





## BUSINESS PLAN 2019/2020

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## STATEMENT BY THE CHAIRMAN



SAEB EIGNER

CHAIRMAN

“ I AM PLEASED TO PRESENT THE SEVENTH PUBLISHED DFSA BUSINESS PLAN, WHICH COVERS THE YEARS OF 2019 AND 2020. THIS FOLLOWS ANOTHER PERIOD OF SIGNIFICANT ACHIEVEMENT AND ONGOING BROADENING AND DEEPENING OF THE DUBAI INTERNATIONAL FINANCIAL CENTRE (DIFC). ”

The DFSA has played a key role in helping to establish the DIFC as one of the world's leading financial centres. Our Business Plan aims to build upon our commitment to international standards and best practices so that the DIFC continues to grow and support the Dubai and UAE economies.

This Business Plan sets out the contribution we intend to make to the continued delivery of the Vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Emirates (UAE) and the Ruler of Dubai, for the creation of a truly world-class financial centre, contributing to the growth and development of Dubai and the UAE. We continue to be guided and encouraged in our efforts by His Highness Sheikh Maktoum bin Mohammed Bin Rashid Al Maktoum, Deputy Ruler of Dubai and the President of the DIFC, and by His Excellency Essa Kazim, the Governor of the DIFC.

The ongoing success of the DIFC is recognised globally. Dubai is now ranked amongst the top ten global financial centres according to The Banker magazine. This is complemented by a supportive business environment more generally, with the UAE ranked 11th globally on the World Bank's Ease of Doing Business Rankings. The DFSA will continue to contribute to the success of the DIFC and to Dubai and the UAE more broadly over the coming years. We will support the Islamic Economy Initiative framework for all types of Islamic finance activity, including the listing of Sukuk on Nasdaq Dubai, the world's largest venue for Sukuk listings. We will support the Dubai Plan 2021, through our adoption of various Smart Dubai initiatives and our support for the Dubai Data Initiative. The DFSA will continue to work with Dubai and UAE Government authorities, in a collaborative and co-operative manner, to build upon recent successes.

The UAE will be subject to a Financial Action Task Force (FATF) Mutual Evaluation in 2019, which means that preparation for this will form a significant part of our 2019/2020 Business Plan as it formed a key element in our 2018 business activities. Organisation-wide, the FATF Mutual Evaluation preparations and related workstreams will be a core priority for the DFSA over the business planning period. We have placed a heavy emphasis on combating all forms of illicit finance since the beginning of the DIFC, and this unwavering commitment will continue in the future. As an organisation, we will work to achieve the best possible outcome for the DIFC and assist other UAE authorities in their preparations where possible.

New financial technology, or FinTech, continues to have a significant impact on the financial services industry. It has the potential to change significantly the way we, as individuals and as companies, consume financial services, drive efficiencies within the sector, and foster financial inclusion. We expect the pace of technological development in the financial services sector to continue and, therefore, have included Innovation as a strategic theme over the coming years. As a strategic theme, Innovation refers to our readiness to facilitate technological development within the sector, while ensuring risks posed by such developments do not adversely impact our regulatory objectives. Innovation also refers to our focus internally, to seek to take advantage of new technologies to enhance our risk-based approach to regulation. This involves making use of increased automation and Artificial Intelligence in regulatory and non-regulatory processes, as well as seeking to facilitate the development of industry-led Regulatory Technology (or RegTech) solutions.

“ A KEY PRIORITY IN OUR PLAN REMAINS THE DEVELOPMENT OF A GROWING CADRE OF EMIRATI REGULATORS, IMBUED WITH INTERNATIONAL STANDARDS AND REGULATORY BEST PRACTICE. ”

To this end, we will continue to develop our Tomorrow's Regulatory Leaders (TRL) programme and supplement this with appropriate recruitment. This programme has yielded solid results for the DFSA, with TRL graduates taking up leadership positions both within the DFSA and in other UAE entities.

I am fortunate to be Chairman of an excellent international Board, which provides appropriate guidance and direction to our Chief Executive and his very able colleagues. Since the previous Business Plan, the depth of knowledge and experience of our Board has been enhanced by two excellent new appointees: Ms Julie Dickson and Ms Teo Swee Lian. So too has our management changed, with the recent appointment of Bryan Stirewalt as our new Chief Executive, who brings many years of experience to the position as a regulator and in emerging markets and clearly has the respect of both staff and firms alike.

As with all regulators, the people are what determine the quality and success of the organisation. I am confident that, with the team we have in place at the DFSA, we will continue to make a strong contribution to the success of the DIFC, and so play a part in the ongoing achievements of Dubai and of the UAE.

I close in thanking everyone at the DFSA for their extraordinary hard work and diligence, and everyone within and beyond our DIFC borders who has supported us throughout 2018.



