

ITL Application

Frequently Asked Questions (“FAQs”)

The purpose of this document is to assist potential applicants in preparing and applying for an Innovation Testing Licence (“ITL”).

The questions and answers in this document are for general information purposes only. The document does not cover each and every aspect of the ITL regime, it selectively answers questions where the DFSA felt clarification may be helpful.

The answers do not constitute legal advice and should not be acted upon as such. If there is any inconsistency between any statement in this document and the relevant Rules or associated Guidance, the Rules and Guidance prevail.

These FAQs will be reviewed and updated periodically and we encourage you to re-visit this document regularly.

Defined terms in these FAQs are identified by the capitalisation of the first letter in a word or of each word in a phrase. These terms are defined in the Glossary Module of the DFSA Rulebook (GLO).

What is the ITL?

The DFSA’s ITL is a restricted financial services licence for FinTech firms (firm) that are interested to develop and test innovative business models, products and services in or from the Dubai International Financial Centre (“**DIFC**”) without being subject to the full regulatory requirements that normally apply to Authorised Firms.

How do I apply for the ITL?

Special application forms are designed for firms that wish to apply for the ITL to test their products or services: the ITL Cohort Application and the ITL Application.

Firms must first apply to the “ITL Cohort” by completing and submitting the ITL Cohort Application Form, which provides the DFSA with basic information about the firm’s business and its innovation. The DFSA will use this information to assess the firm against the eligibility criteria.

Being accepted into the ITL Cohort **does not** automatically mean the firm has been granted an ITL. Firms that have been accepted into the ITL Cohort will then be given access to complete and submit the ITL Application Form and apply for an ITL.

A draft of the ITL Cohort Application Form and the ITL Application Form can be found using the following link: <http://www.dfsa.ae/FinTech>.

What is required in the ITL Application?

The DFSA asks for information related to the background of the firm and key employees, what services the firm intends to undertake, controllers and sources of funding, financial forecasts, and the Regulatory Test Plan, amongst other information.

How can I access an ITL Application?

Firms can only access an ITL Application if they have been accepted into the ITL Cohort. In this case, firms will be provided access by the DFSA directly.

What is the Testing Period?

This is the time period during which a firm can test its product or service within the DFSA's regulatory sandbox. This testing period is typically 12 months but can be as short as 6 months.

What is the Regulatory Test Plan (“RTP”)?

The RTP is one of the core sections of the ITL Application, which effectively sets out the parameters of what activities the firm will conduct during the testing period and explains what the firm is aiming to test.

What is required in the RTP?

The RTP section should broadly include the following information:

- The business model and the proposed innovative Fintech product or service;
- The objective and parameters for the testing of that product or service;
- The timeline and key milestones for testing;
- The number and type of customers that will take part in testing and how they will be sourced;
- The key risks of testing and how they will be mitigated;
- How the firm will ensure that customers understand that the product or service is being tested and the resulting risks;
- The safeguards that will be put in place to adequately protect customers in the event of a problem arising from use of the technology or the business failing;
- How communications with customers will be handled before, during, and after testing, including how the firm will deal with queries, feedback and complaints;
- How the success of the testing will be measured;
- How testing progress will be reported to the DFSA;
- The next steps if the testing is successful;
- A clear exit plan if the testing is not successful, including how the firm will fulfil its obligations to its testing customers;
- Financial projections for the testing period; and
- Other relevant information requested by the DFSA.

The RTP is not an opportunity to market or promote the firm to the DFSA. It is meant to be a factual section that sets out the important information related to the firm and what it intends to do

during the testing period. It should also be clear on what the firm needs to achieve before testing is complete.

In completing the RTP, firms are encouraged to be succinct and clear and to be cognizant of the audience they are writing for. If the RTP section does not include key information that the DFSA will need, or is unclear in its descriptions, the DFSA will ask follow-up questions and may need to request further information. This could delay the DFSA's decision on the ITL Application and may result in the DFSA deferring the application to the next ITL Cohort.

What is the ITL Application timeline?

The DFSA aims to provide a decision 8 weeks after the submission of the ITL Application. However, this depends on:

1. whether the information provided by the firm in the ITL Application is sufficiently detailed and covers all relevant areas; and
2. the responsiveness of the firm in dealing with any follow-up questions that the DFSA may have.

Firms that do not meet DFSA's timelines or respond to the follow-up questions in a timely manner might, at the DFSA's discretion, be deferred to the next ITL Cohort.

