

DFSA Annual Outreach Session

Wednesday, 3 May 2017

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Breakout Session 3

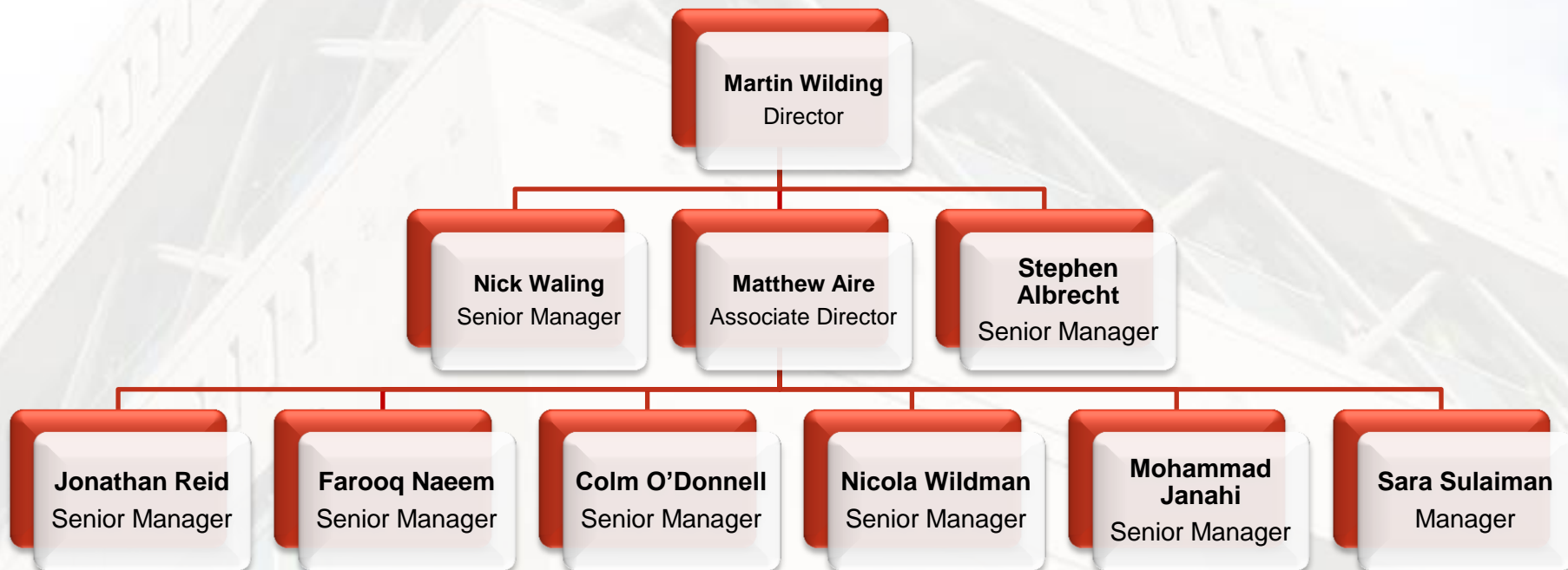
AUTHORISATIONS & FORMS ONLINE

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Agenda

1. Authorisation Team
 - Update
 - Statistics and Trends
 - Continuous Process Improvement
2. Forms Online
3. FINTECH (ITL & Crowdfunding)
4. Questions