SAEB EIGNER  
Chairman



# DFSA



THE DFSA IS THE INDEPENDENT REGULATOR OF FINANCIAL SERVICES CONDUCTED IN OR FROM THE DIFC, A PURPOSE-BUILT FINANCIAL FREE ZONE IN DUBAI, UAE.

The DFSA's regulatory mandate includes asset management, banking and credit services, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, an international equities exchange, and an international commodities derivatives exchange.

In addition to regulating financial and ancillary services, the DFSA is responsible for supervising and enforcing Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) requirements applicable in the DIFC.

# DFSA VISION & REGULATORY APPROACH



## VISION

To be an internationally respected regulator, leading the development of financial services through strong and fair regulation.



## MISSION

To develop, administer and enforce world-class regulation of financial services within the DIFC.



## REGULATORY APPROACH

To be risk-based and to avoid unnecessary regulatory burden.



## VALUES

- To expect high standards of ethical conduct and integrity from the DFSA and its people.
- To demonstrate professionalism, independence, efficiency, leadership and resolve in the discharge of our responsibilities.
- To ensure administrative fairness, consultative process, accessibility, impartiality and accountability in the performance of our functions.

# DFSA OBJECTIVES AND PRINCIPLES



THE DFSA HAS ESTABLISHED, AND STRIVES TO MAINTAIN, AN ENVIRONMENT THAT FOSTERS THE GUIDING PRINCIPLES OF INTEGRITY, TRANSPARENCY AND EFFICIENCY.

It has done so by embedding high standards in a clear, succinct and flexible regulatory framework based on international regulatory standards, as relevant to a modern international financial centre.

IN DISCHARGING ITS REGULATORY MANDATE, THE DFSA HAS A STATUTORY OBLIGATION TO PURSUE THE FOLLOWING OBJECTIVES:

- To foster and maintain fairness, transparency and efficiency in the financial services industry (namely, the financial services and related activities carried on) in the DIFC;
- To foster and maintain confidence in the financial services industry in the DIFC;
- To foster and maintain the financial stability of the financial services industry in the DIFC, including the reduction of systemic risk;
- To prevent, detect and restrain conduct that causes or may cause damage to the reputation of the DIFC or the financial services industry in the DIFC through appropriate means, including the imposition of sanctions;
- To protect direct and indirect users and prospective users of the financial services industry in the DIFC; and
- To promote public understanding of the regulation of the financial services industry in the DIFC.

IN EXERCISING ITS POWERS AND PERFORMING ITS FUNCTIONS, THE DFSA SHALL TAKE INTO CONSIDERATION THE FOLLOWING GUIDING PRINCIPLES:

- Pursuing the objectives of the DIFC as set out under Dubai and Federal Law;
- Fostering the development of the DIFC as an internationally respected financial centre;
- Co-operating with and providing assistance to regulatory authorities in the United Arab Emirates (UAE) and other jurisdictions;
- Minimising the adverse effects of the activities of the DFSA on competition in the financial services industry;
- Using its resources in the most efficient way;
- Ensuring that the cost of regulation is proportionate to its benefit;
- Exercising its powers and performing its functions in a transparent manner; and
- Complying with relevant generally accepted principles of good governance.

## STATEMENT BY THE CHIEF EXECUTIVE



BRYAN STIREWALT

CHIEF EXECUTIVE

“ IT IS MY PLEASURE TO PRESENT THE DFSA’S BUSINESS PLAN FOR THE PERIOD OF 2019 TO 2020, WHICH COVERS OUR CORE ACTIVITIES AND STRATEGIC PRIORITIES FOR THE COMING TWO YEARS. OUR BUSINESS PLAN IS ALIGNED WITH OUR STATUTORY OBJECTIVES AND AIMS TO ENSURE THAT WE DELIVER THE OUTCOMES EXPECTED OF US. ”

The development of our Business Plan follows a period of ongoing success for the DIFC and Dubai more broadly. This ongoing success is reflected in both breadth and depth, with the DFSA now regulating 491 Authorised Firms and two exchanges, and registering and having oversight of 16 Registered Auditors and 116 Designated Non-Financial Businesses and Professions, as at the end of 2018.

The ongoing increase in size and maturity of the DIFC continues despite a period of challenging macroeconomic conditions in the region and geopolitical challenges around the globe. This reflects the solid longer-term prospects of the DIFC as a place to do business, supported by a world-class regulatory regime that can respond to challenges as they arise. In developing our Business Plan, we consider the global and regional economic environment, international regulatory developments, trends amongst the regulated community, and our Board’s risk tolerance.

