ADGM
أبوظبي العالمي

By email

10 February 2026

To Senior Executive Officers (SEO) of FSRA Authorised Firms Licensed to conduct banking activities
Cc: Risk Officers (RO) and Compliance and Money Laundering Reporting Officers (CO/MLRO)

Re: Banking Sector Risk Assessments – Overall Observations and Themes

Dear SEO,

As part of the FSRA's ongoing supervisory responsibilities, we undertook a series of Risk Assessment Reviews across the Banking Sector, including reviews of bank's business models and risk management practices, to inform our assessment of the risks that firms may pose to our Regulatory Objectives.

This letter provides the key observations and themes from our reviews to promote best practice and the safety and soundness of banks within the FSRA.

Scope and Approach

The FSRA undertook a series of focused onsite reviews during 2025, involving discussions with senior management, relevant external parties, and an examination of the bank's documents. Relative to the nature, scale and complexity of each bank, the reviews covered the following areas:

1. **Business Model and Strategy Analysis**: the rationale of the bank's business plan, how it creates value for its stakeholders, its viability and sustainability, and how it will compete in the market;
2. **Governance**: the framework and practices put in place to direct, manage and control a bank's activities;
3. **Risk Management (via the ICAAP/IRAP)** – the bank's approach and assessment of its risks, and the adequacy of controls, capital and liquidity to mitigate those risks;
4. **Liquidity/Treasury Management** - the bank's liquidity and funding strategy, the potential risks to a bank arising from any inability to fund increases in assets, to sustain its planned growth and meet obligations as they come due; and how those risks are managed;
5. **AML Outcomes** – a review of a small sample of cases and reports to assess the AML outcomes being delivered in practice.

The FSRA has already issued a Risk Assessment Report and Recommended Actions to each individual bank within the review.

Key Findings

Overall, banks are taking positive steps to enhance and develop their business and operating models. As banks' plans and activities increase, they should ensure that their governance and risk management framework and practices; anticipate, consider and are adequately aligned with this growth.

Furthermore, there should be robust arrangements to set objectives and develop business plans, the means of attaining those objectives and adequate monitoring of performance and risk.

A detailed breakdown of the key themes and observations along with the regulatory expectations are provided in the Appendix.

Next steps

The FSRA expects banks to assess their current framework against the key observations and themes, and implement any additional enhancements to address any relevant issues identified in this letter. Other firms may find the general themes a useful reference and consideration, where appropriate, for their own framework.

In case of any specific queries, please do not hesitate to contact your FSRA Supervisor.

Yours sincerely,

Mary Anne Scicluna
Senior Executive Director - Supervision
Financial Services Regulatory Authority

Overall Observations and Themes	
1. Business Model and Strategy	• **Regulatory Business Plan (RBP)** A firm's business plan is a fundamental component, not only for the Regulator but for the firm itself; in setting out its business and operating model, key objectives, how these will be delivered and the associated risks from this activity. From our review, whilst the operating models, governance frameworks and regulated activities were generally well articulated, we identified the following areas for improvement: a) Clearer definition of objectives, priorities and milestones; b) An outline of the key steps/actions required to deliver the objectives, including the adequacy of resources (both human and financial); c) Business projections which are supported by the underlying rationale and the assumptions used; d) Risks to objectives and plan delivery, including contingencies/alternate strategies, should be considered; e) An assessment of performance for the previous period; including the reasons for any material variances from the plan/projections; f) Clearer alignment between the RBP and ICAAP/IRAP.
2. Governance	• **Governing Body Effectiveness** The Governing Body should have appropriate practices and procedures for its own internal governance, ensure that these are followed, and periodically reviewed to ensure their effectiveness and adequacy. These reviews may include areas such as strategy development, culture, composition and quality of reporting. We have noted several banks have undertaken and found benefit from an (annual) effectiveness review using a range of approaches including surveys and interviews, and the use of independent reviews. • **Management Information** A Governing Body and senior management should have relevant, accurate and timely information to monitor, assess and control its activities and to manage risks. Our reviews identified that accountability measures such as Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) require further definition and development. These should be aligned with the business objectives and also provide the Governing Body with a strategic view of performance and risk. • **Outsourcing** Depending on a bank's stage of development and operating model, the outsourcing of key control functions can be an efficient means to utilize specialist/technical resources which are not available in the business. However, as a bank increases in scale and complexity it should review and consider the benefits of having its own in-house dedicated resources, for example, the Internal Audit function.