Authorisation Team Introduction



Authorisation Statistics

As at 30th April 2017

457 Authorised Firms (“AFs”)

22 Firms authorised in the year to date

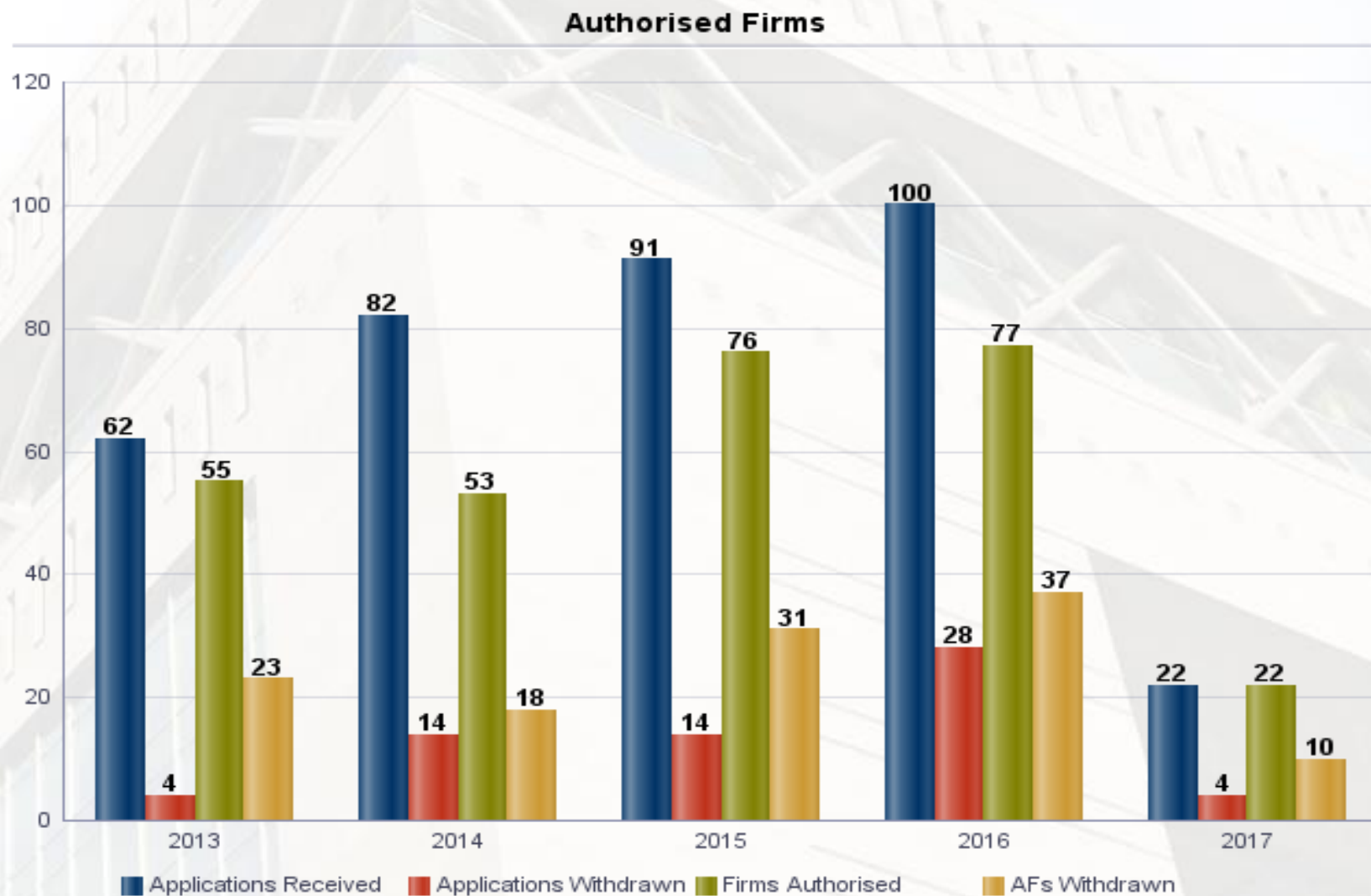
22 Applications accepted for processing year to date

Plus a strong “pipeline” of applicant firms:

26 AFs “In Principle”

14 AFs “Work in Progress”

Authorisation Trends 2013 to 2017



Turnaround Times

In January 2016 we introduced new “turnaround” target times:

- | | |
|--------------------------------|------------------|
| • Representative Office | 40 calendar days |
| • Category 4 | 80 |
| • Category 3 QIF* Managers | 42 |
| • Category 3 (excluding QIFMs) | 120 |
| • Category 1&2 | 180 |

In 2016, 92% of applications were determined within these targets, with 100% success for Representative Offices and QIF Managers.

(*Qualified Investment Fund)

How we can help you (1)

As a reminder, over the last couple of years we have introduced a number of improvements to our processes. For example:

- Most lower risk applicant firms are eligible to “self-certify” in respect of their AML, Compliance and Risk policies & procedures.
- Category 4 applicants can submit simplified financial projections.
- “In Principle” conditions can usually include:
 - Receipt of Homestate reference.
 - Appointment of a Principal Representative.
 - CO/MLRO & Finance Officer appointments.
 - Appointment of the internal and external audit function holder.