Such considerations include:

- The upcoming FATF Mutual Evaluation of the UAE in 2019 will command a considerable amount of our attention and resources over the coming period, as it has in the previous period. Preparation for the review, including ensuring effective implementation of required rulebook changes, will be another key supervisory focus. We will also continue to assist and cooperate with Dubai and Federal Government authorities in preparing for the upcoming review.
- Regional economies have recently emerged from a challenging period of low commodities prices and slowing regional growth trends. Conditions across the region are improving on strengthening government fiscal balances and accelerating regional infrastructure investment. Globally, however, a number of key risks cloud the economic outlook, including the build-up of debt in a number of economies, rising interest rates, tightening liquidity and potential for tensions in global trade to escalate. For us, it is important that we continue to monitor trends in credit and liquidity risks against such a backdrop.
- The pace of regulatory change globally has slowed in recent years as standard-setters have shifted focus from post-crisis reform towards implementation. For us too, this will be a key supervisory focus in the coming years, with a particular focus on ensuring firms have effective corporate governance and risk management in place. We will continue our focus on proper client classification and suitability of product offerings. We will also offer more emphasis on protection of client assets, particularly in a resolution scenario.
- Enhancing cyber-resilience of our regulated population will also be a key priority, as we seek to confirm, that our firms are equipped to deal with cyber-security risks as they arise. We look to work closely with other regulators and through public/private partnerships so that this risk is effectively captured and mitigated. An encouraging feature has been recent developments in new regulatory technology, or RegTech. This has the potential to drive efficiencies and reduce the cost of compliance for our regulated entities. We will continue to engage with firms offering such solutions so as to better understand the technology and facilitate development where possible. Such consideration of new technology has led to Innovation becoming a strategic theme for the DFSA over the business planning period.
- We have witnessed continued adoption of new technologies amongst financial services firms globally and within the DIFC. New financial technology, or FinTech, has been a key focus for the DFSA in recent years and will continue to be as this aspect of financial services evolves over time. With this in mind, we will seek to facilitate and encourage the development of new technology in our regulated community while maintaining appropriate safeguards.



Lastly, 2018 saw the collapse of a large private equity group, Abraaj. The DFSA licensed Abraaj Capital Limited (ACL) to carry on regulated activities within the DIFC, but did not regulate Abraaj Holdings Limited, nor Abraaj Investment Management Limited (AIML), nor license the private equity funds, all of which were domiciled in the Cayman Islands. The DFSA has taken regulatory action, and assisted the liquidators, in order to protect the interests of the investors in the Cayman-domiciled funds, and will continue to do so. The DFSA has for some time been investigating a range of matters in relation to ACL.

“ THE DFSA WILL CONTINUE TO DO EVERYTHING WITHIN ITS POWER TO PURSUE ANY EVIDENCE OF VIOLATIONS OF DFSA LAWS AND REGULATIONS IN THE DIFC. ”

Given the importance of the Abraaj group - as a large private equity group in the Middle East, and its connections with Dubai - if the DFSA concludes, following our investigations, that there are lessons to be learned we will take steps to strengthen our supervisory oversight going forward. We will also be reviewing our risk-based approach to supervision to ensure that it properly captures some of the features of the particular case. In addition, we will examine whether our regime addresses correctly the situation where firms locate legal entities providing services to each other in different locations, which can complicate supervision. Lastly, the collapse of this firm will influence our thinking on corporate governance, on the allocation of responsibilities amongst the senior management of firms, and on the best way to assign responsibility for compliance within regulated firms.

Based on the considerations described above, Delivery, Sustainability, Engagement and Innovation are our strategic themes for 2019/2020. Our strategic themes and regulatory priorities underpinned by them are described in more detail in our Business Plan.

In closing, I would like to thank my staff for their considerable efforts in shaping our Plan and implementing it day to day. I also express my gratitude to our Board and Chairman for their guidance and support in shaping our strategy. Finally, I would like to thank our outgoing CEO, Ian Johnston, for his contribution to the DFSA over the years.

BRYAN STIREWALT

Chief Executive

# STRATEGIC THEMES IN ACTION



FOUR STRATEGIC THEMES HAVE BEEN IDENTIFIED THAT WHICH WILL DRIVE OUR WORK OVER THE COURSE OF 2019/2020.

The themes – Delivery, Sustainability, Engagement and Innovation reflect the context in which we operate: the continuing evolution of the DIFC as a financial centre and the DFSA as a regulator, against the backdrop of a growing Dubai and UAE. The population of the Centre continues to grow, as does the depth and breadth of activities conducted. This continues to demand a finely tuned risk-based approach to regulation, to make appropriate use of our limited resources.