If my application is approved in 8 weeks, will I then be permitted to immediately begin conducting business?

No.

You will first receive an In-Principle Approval advising the firm on the conditions that need to be met prior to receiving the ITL from the DFSA. The In-Principle conditions will vary depending on the type of activities the firm will be undertaking. However, certain conditions apply to all firms such as incorporating the company in the DIFC, having the agreed level of capital, having an office in the DIFC.

Does the ITL provide my firm safe-harbor from DFSA Rules?

No.

The firm will still be required to comply with the DFSA's Rules, however, the DFSA will give waivers from, and modifications to, some Rules. The Rules that will be waived or modified will be determined on a case-by-case basis.

The DFSA will not waive or modify certain key requirements, for example: Rules relating to fitness and propriety, being open and co-operative with the DFSA, Financial Promotions, holding and controlling Client Assets.

Similarly, the DFSA will not waive or modify requirements based on federal law requirements, for example: Rules relating to AML requirements, having an office in the DIFC, not accepting Deposits from the State's markets or carrying on currency exchange involving the Dirham.

Do I need to be based in the DIFC to operate my business?

Yes.

All licensed entities must have an office and be based in the DIFC. This requirement is set out in the General Module of the DFSA Rulebook (GEN) and in UAE Federal Law No. 8 of 2004 on Financial Free Zones.

What restrictions will apply to the firm during the Testing Period?

The DFSA will impose appropriate restrictions and conditions on the firm, for example: restricting the number and type of customers that can take part in testing and the number and value of transactions conducted during the testing period. These restrictions and conditions will be determined on a case-by-case basis. A determining factor will be the level of systems and controls the firm implements during the testing period

What happens when firms complete the testing?

No later than one month after the end of the testing period, firms are required to submit to the DFSA either:

1. a duly completed application to remove the restrictions and conditions on the ITL ([SUP4 Form](#)), that includes all information necessary to demonstrate to the DFSA that they can meet the requirements to hold an unrestricted licence; or
2. a request in writing to withdraw the ITL.

The DFSA will review the results of the testing, the controls that are in place, and any other relevant information (including relevant policies and procedures and other internal documents) to make a decision whether or not the firm should move to an unrestricted licence.

The firm will need to demonstrate to the DFSA's satisfaction that it is able to comply fully with relevant legal and regulatory requirements before the DFSA will remove the various restrictions and conditions.

If the DFSA rejects the firm's request to remove the restrictions and conditions on its ITL, the firm must, no later than one month after it is notified by the DFSA of the refusal, submit a request in writing to the DFSA to withdraw its ITL. In this case, the firm should implement its exit plan and ensure all obligations to customers are fulfilled.

How much does an ITL cost?

The DFSA's ITL fee is USD 5,000. This fee covers the application process and the testing period.

The firm might be subject to other fees levied by the Dubai International Financial Center Authority ("DIFCA"), including registration and incorporation fees, and rent. Firms are encouraged to contact DIFCA for more information in this regard.



When is the fee payable to the DFSA?

The firm will be invoiced USD 5,000 by the DFSA once a full ITL Application is submitted (post acceptance into the ITL Cohort). The ITL Application will only be reviewed once the fee is paid.

How do I contact the DFSA?

If you have a question regarding the ITL regime that is not answered here please submit your written question via the following email innovation@dfsa.ae and we will endeavour to answer it.

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Illustrative example of the approximate ITL Application timelines firms should expect