How we can help you (2)

We are continuing this programme of process improvement:

- Pre-licence physical office visits to be replaced by an “Operational Readiness” self-certification for most firms.
- Amendments to our front end process to include greater involvement of Case Manager specialists.
- Flexibility in considering FinTech applicants (to be covered later in this Breakout Session). This may, in time, bring benefits to other sectors.
- Design of new application forms for Crowdfunding and ITL applicants.
- All “In Principle” periods to be granted for an initial 6 months.

How you can help us (1)

Discuss applications with us at the earliest opportunity, and highlight to us any issues and difficulties such as:

- fitness & propriety issues with personnel and/or Controllers
- complaints about parent/group entities
- audit qualifications concerning parent/group entities
- firms with no financial accounts
- Group issues:
 - Complex group structures
 - Financial Groups & Non-Financial Groups

How you can help us (2)

- Focus on ensuring that the application is complete e.g.
 - forms are current, fully completed, and signed
 - supporting documentation is submitted, including:
 - explanation of origin & source of funds
 - organisational & group structure charts
 - supporting process flowcharts / maps
- Where a function is outsourced ensure that the proposed Authorised Individual has both the capacity and competence to undertake the role(s).
- Ensure that each application fully explains the planned business activities.
- If an eligible firm opts to self-certify in respect of its control documents please do not submit them.

Authorisations summary

Key messages -

- The DIFC is continuing to grow and deepen in terms of both firms and activities.
- 2016 was our busiest year for applications since 2008.
- 2017 is running along a broadly similar track.

- Intended project outcomes
- Phase 1
- Overview of the initial forms
- Next steps – testing
- Implementation – how it will appear and can be accessed
- *And finally.....*

Breakout 3: FinTech Conversation

Serdar Güner-Director, Supervision
Elisabeth Wallace-Senior Manager, Policy & Strategy
Adrian McCarthy-Senior Manager, Supervision

Introduction: The Age of Tech – 2006 to 2016

The Age of Tech

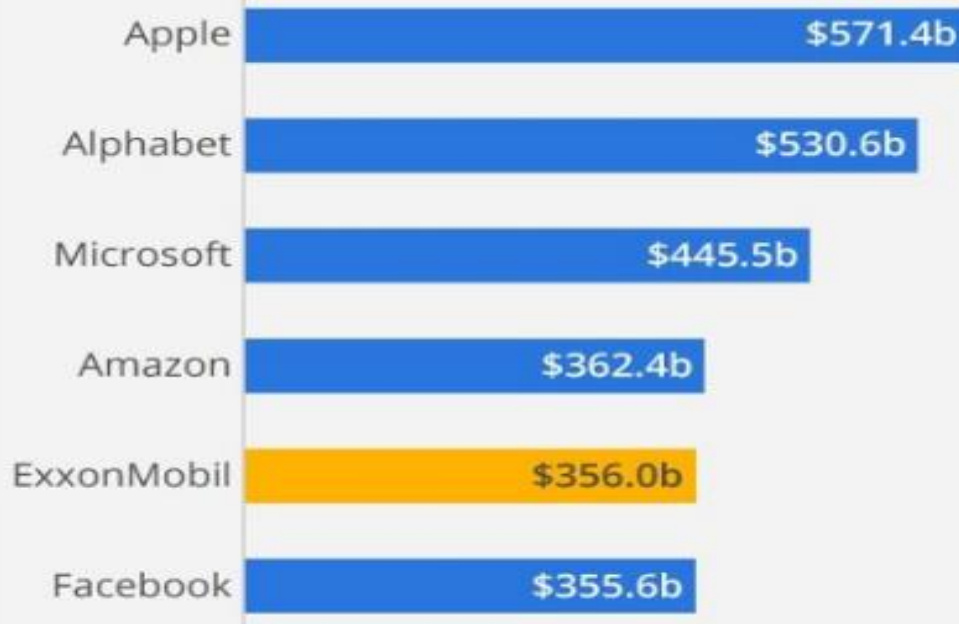
Market capitalization of the world's most valuable public companies

■ Tech
 ■ Oil/Energy
 ■ Financial Services
 ■ Conglomerate

2006



2016*



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Recent DFSA FinTech Consultations

Loan-Based Crowdfunding CP109



CONSULTATION PAPER CP109



CROWDFUNDING SME FINANCING THROUGH LENDING

31 January 2017

Investment-Based Crowdfunding CP111



CONSULTATION PAPER CP111



CROWDFUNDING: SME FINANCING THROUGH INVESTING

13 February 2017

Testing FinTech Innovations CP112



CONSULTATION PAPER CP112



TESTING FINTECH INNOVATIONS IN THE DIFC

6 March 2017

Context: UAE and Dubai Innovation Initiatives

THE NATIONAL STRATEGY FOR INNOVATION

Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai, launched a National Innovation Strategy on October 2014 with the aim of making the UAE one of the most innovative nations in the world within seven years.