DFSA 2019/2020 BUSINESS PLAN SUMMARY		
VISION MISSION REGULATORY APPROACH		<ul style="list-style-type: none"> <li>TO BE AN INTERNATIONALLY RESPECTED REGULATOR, LEADING THE DEVELOPMENT OF FINANCIAL SERVICES THROUGH STRONG AND FAIR REGULATION.</li> <li>TO DEVELOP, ADMINISTER AND ENFORCE WORLD-CLASS REGULATION OF FINANCIAL SERVICES WITHIN THE DIFC.</li> <li>TO BE RISK-BASED AND TO AVOID UNNECESSARY REGULATORY BURDEN.</li> </ul>
STRATEGIC THEMES IN ACTION		
<b>DELIVERY</b> EXECUTE CORE FUNCTIONS WITH PROFESSIONALISM AND EFFICIENCY	DELIVER WORLD-CLASS REGULATION AND EFFECTIVE ENFORCEMENT	<ul style="list-style-type: none"> <li>UNDERTAKE THOROUGH PREPARATIONS FOR, AND FOLLOW-UP TO, THE FSAP AND FATF ASSESSMENTS AND PROVIDE ANY REQUESTED SUPPORT TO OTHER UAE AUTHORITIES.</li> <li>FOCUS ON PROPORTIONATE, DIFC-APPROPRIATE IMPLEMENTATION OF INTERNATIONAL STANDARDS.</li> <li>PURSUE RULEBOOK SIMPLIFICATION, WHERE POSSIBLE.</li> <li>TAKE RELEVANT AND APPROPRIATE ENFORCEMENT ACTION.</li> </ul>
	MAINTAIN QUALITY AS DIFC SCALE INCREASES	<ul style="list-style-type: none"> <li>PURSUE EFFICIENCIES WITHOUT COMPROMISING ON QUALITY (E.G. REFINEMENTS TO RISK-BASED REGULATION).</li> <li>DELIVER CREATIVE PROCESS AND IT SOLUTIONS AS PART OF MAINTAINING OPERATING EXCELLENCE.</li> </ul>
<b>SUSTAINABILITY</b> POSITIVELY SHAPE OUR ENVIRONMENT & ORGANISATION FOR THE LONG-TERM	ENHANCE ORGANISATIONAL ROBUSTNESS AND RESILIENCE	<ul style="list-style-type: none"> <li>BUILD CLEAR, EFFICIENT AND SCALABLE REGULATORY AND NON-REGULATORY PROCESSES.</li> <li>DEVELOP BETTER KNOWLEDGE MANAGEMENT SYSTEMS, MATCH RECRUITMENT AND DEVELOPMENT TO MANPOWER NEEDS.</li> </ul>
	SUPPORT DUBAI GOVERNMENT STRATEGY AND DIFC DEVELOPMENT	<ul style="list-style-type: none"> <li>WORK MORE CLOSELY &amp; COLLABORATIVELY WITH DIFC BODIES TO SUPPORT SUSTAINABLE GROWTH OF THE CENTRE.</li> <li>CONTINUE ALIGNMENT WITH DIFC AND DUBAI GOVERNMENT STRATEGY (ISLAMIC ECONOMY, ETC.).</li> </ul>
	BUILD UAE NATIONAL CAPABILITY	<ul style="list-style-type: none"> <li>CONTINUE TO BUILD REGULATORY CAPACITY VIA THE TRL PROGRAMME.</li> <li>STRIVE TO IMPROVE EMIRATI REPRESENTATION THROUGHOUT THE DFSA.</li> </ul>
<b>ENGAGEMENT</b> THOUGHTFUL & ACTIVE ENGAGEMENT WITH KEY STAKEHOLDERS	JURISDICTIONAL UNCERTAINTY	<ul style="list-style-type: none"> <li>MAINTAIN EFFORTS TO RESOLVE ON-GOING BOUNDARY ISSUES SO THAT THE CENTRE CAN CONTINUE TO GROW.</li> </ul>
	REGULATED FIRMS AND HOME REGULATORS	<ul style="list-style-type: none"> <li>UNDERTAKE REGULATION IN A CONSISTENT, TRANSPARENT AND RISK-BASED MANNER.</li> <li>CONTINUE OUTREACH ACTIVITIES TO PROMOTE UNDERSTANDING OF THE REGULATORY REGIME.</li> <li>MAINTAIN SOUND RELATIONSHIPS WITH REGULATORS IN KEY JURISDICTIONS AND DEVELOP RELATIONSHIPS IN JURISDICTIONS ANTICIPATED TO HAVE INCREASED IMPORTANCE.</li> </ul>
	OTHER REGULATORS	<ul style="list-style-type: none"> <li>ENGAGE MENA/GCC REGULATORS &amp; CONTRIBUTE TO REGIONAL FORA, AND (II) AFRICAN REGULATORS.</li> </ul>
	DUBAI AND UAE AUTHORITIES	<ul style="list-style-type: none"> <li>CONTINUE BUILDING RELATIONS WITH DUBAI AND UAE BODIES.</li> <li>ENGAGE CONSTRUCTIVELY WITH PLANS BY FEDERAL AUTHORITIES TO ENHANCE THE UAE FINANCIAL SECTOR.</li> </ul>
<b>INNOVATION</b> CREATIVE & FACILITATIVE APPROACH AS A REGULATOR & AS AN ORGANISATION	GLOBAL STANDARD-SETTERS	<ul style="list-style-type: none"> <li>RETAIN OUR STANDING AMONGST KEY GLOBAL STANDARD-SETTERS.</li> </ul>
	FACILITATE FINTECH DEVELOPMENT	<ul style="list-style-type: none"> <li>TAKE STEPS TO UNDERSTAND THE RISKS &amp; OPPORTUNITIES POSED BY FINTECH; RESPOND APPROPRIATELY.</li> <li>SUPPORT UAE &amp; DUBAI EFFORTS.</li> </ul>
	BE PART OF ADVANCES IN REGTECH	<ul style="list-style-type: none"> <li>REFINE WARNING SYSTEMS TO ENHANCE RESPONSIVENESS TO EMERGING RISKS.</li> <li>FACILITATE DEVELOPMENT OF INDUSTRY-LED REGTECH SOLUTIONS.</li> </ul>
WORKING SMARTER	<ul style="list-style-type: none"> <li>IMPLEMENT DIGITALISATION STRATEGY FOR THE WHOLE OF DFSA, TO ACHIEVE DUBAI GOVERNMENT &amp; DFSA GOALS, INCLUDING BECOMING EVEN MORE RISK-BASED.</li> </ul>	
REGULATORY PRIORITIES		
<b>FINANCIAL CRIME</b> <ul style="list-style-type: none"> <li>BE VIGILANT IN ADDRESSING ALL FC ISSUES.</li> <li>STRENGTHEN EXISTING LINKS WITH RELEVANT LOCAL AND FEDERAL BODIES TO MITIGATE FINANCIAL CRIME RISKS.</li> </ul>	<b>CONDUCT</b> <ul style="list-style-type: none"> <li>CONTINUE TO EMPHASISE CONDUCT RISK (GENERALLY MORE PROMINENT THAN PRUDENTIAL) WHILE PROVIDING APPROPRIATE PRUDENTIAL ATTENTION TO FIRMS EXPECTED TO HAVE RAPID BALANCE SHEET GROWTH.</li> </ul>	<b>STANDARDS ALIGNMENT</b> <ul style="list-style-type: none"> <li>DEMONSTRATE EFFECTIVE IMPLEMENTATION OF INTERNATIONAL REGULATORY STANDARDS VIA THE FSAP &amp; FATF PROCESS.</li> <li>IN RELEVANT AREAS, CONTINUE TO ALIGN WITH EU STANDARDS.</li> <li>UPHOLD COMMITMENT TO SIMPLIFY THE RULEBOOK.</li> </ul>

