

DFSA Annual Outreach Session

Wednesday, 3 May 2017

The goal of the Dubai Financial Services Authority (DFSA) in making this presentation is to provide you with easy to understand information about the DFSA. The DFSA does not make any warranty or assume any legal liability for the accuracy or completeness of the information as it may apply to particular circumstances. The information, which may be amended from time to time, does not constitute legal advice or official regulatory policy. It is provided for information purposes only and does not amount to individual or general guidance on DFSA policy or Rules and may not be relied upon in any way. Please visit www.dfsa.ae to find the official versions of DFSA administered Laws, Rules and Policy Statements.

Key Note Speech

Ian Johnston
Chief Executive, DFSA

Opening Introduction From DIFC Authority

Jacques Visser
Chief Legal Officer, DIFC Authority

Opening Remarks From CONG

Adriana Beer
CONG Member

Supervision Key Messages

Bryan Stirewalt
Managing Director, Supervision

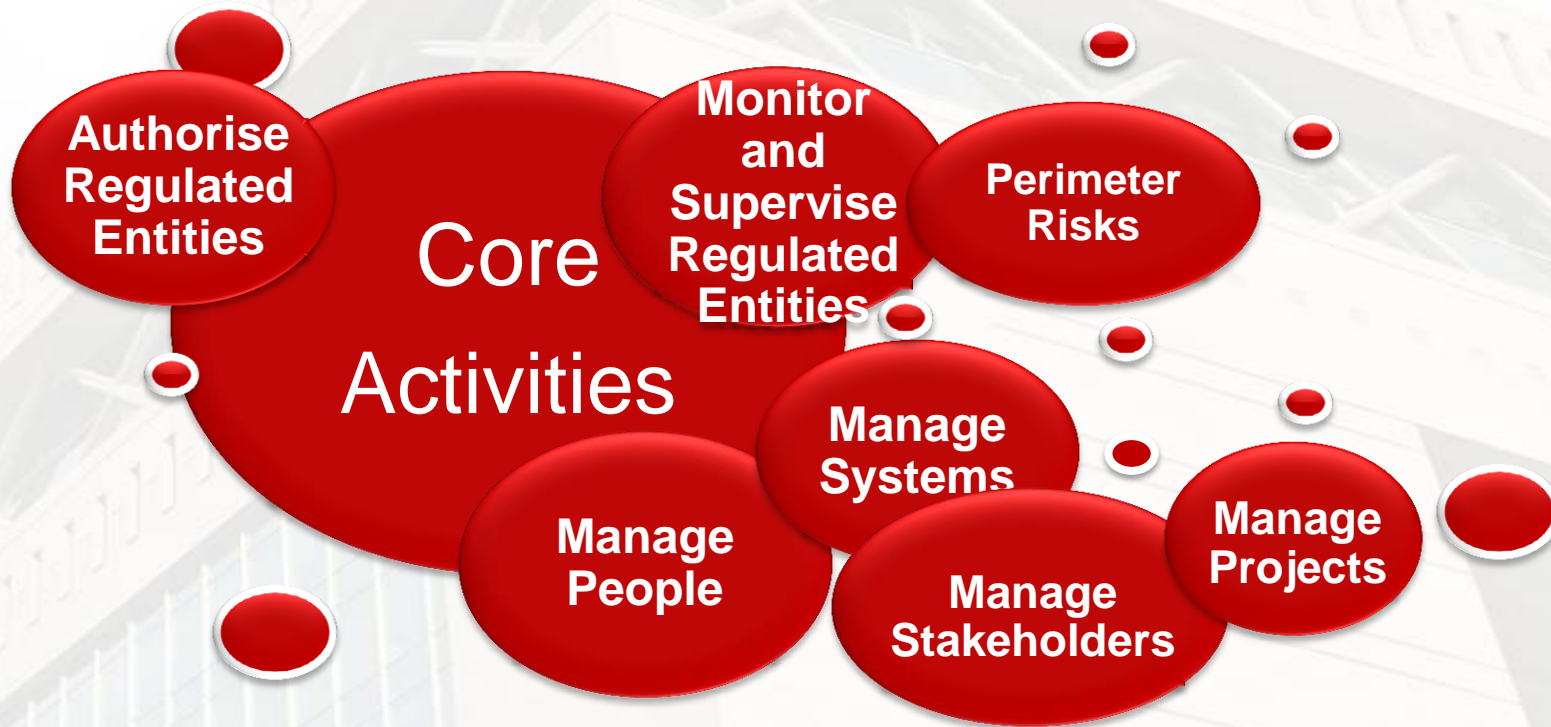
Global Macroeconomic Trends

- Elections are a roller coaster for markets
- Pendulum swinging back to deregulation
- Globalisation seems to be under threat from the West
- Interest rates possibly moving up
- Fiscal policy being discussed for the first time in years

Global Compliance Trends

- Regulatory focus on organisational culture
- Digitalisation and cyber security are primary risks
- Combating financial crime still an emphasis, but de-risking is gaining needed attention
- Common Reporting Standards now in place
- FinTech and Regtech are the new black, helping with access to payments, products, efficiency gains and financial inclusion ...data is king!

Supervision – Core Activities



C
o
m
m
u
n
i
c
a
t



Supervision Focus – Delivery

- Steering Corporate Behaviour
- Ensuring Products and Services are Suitable for Clients
- Ensuring Depositors and Insured Persons are Protected
- Combating Financial Crime
- Mitigating Operational Risks
- Creating Proper Environment for Innovation

Supervision Focus – Engagement

- UAE Regulators
 - Central Bank, AMLSCU, SCA, Insurance Authority
- Regional Regulators
- DIFC Stakeholders
- Global Standard-Setters
 - Basel Committee, IAIS, IFIAR, IFSB, IOSCO
 - FATF

Supervision Focus – Sustainability

- Obtain the right people from the market
- Train the people we have on the critical issues at hand
- Maintain a positive work environment for everyone