Months



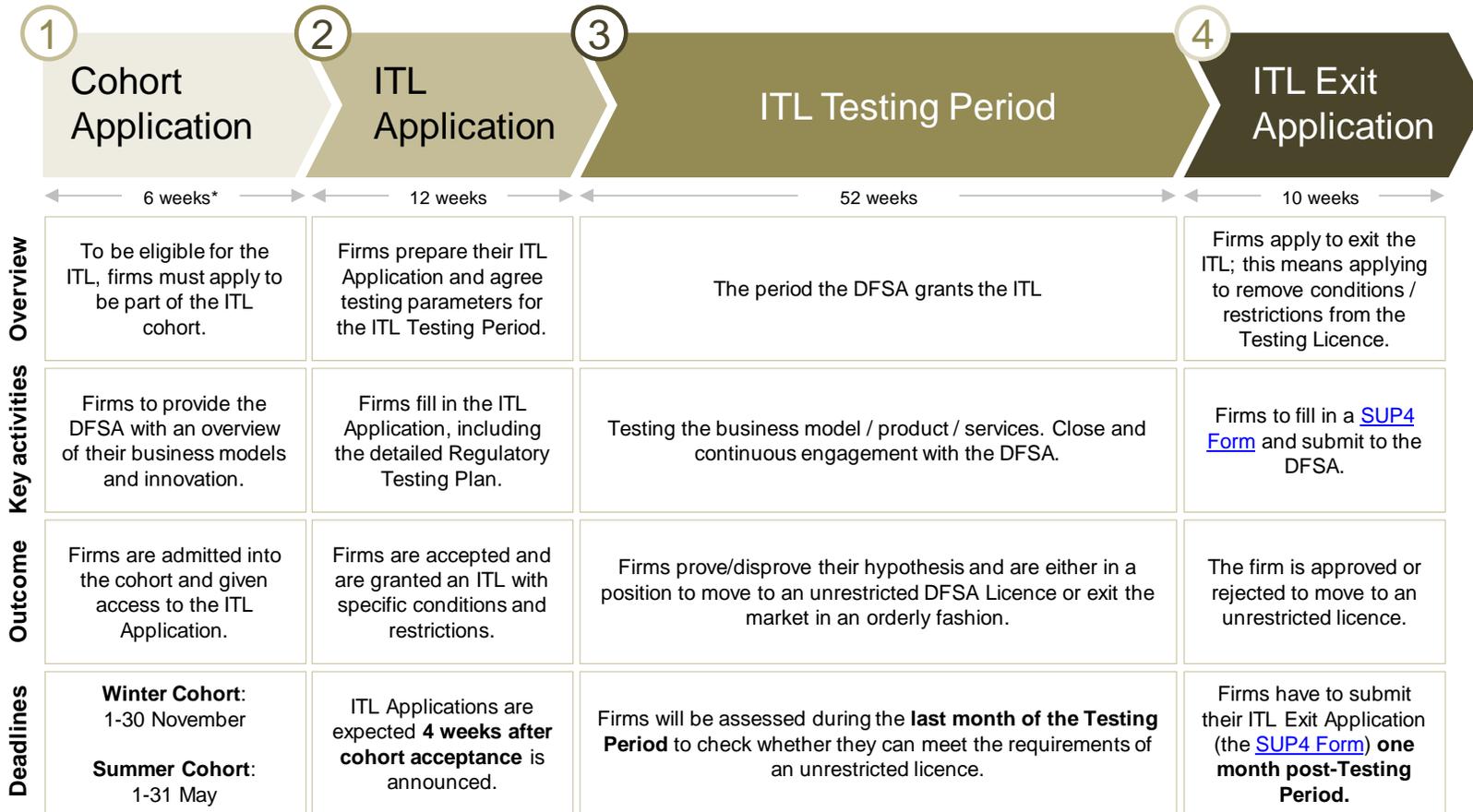
Reference	Description	Length*	Action	Outcome	
Cohort Application	A	Cohort Application Period	4 weeks	Firms apply by describing business model and innovation	DFSA provided with cohort applications
	B	DFSA Review and Approval	2 weeks	DFSA reviews applications and business models	Acceptance into cohort
ITL Application	C	ITL Application Process	4 weeks	Firms undertake full ITL application	DFSA provided with ITL applications from applicants accepted into the cohort
	D	DFSA Review and Approval	8 weeks	DFSA reviews applications and follows up on any queries	Granting of ITL to accepted firms
T.P.	E	ITL Testing Period	52 weeks	Testing and regulatory oversight	Testing completed
ITL Exit Application	F	Grace Period for Submission	4 weeks	Firms to submit SUP 4 Form or request to withdraw ITL.	DFSA to receive all relevant documentation
	G	Review Period**	6 weeks	DFSA to review application for full licence (SUP4 Form)	Approval or Rejection
	H	Begin operating under an Unrestricted Licence	Ongoing	DFSA grants permission to remove licence conditions & restrictions	If approved, firm moves from ITL to an unrestricted licence

* This is approximate length of time expected and may be subject to change depending on circumstances.

**This does not entail a full licence application but an application to remove restrictions, modifications and waivers.

 **Note:** Once "In Principle" approval is received, the firm is provided with a period to complete operational requirements prior to commencing operations.

Summary requirements for each phase of the DFSA Innovation Testing Licence Process



* These timings are approximate and dependent on numerous factors. They also include the time required for the DFSA to make a decision.