## BANKING

THE DIFC BANKING SECTOR COMPRISES 33 COMMERCIAL BANKS LOCATED IN THE DIFC, WITH TOTAL ASSETS REACHING USD 155 BILLION AS AT Q4 2018.

The success and continued growth of the DIFC's banking sector in part reflects our commitment to ensuring our regulatory regime is in line with global standards. To that end, we will continue to deliver on the regulatory reform agenda emanating from the global financial crisis of 2008. This includes the development of a resolution regime for DIFC banks and other remaining regulatory changes from the Basel Committee for Banking Supervision.

While the regulatory reform agenda is ongoing, the pace of change at global standard-setters has slowed, and focus has shifted more towards implementation and effective supervision.

**FOR THE DFSA, EFFECTIVE SUPERVISION IS KEY, WITH A CLEAR FOCUS ON GOOD GOVERNANCE AND EFFECTIVE RISK MANAGEMENT.**

The DFSA will continue to adopt a supervisory approach promoting these standards, in conjunction with an early and effective intervention regime to safeguard the DIFC's banking sector.

Our supervisory priorities with respect to the banking sector over the business planning period include ensuring adequate implementation of liquidity requirements – such as the liquidity coverage ratio and net stable funding ratio – by DIFC banks. As per our risk tolerance, closer attention and scrutiny will be applied to those entities considered systemically important either locally or regionally.

In addition, we will seek to complete the implementation of IFRS 9, including the classification of non-performing loans and the impact on capital. We will continue to monitor asset quality and concentration risk while also seeking to make more use of improved monitoring and analytics of the banks we regulate, and of potential risks.

A key aim of our banking supervisory regime will be to focus our examinations on emergent risks. This includes new technologies used in the banking sector, as we strive to provide a balance between fostering innovation in the sector and minimising potential risks financial innovation may pose. Finally, we will seek to enhance our relationship with key regional banking regulators, so as to foster a co-operative approach when dealing with regional issues and encourage information sharing amongst regulators.



## INSURANCE

The DIFC is home to 20 reinsurers and 60 insurance intermediaries. Over recent years, the insurance market has faced a number of challenges including overcapacity in the global reinsurance market, low - albeit rising - interest rates, and challenging regional business conditions. This has been offset in part by health insurance, which has become a valuable source of business for DIFC insurers.