- *Emphasising...*
 - *Risk-based supervision;*
 - *Consistency;*
 - *Efficiency; and,*
 - *Innovation.*

Current Department Structure

Director, Authorisations

- Lower Impact Firms
- Higher Impact Firms

Director, Prudential Risk

- Higher Impact Firms with a Large Balance Sheet
- Deposit Takers, Insurers and Insurance Intermediation

Director, Conduct of Business Risk

- Higher Impact Firms without large balance sheet
- Financial Crime Unit

Director, Thematic Supervision and Infrastructure

- Lower Impact Firms
- MIS and Supervision Processes

Associate Director, Audit and Accounting

- Registered Auditors

Revised Department Structure

Director, Authorisations

- Lower Impact Firms
- Higher Impact Firms

Director, Prudential Risk

- Higher Impact Firms with a Large Balance Sheet
- Deposit Takers, Insurers and Insurance Intermediation

Director, Conduct of Business Risk

- All Firms, except those assigned to Prudential Risk
- Financial Crime Unit

Director, Supervision Policy, Operational Risk and FinTech

- Operational Risk, and Cybersecurity
- FinTech
- Supervision MIS

Associate Director, Audit and Accounting

- Registered Auditors
- Supervision Audit Trail

Why the need for change?

- Emphasise supervision policy and consistency
 - Digitalisation and online processes
- Emphasise operational risk, including cybersecurity
- Focus specifically on FinTech initiatives
 - Non-traditional firms need a non-traditional approach
- Build on successes of thematic supervision techniques
- Centralise MIS and data management
- Increase usage of the supervision portal
- Provide a better career path for our less experienced staff



Thank You

DFSA Policy Update

Peter Smith
Managing Director, Policy & Strategy

Plans for 2017 ...

- Completed changes from:
 - Arranging, Rep Offices and Financial Promotions (CP106)
 - AML (CP107)
- Complete first stage of work on FinTech
 - Crowdfunding: Lending (CP109) and Investments (CP111)
 - Innovation testing (CP112)
- Complete work on fees (CP110)
- Basel rules
 - Net Stable Funding Ratio
 - Updates to capital rules
- Funds
 - Open/closed ended vehicles
 - Listing and trading
 - Exchange-Traded Funds
 - Fund platforms



... and into 2018

- Resolution and client assets
- Review regime for compliance responsibility and role of Compliance Officers
- Suitability of investment advice
- Over-the-Counter (OTC) derivatives
- Rules on internal audit
- Further Basel changes: large exposures, etc.