مسرعات دبي المستقبل
DUBAI FUTURE ACCELERATORS

The DIFC Accelerator

FINTECH HIVE

DIFC



دبي الذكية
SMART DUBAI
لحياة أسعد
HAPPY LIVING

DUBAI BLOCKCHAIN STRATEGY

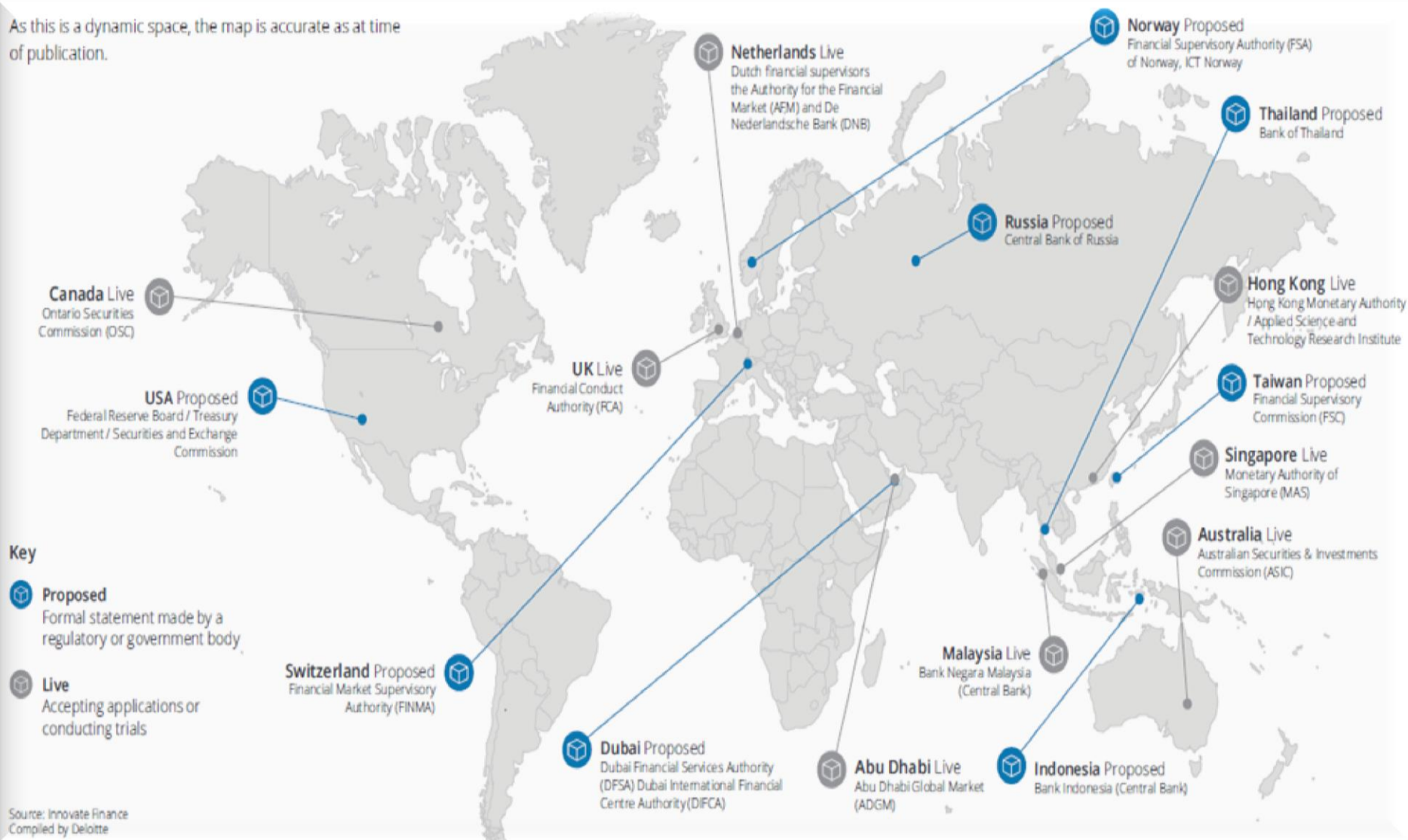
The Dubai Blockchain Strategy, launched by His Highness Sheikh Hamdan, is a result of a collaboration between the Smart Dubai Office and the Dubai Future Foundation to continually explore and evaluate the latest technology innovations that demonstrate an opportunity to deliver more seamless, safe, efficient, and impactful city experiences.