For the business planning period, our supervisory priorities include the development and implementation of IFRS 17. Despite the introduction of IFRS 17 being deferred by one year, it remains a key change for the insurance industry and will occupy a great deal of our time and that of our regulated firms. Consistent with our supervisory approach more broadly, and in line with our digitalisation drive, we will seek to make better use of industry analytics to inform our risk-based approach to supervision. Over the business planning period, we will conduct a thematic review of the professional indemnity insurance cover required of some of our regulated entities, with a view to assessing whether such cover mitigates risks in the way we anticipate when requiring firms to hold it, and providing the industry with sufficient guidance regarding such coverage.

**WE WILL ALSO INCREASINGLY FOCUS ON THE CHANGING NATURE OF NATURAL CATASTROPHE RISK, TO CAPTURE CHANGING DYNAMICS IN INSURANCE RISK.**

Our greatest focus follows the increase in frequency of large losses and accumulation of risk through increased insurance penetration, placing an increased focus on underwriting standards.

## WEALTH MANAGEMENT



THE WEALTH MANAGEMENT SECTOR HAS BEEN A KEY CONTRIBUTOR OF GROWTH TO THE DIFC OVER RECENT YEARS, WITH SOLID GROWTH IN DOMESTIC FUNDS MANAGEMENT.

We will continue to facilitate development of this sector by improving the licensing and registration process of fund managers and funds. We aim to provide an efficient and cost effective process of applicants establishing themselves and setting up funds domiciled in the DIFC. This will include introducing online forms for all fund managers and funds to compliment our focus on a seamless application process.

A heavy focus will continue on how our regulated firms manage client assets. As we have no tolerance of misappropriation or mishandling of client assets and monies, we expect all regulated firms to maintain proper systems and controls for the safeguarding and segregation of client assets. Over the business planning period, we will enhance awareness amongst the regulated community regarding their regulatory obligations in this regard and will conduct a thematic review of client assets.

We will also undertake a thematic review in respect of our asset management firms. Specifically, we will focus on firms acting as an asset manager, or advisor, providing such services to foreign funds. This will enable us to enhance our supervisory approach with respect to such entities and confirm that any such activity falls within our regulatory risk tolerance.

## MARKETS

THE DFSA HAS NO TOLERANCE OF ANY ABUSE OF DIFC FINANCIAL MARKETS, INCLUDING ANY INSTANCES OF MARKET MANIPULATION, INSIDER TRADING OR ANY OTHER ACTIVITY THAT SEEKS TO UNDERMINE THE CREDIBILITY OF DIFC FINANCIAL MARKETS.

The DFSA will continue to promote fair, transparent and efficient markets through ongoing monitoring of trading activity for any irregularities. We will prioritise investigations and enforcement activity where there is credible suspicion of market abuse. In addition, we will continue to raise awareness of, and promote, the Code of Market Conduct to industry participants.

The ongoing success of the DIFC as the world's leading Sukuk listing venue will continue to be supported by the DFSA in its operation of the DFSA listing authority. We will continue to work with the industry to facilitate Sukuk listings in the Centre and to ensure that the DIFC remains a world-leading Sukuk listing venue, a key aspect of our contribution to the Dubai Islamic Economy Initiative.

The recent decision by Saudi Aramco to include the Dubai Mercantile Exchange (DME) Oman crude oil price in its official selling price for shipments of sour crude oil to Asia is a positive development for the DIFC.

WITH ITS NEW BENCHMARK STATUS, INCREASED TRADING ACTIVITY ON DME CRUDE OIL MARKETS WILL BECOME A LARGER FOCUS OF THE DFSA, AS WE SEEK TO MINIMISE MARKET ABUSE.

Similarly, we will continue to monitor and closely scrutinise equity futures markets in the DIFC, particularly with respect to futures where the underlying securities are traded on another market outside the DIFC.

## ANTI-MONEY LAUNDERING/ FINANCIAL CRIME (AML/CTF)

GIVEN THE NATURE AND SCOPE OF FINANCIAL SERVICES IN THE DIFC, AND DUBAI'S POSITION AS A LEADING REGIONAL CENTRE OF TRADE AND COMMERCE, AML/CTF ARE KEY PRIORITIES FOR THE DFSA. ASSESSMENT OF AML/CTF PROGRAMMES WILL CONTINUE TO BE AN INTEGRAL PART OF OUR SUPERVISION OF AUTHORISED ENTITIES.

The DFSA will utilise various tools to identify and mitigate AML/CTF risks including, but not limited to, desk based reviews, on-site risk assessment, thematic reviews, and reporting obligations such as annual AML reports.