Thank You

An overview of DFSA's Risk-Based Supervision Framework and Risk Tolerance

Serdar Güner
Director, Supervision

- How do we monitor and supervise?
- DFSA's Risk Assessment Framework
- What are the trends/issues logged across the regulated community?
- What is in our Supervisory Toolbox?
- Some take aways: Our Focus going forward

Monitor and Supervise



Risk-Assessment Framework

Risk Assessments

IMPACT

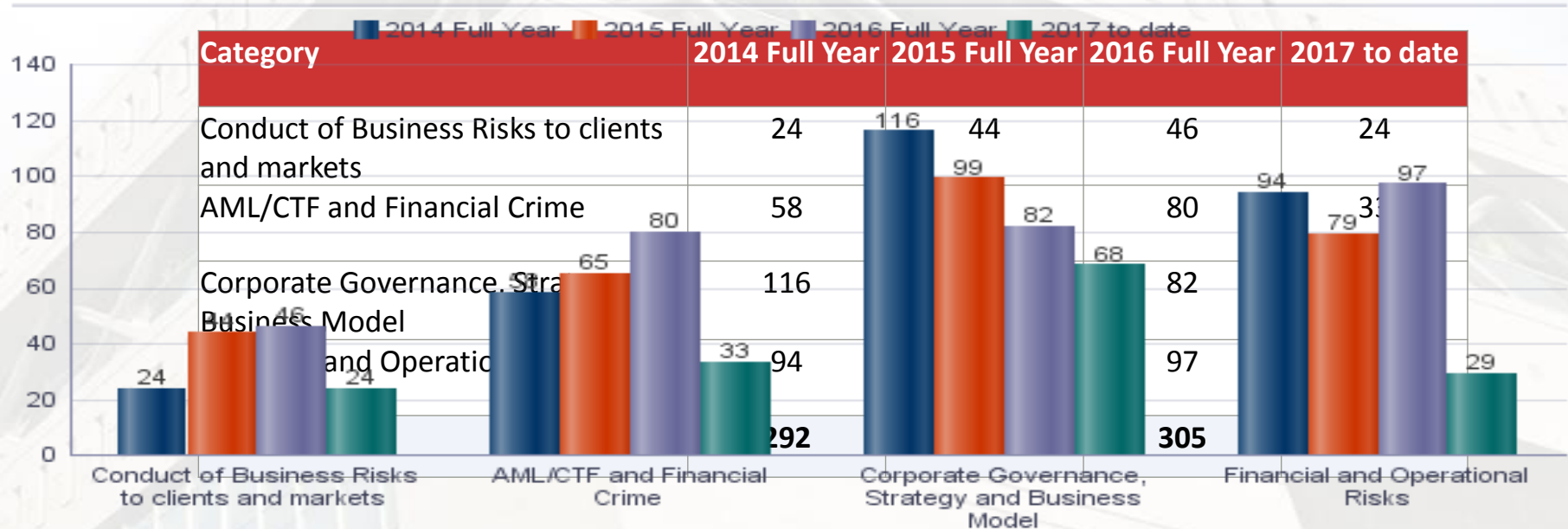
- PEPs
- Revenue/Capital
- Employees/Clients
- Client Assets/Insurance Monies
- Types of Clients
- Financial Services

PROBABILITY

- Corporate Governance
- Financial
- AML/ CTF
- Conduct of Business
- Operational

What are the Trends?

Number of Breaches - Consolidated



DFSA Possible Remedial Actions

- No Action
- Observations
- RMP: Risk Mitigation Plan Items
- Article 49: impose conditions or restrictions on the Firm's licence
- Article 50: withdraw authorisation in relation to one or more Financial Services
- Article 51: withdraw the Firm's licence
- Article 52: Suspension
- Article 75: imposing restrictions or prohibitions
- Article 76: restrictions
- Article 90: Sanctions
- Enforcement Action

Take aways

- What is DFSA's tolerance for various risk groups?
- What are the focus areas going forward?
 - Corporate Governance
 - Conduct
 - Suitability
 - AML
 - Operational Risk



Thank You