

To the Senior Executive Officers
of DFSA Authorised Firms

29 July 2010

Subject: Notification of Theme Review – Corporate Governance

Dear SEO

The DFSA considers good corporate governance practices to be critical to the way in which an Authorised Firm (Firm) operates. It is through such practices that we see a high level of integrity, transparency and accountability in a Firm meeting stakeholder expectations. The effectiveness of governance in Firms is demonstrated not only by the design of a governance framework but through evidence of the practical implementation and operation of such structures and processes.

We remind Firms that there are a number of corporate governance requirements embedded in the DFSA Rule Book. Specifically, the DFSA has eleven principles which must be observed by Firms when conducting its affairs. The most explicit in the context of corporate governance is Principle 11, which provides that:

“An Authorised Firm must meet the applicable standards of corporate governance as appropriate considering the nature, size, and complexity of the Authorised Firm’s activities.”

Principle 3 provides that a Firm “*must ensure that its affairs are managed effectively and responsibly by its senior management.*” In addition, a Firm “*must have adequate systems and controls to ensure, as far as reasonably practical, that it complies with legislation in the DIFC.*” This principle is further elaborated within GEN Chapter 5; which includes specific requirements in the areas such as senior management arrangement, compliance, risk management, and internal audit.

The global financial crisis exposed shortcomings in the governance and risk management in many firms. As such, the DFSA proposes to conduct a thematic review on selected Firms’ governance frameworks and the effectiveness of these frameworks in practice.



A number of Firms will be contacted by the DFSA over the next few weeks to arrange a suitable time for a visit. These Firms will have been selected based on the different Categories of Authorised Firms and across all the regulated business sectors. Ahead of these visits, those Firms selected will be sent a questionnaire focusing on governance and controls. If your Firm is selected for the review, you will need to provide the completed questionnaire and any other documentation requested prior to the visit being undertaken.

Even if your Firm is not selected for the review, we feel that this letter may be of assistance to your Firm as a reminder to review its current governance framework, including policies and procedures and the implementation thereof, especially if an internal review or an assessment of its effectiveness has not been carried out recently.

Yours sincerely,



Bryan Stirewalt
Acting Managing Director, Supervision

cc. Compliance Officers of Authorised Firms