In addition to our regular programme of AML/CTF risk mitigation, the UAE will be subject to a FATF Mutual Evaluation in 2019. The DFSA will prioritise preparation for this and will work in co-operation with UAE authorities to such ends. Our preparations will focus on:

- Checking that our regulated community have implemented changes we have made to our AML regime;
- Developing our risk-based approach to supervision of AML/CTF risks; and
- Further engagement with our regulated community in relation to such risks.

Organisation-wide, the FATF Mutual Evaluation and its related workstreams will be a key priority for the DFSA over the business planning period.

## FINANCIAL TECHNOLOGY AND CYBER-RESILIENCE

THE LANDSCAPE FOR NEW FINANCIAL TECHNOLOGY CONTINUES TO DEVELOP BOTH LOCALLY AND GLOBALLY.

The DFSA recognises the important role that innovation and technology can play in enhancing the ability of the financial services sector to serve the broader economy. Over the business planning period, the DFSA will continue to facilitate the development of new financial technology within the DIFC. We will maintain a close working relationship with FinTech Hive at DIFC, actively supporting accelerator programmes, meeting with start-up firms wishing to obtain a financial services licence, and providing informal assistance where necessary. We will also engage with regional and international regulators with regards to FinTech and build upon the agreements we already have in place, including our involvement in the recently established Global Financial Innovation Network (GFIN).

TECHNOLOGICAL DEVELOPMENTS ARE INCREASINGLY ASSISTING MANY MARKET PARTICIPANTS IN MEETING THEIR REGULATORY OBLIGATIONS, AND HELPING REGULATORS TO MONITOR MARKET ACTIVITY.

Commonly referred to as RegTech, such developments are helping to increase efficiency in operational flows, develop new risk insights and other benefits for both market participants and regulators. The DFSA has embraced RegTech and will continue to do so. Internally, we will do so through our digitalisation programme. Externally, we will continue to engage with firms in the DIFC offering RegTech solutions, to understand developments in the field, to facilitate progress where possible, and to try and understand how such technology may change the way we need to regulate.

INCREASED USE OF TECHNOLOGY BY THE REGULATED POPULATION HAS BROUGHT MANY EFFICIENCIES, BUT THIS HAS ALSO SHIFTED THE NATURE OF RISKS FACED BY SOME ENTITIES.

Specifically, cyber-attacks in the financial services sector are occurring with greater frequency, necessitating the need for heightened cyber-resilience of the regulated community. Addressing this shifting risk profile, the DFSA recently established an Operational and Technology Risk unit within the Supervision division, highlighting our increasing supervisory focus on such risks.

OVER THE BUSINESS PLANNING PERIOD, CYBER-RESILIENCE OF THE REGULATED COMMUNITY WILL RECEIVE MORE SUPERVISORY FOCUS THAN PREVIOUSLY WAS THE CASE.

The DFSA expects the regulated community to have sufficient safeguards in place to shield against the risk of a cyber-attack, as well as being sufficiently prepared to respond to a successful attack. This includes appropriate governing body oversight of cyber-risk management and firms having in place a cyber-resilience plan. Our focus on cyber-risk will also include the development of industry level guidance on such risks and a cyber-security thematic review to be completed during the business planning period.

## AUDIT



### THE DFSA WILL CONTINUE ITS INSPECTION PROGRAMME FOR AUDITORS OF REGULATED FIRMS.

Concerns have been raised in several other jurisdictions about the quality of audit work, and the independence of that work given other services that some audit firms provide. The DFSA will consider the risks this poses to the soundness of DIFC markets. We will also continue to be an active participant in the work of the International Forum of Independent Audit Regulators (IFIAR). In addition, we will continue to monitor the quality of audits of listed entities, with a particular focus on annual reporting and corporate governance arrangements.

## RULEBOOK REVIEWS

THE DFSA REMAINS 'OPEN FOR BUSINESS' WHEN IT COMES TO NEW FINANCIAL TECHNOLOGIES AND WE CONTINUE TO EXPLORE HOW OUR REGULATORY REGIME CAN ACCOMMODATE NEW AND INNOVATIVE BUSINESS MODELS.

Recent achievements – including the development of crowdfunding regimes, the establishment of our Innovation Testing Licence and our involvement with Fintech Hive at DIFC – will be built upon over the business planning period, including by extending our crowdfunding regime to allow for different assets to be crowdfunded. With the recent growth of digital assets (such as tokenised securities and crypto-currencies), we intend to develop a regulatory regime for digital assets. In dealing with new technology, we will take a regulatory approach that allows for innovation while ensuring strict adherence to the DFSA's licensing, prudential and conduct requirements.

### TREATMENT OF CLIENT ASSETS BY REGULATED ENTITIES REMAINS A KEY REGULATORY FOCUS OF THE DFSA.

We will review our Client Assets regime over the business planning period. This will include identifying gaps and loopholes in our current regime and amending the Rulebook accordingly. Further, we will review our regime against the requirements of global standard-setters, so as to verify that our regime is compliant with international best practice.

