

MODEL RISK MANAGEMENT

NAVIGATE THE REGULATORY PROCESS WITH EASE

The Central Bank of the UAE has released model risk management regulations — and mandated that all UAE banks carry out an extensive gap analysis.

What is the impact of these regulations for banks and lenders?

CBUAE Regulations Objectives

- 1 Ensure that models employed by UAE banks meet quality standards to adequately support decision-making and reduce Model Risk.
- 2 Improve the homogeneity of model management across UAE banks.
- 3 Mitigate the risk of potential underestimation of provisions and capital across UAE banks.

It is a Mandatory Requirement

The standards are applicable to all models and constitute the minimum requirements that must be met by UAE banks. The guidance expands on the technical aspects that are expected to be implemented for certain types of models, and any deviations from the guidance would need to be clearly justified and are subject to a supervisory review.

Benefits and Risks

The new regulations aim to provide a harmonised approach to model development and deployment, which can make internal processes more efficient — thereby potentially reducing costs. There would also be improved controls required in the full model development process, leading to more discriminatory models and optimal forecasting. For banks and lenders, the regulations are an opportunity to implement best practice and streamline operations.

On the other hand, non-compliance can lead to fines, increased regulatory scrutiny, and even restrictions on future lending activities.

Next Steps . . .

Institutions must carry out a detailed audit and gap assessment of their internal processes against the new standards. Where gaps are identified, banks are obliged to [send a full remediation plan](#) to the CBUAE.

Qarar offers a comprehensive and practical solution.

The audit process to reach compliance is time-consuming and highly detailed. Banks would have to divert their internal resources away from core processes to focus on the compliance project.

This is where Qarar steps in. Our local presence in the Middle East, decades of industry experience and knowledge, together with our extensive understanding of the lending and microfinance market allows for a distinctly unique proposition to assist banks and lenders with a step-by-step solution.

We offer flexibility in our services throughout the whole process — whether it be just the implementation of the gap assessment, developing a remediation plan — or even establishing a long-term model management project relationship.

Joining forces with Qarar 's expert advisory team ensures your organisation is well on the way towards regulatory compliance.

Contact us today to set up an exploratory meeting.

REACH FULL REGULATORY COMPLIANCE — QUICKLY

1



EXPLORATION

Qarar issues a questionnaire to the client — to gain a better understanding of which regulations are applicable, and who are the key internal contacts.



2



GAP ANALYSIS — AUDIT

Qarar's consultants carry out a comprehensive audit against the 500+ regulations released by the CBUAE — with detailed findings reported back to the Bank and the CBUAE.



3



REMEDATION PLAN — CREATION

Qarar's model governance experts create a thorough remediation plan to ensure every gap is filled — or where there is strong justification for deviating away from the regulations. We also liaise directly with the CBUAE on the client's behalf.



4



REMEDATION PLAN — IMPLEMENTATION

Qarar takes ownership and follows through on the remediation plan, ensuring that there are no future issues with the CBUAE's "continuous improvements" provision.



5

FULL COMPLIANCE

Once full compliance is achieved, our support is still ongoing. Qarar continues to support our clients with all aspects of model risk governance — including model development, model validation, and reporting.



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