Areas for Improvement

Regulated Entities should:

- Ensure materiality assessments are performed, documented and can be easily submitted to the Authority on request.
- Set appropriate methodologies in place for performance of materiality assessments.

Conflicts of Interest

Deficiencies with respect to conflicts of interest constituted three percent (3%) of the findings in the thematic review on outsourcing. The majority of weaknesses arose from the policies and procedures that did not adequately address how some Selected Entities ensure that their service providers periodically review, identify, disclose, monitor, and manage conflicts of interest with respect to outsourced activities.

Summary of Good Practices

- Established conflicts of interest policies and procedures to identify conflicts of interest and ensure that measures are taken to manage any such conflicts.
- Outsourcing policy includes sections that mandates outsourcing agreements to contain a clause obliging the service provider to read the Selected Entity's Conflicts of Interest policy and to complete and return a conflicts of interest questionnaire at least annually.
- Annual conflicts of interest declarations from service providers.

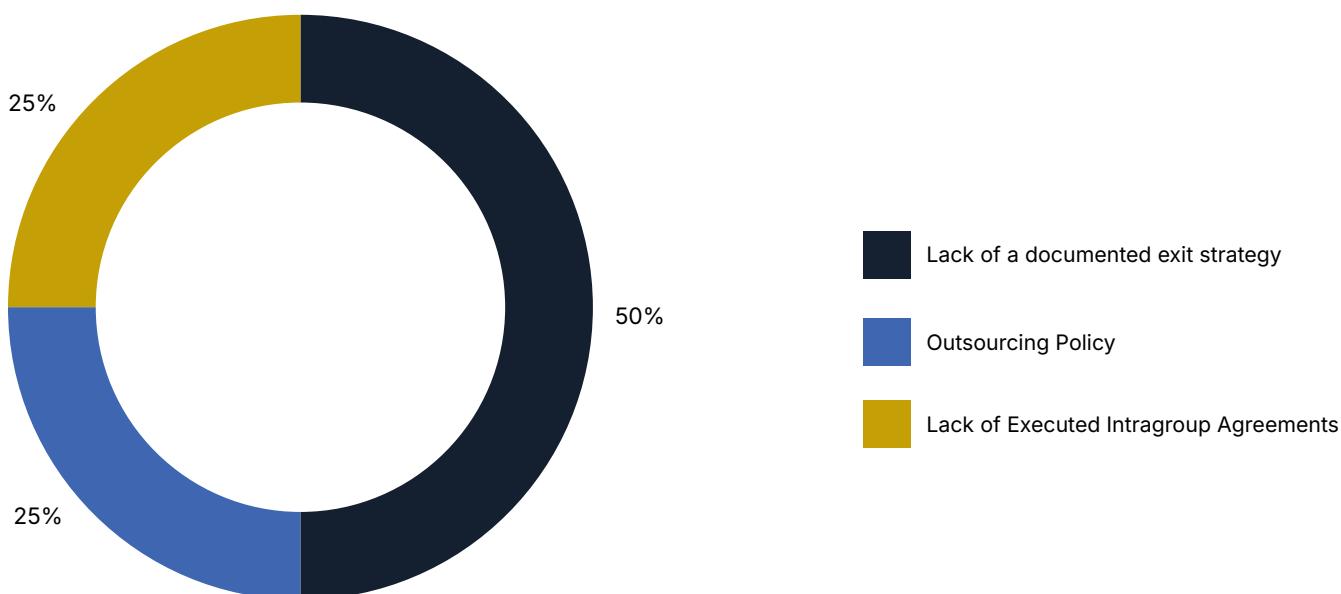
Summary of Areas for Improvement

Regulated Entities should:

- Establish the procedures or controls to satisfy themselves that the Service Providers have no conflicts of interests and that the service providers periodically review, identify, disclose, monitor and manage all conflicts of interest.

Intra-Group Arrangements

Areas of Weakness in Intra-Group Arrangements



Summary of Good Practices

- Fully executed written outsourcing agreements that detail, among other things, the scope of the arrangement, the services to be supplied, the nature of the relationship, and procedures governing the subcontracting of services.
- Established policies, procedures and processes for monitoring, reporting and oversight of Intra-group outsourcing arrangements.