Finally, we will seek to inform firms and auditors on our expectations regarding the treatment of Client Assets, through Outreach sessions, so as to promote better compliance with the intended purpose of our regulatory regime.

### IN 2019/2020, WE WILL INTRODUCE NEW RULES ON HIGHLY LEVERAGED PRODUCTS FOR RETAIL INVESTORS.

Such products are typically characterised by their speculative nature and complex structures, often resulting in retail investors being exposed to products that are unlikely to meet their longer term savings and investment goals. Our regulatory regime will, therefore, aim to require that suitable disclosure of the risks of such products is better communicated, that such products are suitable to retail investors needs, and to oblige that firms offering such products to have the appropriate systems and controls in place.

## ENFORCEMENT

AS A RISK-BASED REGULATOR, OUR ENFORCEMENT PRIORITIES ARE ALIGNED WITH OUR REGULATORY RISK TOLERANCE. TO THAT END, WE WILL PRIORITISE INVESTIGATIONS AND ENFORCEMENT ACTIONS TOWARDS CERTAIN ACTIVITIES.

This includes:

- Financial crime, such as money laundering, terrorism financing, deliberate breaches of United Nations sanctions or any breaches of Federal Law;
- Any instance of market abuse in trading, such as market manipulation and insider trading;
- Misappropriation and mismanagement of client assets; or
- Misleading or deceiving the DFSA or obstructing a DFSA-wide investigation.

To maintain integrity of DIFC financial markets and retain confidence in the DIFC financial services industry, we will seek to apply substantial financial penalties for significant violations of our regulations. This will enhance the deterrent effect of our enforcement actions and assist us in delivering our vision of strong but fair regulation. We will also seek to improve the timeliness and transparency of our enforcement process and outcomes, so as to provide certainty to the market place.



## DIGITALISATION

THE DFSA'S DRIVE TO INNOVATE AND ADOPT NEW TECHNOLOGY TO ACHIEVE GREATER EFFICIENCY HAS CONTINUED TO GATHER MOMENTUM.

Organisationally, this will be a core priority over the business planning period as the DFSA aligns itself with the Smart Dubai initiative. In addition, we will strive to be at the forefront of developments in RegTech and incorporate these into our processes so as to enhance our risk-based approach to regulation.

Initiatives aimed at achieving these goals include the DFSA Paperless Initiative, which aligns the DFSA with the Smart Dubai initiative to remove the need for paper usage by 2021. By the end of 2019, the DFSA will have removed over 80% of printers. We will seek to improve and automate processes, and leverage Artificial Intelligence in a number of areas, to drive efficiency gains across the organisation and to identify regulatory risks and early warning indicators better. To enhance the interface between stakeholders and the DFSA, we will place more emphasis on end user experience in the further digitalisation of online authorisation forms and licensing processes.

Consistent with our increased focus on operational risk and cyber-security of our regulated population, the DFSA will be seeking to improve its own cyber-resilience over the business planning period. Initiatives on this front include greater usage of Artificial Intelligence to monitor systems, detect threats and vulnerabilities, and ensuring that DFSA network endpoints are protected at the highest levels. Further, we will strengthen our security measures for the Electronic Prudential Reporting System (EPRS) and enhance our data protection measures so that firm information held by the DFSA remains secure.

## DEVELOPING UAE NATIONAL CAPABILITY

The DFSA maintains a strong commitment to the development of UAE regulatory capability. UAE nationals have, for some time, been the largest single group of nationals in the DFSA staff and amongst our regulatory staff.

### 2006

OUR TWO-YEAR TRL PROGRAMME, IN PLACE SINCE 2006, CONTINUES TO MAKE A SIGNIFICANT CONTRIBUTION IN THIS REGARD.

### 2018

IN 2018, WE WELCOMED A NEW INTAKE OF FIVE HIGH QUALITY GRADUATES FROM LEADING UNIVERSITIES ACROSS THE UAE INTO THE TRL PROGRAMME.

Graduates from our TRL programme are taking on greater responsibilities within the organisation and across the UAE more broadly. In support of the more senior roles being undertaken, and to facilitate career progression for more recent graduates, we will continue to focus on developing capacity amongst our Emirati staff.

## PROGRESS AGAINST THE BUSINESS PLAN



Each year, the DFSA publishes an Annual Report, which highlights the DFSA's activities and achievements over the past year. The Annual Report is, in essence, a progress report against the Business Plan.

In addition to the Annual Report, 'DFSA in Action' - an annual publication - reports on regulatory and non-regulatory developments and other DFSA activities.

The DFSA publishes updates, notifications and media releases on its website on an on-going basis. DFSA publications are ordinarily available in both English and Arabic.

To subscribe to DFSA updates, visit [www.dfsa.ae](http://www.dfsa.ae)



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