

THEMATIC SUPERVISION EMERGING TRENDS CONG/DFSA OUTREACH 30 May 2016

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KEYNOTE SPEECH

Ian Johnston
Chief Executive, DFSA

Vision
Mission
Regulatory
Approach

- To be an internationally respected regulator, leading the development of financial services through strong and fair regulation
- To develop, administer and enforce world-class regulation of financial services within the DIFC
- To be risk-based and to avoid unnecessary regulatory burden

Strategic Themes in Action

Delivery

Execute core functions with professionalism and efficiency

Deliver world-class regulation and effective enforcement

Be more agile through early warning systems & innovation

Maintain quality as DIFC scale increases

Sustainability

Positively shape our environment and organisation for the long-term

Enhance organisational robustness & resilience

Support Dubai Government Strategy & DIFC Development

Build UAE National Capability

Progress Resolving Jurisdictional Uncertainty

Engagement

Thoughtful and active engagement with key stakeholders:

Regulated firms & key home regulators

Other Regulators

Dubai & UAE Authorities

Global Standard Setters

Regulatory Priorities

Financial Crime

Be vigilant in addressing all FC issues. Strengthen existing links with relevant local & federal bodies to mitigate FC risks

Conduct

Continue to emphasise conduct risk (generally more prominent than prudential) while providing appropriate prudential attention to firms expected to have rapid balance sheet growth

DIFC Jurisdiction

Progress resolution of uncertainties of regulatory boundaries.

Standards Alignment

Demonstrate effective implementation of international regulatory standards via the FSAP & FATF process. In relevant areas, continue to align with EU standards. Uphold commitment to simplify the Rulebook.

Fin Tech

Work with DIFCA on Fintech Initiatives

OPENING INTRODUCTION FROM DIFC AUTHORITY

**Chirag Shah
DIFC Authority**

DFSA's Regulated Population

Authorised Firms – (418)

Conduct specified financial services in or from the DIFC once licence has been granted

Authorised Market Institutions (2)

Licensed exchanges or clearing houses operating in DIFC. Currently NASDAQ Dubai and DME

DNFBPs (108)

Real estate developers and agents, dealers in precious metals, law firms, notary firms, accounting firms, company service providers and single family offices

Registered Auditors (16) and Audit Principals (49)

Provide auditing services to Authorised Firms, Domestic Funds and Public Listed Companies

Recognised Bodies (9)

Exchanges, clearing houses or settlement facilities recognised to conduct financial services without having physical presence in DIFC

Recognised Members (63)

Remote trading and clearing members recognised to conduct financial services without having physical presence in DIFC

DFSA Number of Employees (137)

Tomorrow's Regulatory Leaders

MoU's signed:

95 - Bilateral

4 - Multilateral

DFSA Regulation and Supervision

- Establishing a reputation as a well-regulated jurisdiction that is increasingly a banking, (re)insurance and wealth management hub
- Taking advantage of a strong underpinning as the first common law legal jurisdiction in the region
- Working closely with DIFC Authority to ensure licensing processes are streamlined and efficient
- Strengthening relationships with local and regional regulators, in addition to many international regulators

- Keeping pace with the global standard setters for financial services, providing comfort for growth of global operations
 - Basel Committee, IAIS, IOSCO, IFSB, IFIAR and FATF
- Considering the opportunities and risks posed by Fintech, and where regulators need to be placed in this business
- Gaining more market acceptance and traction with Qualified Investor Funds

- Using a range of supervisory and enforcement measures to ensure financial stability, fair treatment of clients and reputation of the DIFC
- Conducting risk assessments, establishing proper risk mitigation programmes and performing thematic reviews
- Adopting new financial reporting and business intelligence software to assess risks and undertake risk based supervision
- Increasing on-line reporting and submission capabilities for applicants and Firms

Supervisory Intensity Variables

Potential impact on DFSA objectives

Size of business
(revenue, number of clients, number of staff)

Nature of business
(deposits, client money, retail)

Complexity
(specialised activity)

Analysis of Risk Elements

Financial Risks

Operational Risks

Conduct Risks

Financial Crime

Risks

vs

Quality of
Corporate
Governance
and
Management
Strength

Upcoming Thematic Reviews

Client Classification

- Commencement planned Q2/2016.
- Focus in particular on individuals assessed by a firm as Professional Clients.
- Scope will include a Questionnaire sent to relevant firms, review of documents obtained, and onsite visits to selected firms.

Financial Crime

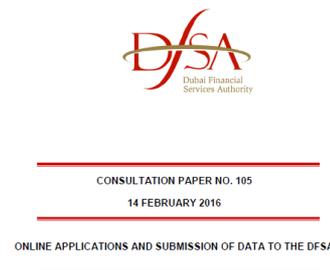
- Commencement planned Q3-Q4/ 2016.
- Focus on business AML risk assessments, ongoing CDD/KYC, and reporting of SARs.
- Scope will include review of annual AML return submissions and onsite visits to selected firms.

DFSA POLICY UPDATE

**Peter Smith, Managing Director,
Policy & Strategy
Sara Kalban, Supervision**

Plans for 2016 ...

- Finish work on Insurance Activities (CP103)
- Next stages of work on Online forms (CP105)
- Further consultations:
 - Arranging, Rep Offices & Financial Promotions
 - AML
- Crowdfunding: P2P lending
- Miscellaneous consultation



- Basel rules
 - Net Stable Funding Ratio
 - Leverage Ratio - 'hard' requirement
- Suitability
- Over-the-Counter (OTC) derivatives
- More on crowdfunding & other 'fintech'
- Fund platforms



COB 6.11 – applicability, definitions and general requirements

COB6.14 Record Keeping Requirements

Holds or controls Client Money

- **COB6.12** sets out the general requirements and applicable exclusions.
- Client Money Provisions are set out in APP5.

Providing Custody, Arranging Custody or holds or controls Client Investments

- **COB6.13** sets out the general requirements and applicable exclusions.
- Safe Custody Provisions are set out in APP6.

Process to Obtain an Endorsement

- Client Assets/Insurance Monies Endorsement for Firms who hold or control Clients Assets.
 - Self certification
 - Endorsement application
- Relief period:
 - Self certification (6) months (i.e. **3 April 2016 to 2 October 2016**)
 - Endorsement application fee waiver if application received on or before the **2 July 2016**.



Thank You