Dubai to Abu Dhabi in 12 minutes: It's happening



Global Map of Regulatory Sandboxes

As this is a dynamic space, the map is accurate as at time of publication.



DFSA FinTech Initiatives

1. Innovation Open Mind & Open Door

Contact us and then speak to us: fintech@dfsa.ae

2. DFSA working closely with the DIFC Authority



3. Crowdfunding: loan and investment-based
New Rules soon



4. Innovation Testing Licence (ITL) Guidance to be implemented



5. FinTech regulatory developments across the Globe



6. DFSA FinTech Implementation Group

Innovation Testing Licence (ITL) Process

Welcome & exploratory stage

- Establish contact with DIFCA and DFSA.
- Initiate discussions with DFSA regarding regulatory requirements for fintech business.

Testing phase

Testing of financial service takes place in line with the parameters set by the DFSA.

Application stage

- Apply for a **DFSA Financial Services Licence (an Innovative Testing Licence)** and commence DIFCA registration.
- If accepted, the DFSA will then issue the **Licence**.

Completion stage

- Results of testing stage confirmed to the DFSA.
- Based on this, a firm may request approval to progress to an **unrestricted Financial Services Licence** or discuss its exit strategy.

Proposed ITL Regime

Innovation Open Mind and Open Door

1. Innovative Use of Financial Tech

2. Restricted Licence
(Not a new type of DFSA Licence)

3. Test Plan / Ready to Test

4. Simplified Regulatory
Framework

5. Transition to Unrestricted Licence

6. Reporting Requirements

7. AML / Federal Law

8. Fees

Risks associated with crowdfunding

Risk	Explanation of Risk
1. Consumer understanding	Inexperience Asymmetry of information
2. Access to information	Advice is rare, information is only available via platform website
3. Conflicts of interest	Linked to platform remuneration practices, or allowing platform operators to use the platform services
4. Fraud & AML	Fraudulent use of lenders personal details or insufficient due diligence
5. Platform failure	Poor administration can lead to platform failure
6. Lack of an exit route	Limited access to secondary markets

Loan-based crowdfunding regime

1. New financial services activity

2. Prudential requirements

3. Conduct of Business requirements

4. Application of existing COB Rules for crowdfunding activities

5. Creation of new COB Rules for crowdfunding activities – due diligence, risk disclosure

6. Transfer facilities

7. Business cessation plans

8. AML + fees

Investment-based crowdfunding regime

A tailored regime specifically designed for those operating such a platform

The platform operator must have appropriate systems and controls

Operational transparency and adequate disclosure to all participants – issuers and investors - on the platform

Suitable checks on the platform participants (issuers and investors)

Appropriate safeguarding and segregation of Client Assets

The development of business cessation plans

Enabling the transfer of securities between investors

THE DFSA AND FINANCIAL TECHNOLOGY

The DFSA recognises the importance of technology to support or enable innovative financial services business models. Financial Technology has the ability to enhance and improve the efficiency of markets and provide better services and solutions to consumers.

The DFSA recognises that regulation has the potential to be both a facilitator and an impediment to the development of FinTech. It is important that not all FinTechs need to be regulated, but it is equally important that, at the appropriate point in the development of a FinTech product, regulation is applied.

In early 2017, the DFSA published two consultation papers on Crowdfunding, *SME Financing Through Lending* and *SME Financing Through Investment*. These papers set out the DFSA's measures to support the sustainable development of Crowdfunding within the DIFC.

Those consultation papers were the first in a series of papers setting out the DFSA's approach to FinTech. The next in the series of consultation papers is *Testing FinTech Innovations in the DIFC*. The DFSA will support businesses that want to develop and test FinTech business propositions in the DIFC, *Testing FinTech Innovations in the DIFC* Services Licence, referred to by the DFSA as an Innovation Testing Licence. Together with this limited Licence the DFSA will apply an appropriate set of DFSA Rules to ensure that the testing of the business proposition, service or product is appropriately controlled.



Thank You