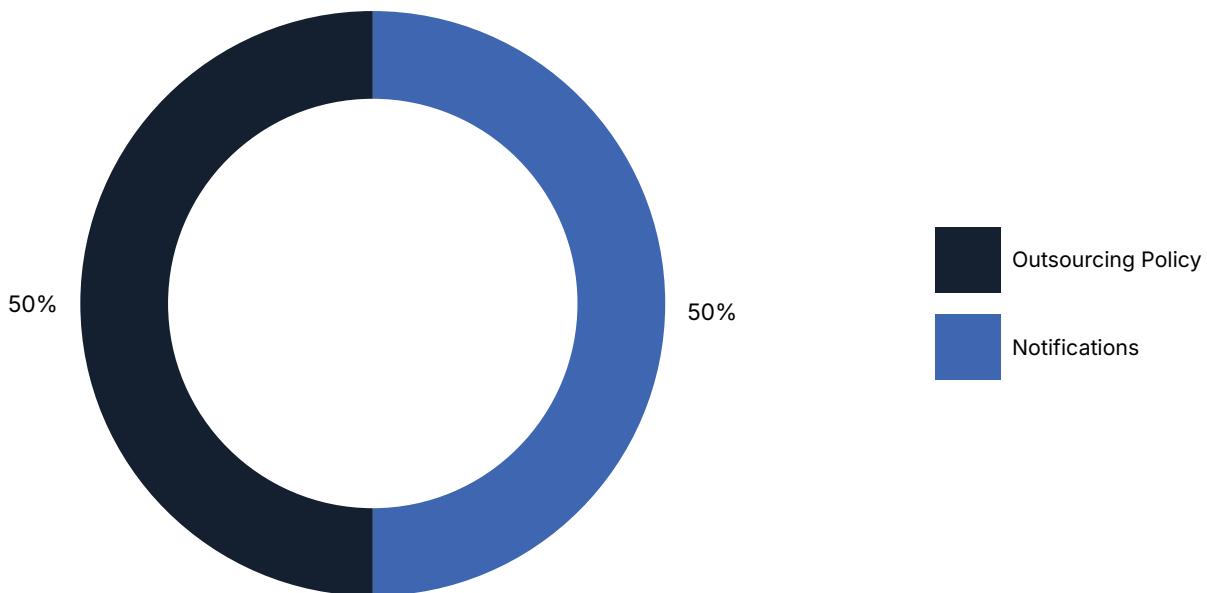
Summary of Areas for Improvement

Regulated Entities should:

- Establish policies, procedures and processes for oversight of Intra-group outsourcing arrangements.
- Ensure adequate documentation of exit strategies from the Intra-group outsourcing arrangements.
- Ensure that fully executed written agreements are in place for the intra-group outsourcing arrangements.

Relations with the Authority

Areas of Weakness in Relations with the Authority



As shown in the chart above, fifty percent (50%) of the weaknesses relating to several Selected Entities not maintaining measures or controls for notifying the Authority on the approval or termination of outsourcing arrangements.

There were also cases where several Selected Entities were unable to provide evidence of notifying the Authority of the termination of material outsourcing arrangements.

Summary of Good Practices

- Informing the Authority of newly signed or terminated outsourcing arrangements in a timely manner.