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<tr><td>3. Risk Management</td><td>
ICAAP/IRAP
The ICAAP and/or IRAP reviews are fundamental to ensuring the safety and soundness of banks operating in and from the ADGM; through the bank's assessment of its risks and whether it has adequate capital, liquidity and systems & controls to manage those risks, and to deliver its business plan. They should evolve in line with the nature, scale and complexity of the bank; and its experience of the effectiveness of its risk management framework.
From our review the ICAAP/IRAPs were generally well structured, comprehensive and some have shown significant development each year. However, the FSRA identified the following areas for improvement:
a) Clearer alignment between the RBP/business objectives and the ICAAP/IRAP;
b) Risk methodologies need clearer articulation and definition of the key risks (including forward looking risks), control effectiveness and the management actions that may be required where the residual risk is outside of a defined risk appetite;
c) Group/parental risks were not always fully considered;
d) Some but not all IRAPs were appropriately informed by other relevant reviews from, for example, Risk and Control Self Assessments, Internal Audits or any FSRA Reviews;
e) It is important that any material challenges, feedback and decisions that are identified from the Governing Body are clearly evidenced;
f) Banks may benefit from the use of an independent review of the ICAAP/IRAP process, including focus on, for example, governance, risk identification, measurement methodology and data integrity;
g) In some instances, there was a mis-classification/mis-calculation of Operational Risk Capital under the Prudential Rulebook's Basic Indicator Approach.
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<tr><td>4. Liquidity/Treasury Management</td><td>
Liquidity Risk Assessment
A bank's liquidity strategy and funding plan, risk profile and controls are essential to ensure that it can meet its contractual obligations and liabilities as and when they fall due.
For some banks, where there is a material liquidity risk profile, they have or are considering a distinct Individual Liquidity Adequacy Assessment Process (ILAAP). Whilst for some, the liquidity risk assessment was not included in their ICAAP.
Where relevant, banks should consider a wider range of risks, for example, wholesale, concentration, intra-group, marketable assets, currency and off-balance sheet risks.
Contingency Funding Plans (CFP)
In all relevant cases, there was a CFP in place with appropriately defined Early Warning Indicators. However, in some instances:
a) an annual mock/simulation test had not been conducted to ensure that aspects of the plan and the potential crisis event cycle were understood and effective;
b) the type and frequency of management information that would be required for ALCO needed to be defined;
c) the degree and feasibility of the operational and liquidity support available from a parent/group in a stress event had not been fully considered.
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Overall Observations and Themes	
5. AML Outcomes	• **Enhanced Due Diligence (Source of Wealth "SoW')** SoW assessments are a core component of the Enhanced Due Diligence (EDD) process. It aims to provide evidence and plausible explanations about the customer's total wealth and whether this was generated legitimately. It is distinct from Source of Funds (SoF), which is the origin of money for a specific transaction. In some instances, the FSRA found that the bank's assessment and conclusions lacked sufficient depth and evidence, they did not consider a customer's total net worth, and on occasion, confused the requirements of SOW with SOF. • **Money Laundering and Reporting Officer (MLRO) Oversight** A key responsibility of the MLRO is the implementation and oversight of a firm's compliance with the FSRA Rules and Regulations in the AML Rulebook. Where approval of EDD cases has been delegated, for example, to a specialist team or to Senior Management in the business, the MLRO should still undertake appropriate oversight and review of such cases.
6. Other areas: Disclosures	• **Disclosure Requirements (PRU 11)** The purpose of these requirements, where relevant, is to ensure that minimum public disclosures are made available to market participants to assist them in forming an opinion on the risk profile and capital adequacy of a bank. Although we did not identify any concerns in this area, banks are reminded that they should consider and comply, where applicable, with the Disclosure requirements of the FSRA's Prudential Rulebook (PRU) Chapter 11.