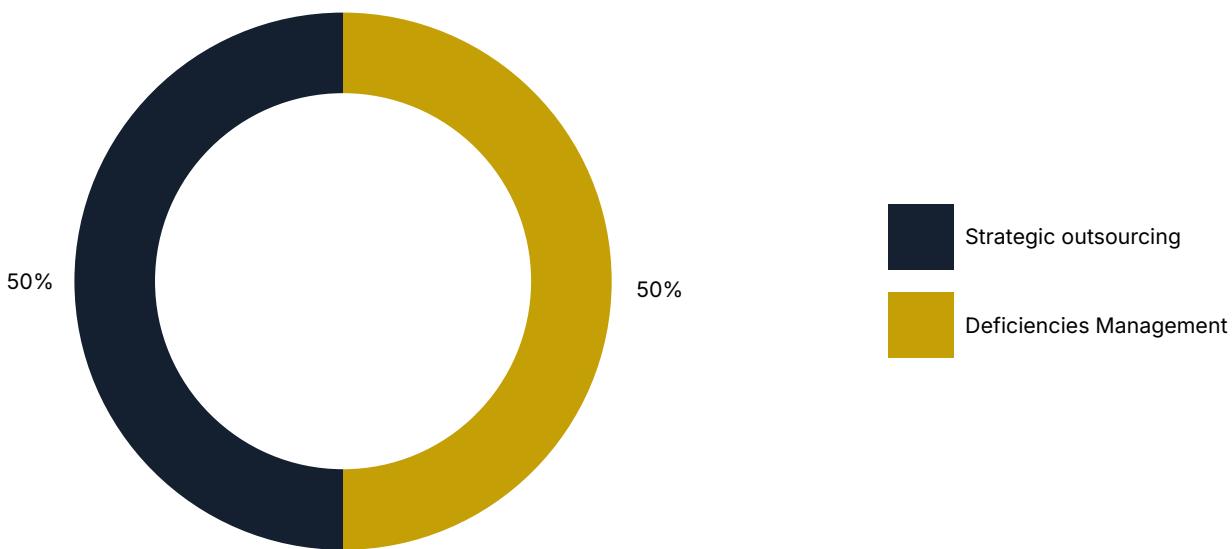
Summary of Areas for Improvement

Regulated Entities should:

- Establish measures and control mechanisms for notifying the Authority on the approval or termination of outsourcing arrangements.

Outsourcing Framework

Areas of Weakness in the Outsourcing Framework



As shown in the chart above, fifty percent (50%) of the weaknesses arose due to inadequate evidence of outsourcing strategies ensuring outsourced material functions or activities are sound and in keeping with the Entities' business strategies. The remaining fifty percent (50%) related to instances where some Selected Entities were unable to provide evidence of the procedures in place to address any identified deficiencies in their outsourcing agreements in a timely manner.

Summary of Good Practices

- Established, implemented, and maintained board approved outsourcing framework.
- Evidence of oversight and accountability with respect to the outsourcing of material functions.

Summary of Areas for Improvement

Regulated Entities should:

- Ensure that there are procedures in place to address any identified deficiencies in their outsourcing agreements in a timely manner.

Termination and Exit Strategy

Termination and Exit Strategy weaknesses constituted one percent (1%) of the findings in the thematic outsourcing review. The weaknesses mainly arose from Selected Entities that did not establish termination and/or exit strategies in the event that the outsourced material functions or activities can no longer be effectively carried out by the service providers, there was a breach of the contract that occurs or if the nature of the agreement has changed. The Authority notes that majority of the Selected Entities implemented Termination and Exit Strategies.

Summary of Good Practices

- Implementation of termination and exit strategies.

Summary of Areas for Improvement

Regulated Entities should:

- Establish and implement exit strategies.

Confidentiality

Deficiencies with respect to confidentiality accounted for one percent (1%) of the findings in the thematic outsourcing review. The weaknesses mainly arose from a lack of supporting policies, procedures and control mechanisms for verifying that service providers have in place adequate policies, procedures, and physical and technological measures to protect information that customers of the Selected Entities might reasonably expect to be confidential.

Summary of Good Practices

- Comprehensive confidentiality clauses are encompassed in the service level agreements holding the service provider accountable for ensuring that client information as well as the Selected Entities' information remain confidential.
- Detailed Terms of Engagement and Privacy notices available on websites.
- Data protection policies are updated periodically to reflect changes across jurisdictions that may be relevant to the operations of the Selected Entities.
- Adequate procedures in place such as email surveillance, managerial/supervisory oversight, ongoing interactions with clients and third parties, enabling the ongoing monitoring of compliance with confidentiality obligations.

Summary of Areas for Improvement

Regulated Entities should:

- Establish and implement policies, procedures and control mechanisms for ensuring that the service providers have in place adequate policies, procedures and physical and technological measures to protect information that a customer of the Selected Entities might reasonably expect to be confidential.

Concluding Remarks

The Authority continues to remind all Regulated Entities of their statutory and regulatory obligations to adhere to regulatory Rules and Statements of Guidance, and to ensure that their policies, procedures, systems, and controls are of an appropriate standard in line with applicable Acts and other legal requirements and meet the Authority's expectations.

The Authority further encourages Regulated Entities to ensure that the outsourcing framework for Regulated Entities is commensurate to the size, complexity, structure, nature of business and risk profile of its operations. The Authority's latest Statement of Guidance (April 2023) is accessible via the Authority's [website](#).



Thematic Review on Outsourcing

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