FINTECH

FREQUENTLY ASKED QUESTIONS ("FAQ")

PART A

Innovation Testing Licence

1. What is an Innovation Testing Licence ("ITL")?

The DFSA's ITL is a restricted financial services licence for FinTech firms 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.

2. What are the eligibility criteria for an ITL?

To be considered for an ITL, the firm must show:

a) **that it carries on an activity that involves innovation in finance and technology;**

The DFSA will consider, for example, if the business model, product or service uses new, emerging or existing technology in an innovative way, and if it brings a new benefit to consumers or the industry.

b) **that the activity, if carried out in or from the DIFC, would amount to a Financial Service;**

The activity proposed must involve a Financial Service within the scope of the DFSA's regulatory regime (e.g., Arranging deals in investments).

c) **that the activity is ready to start live testing with customers; and**

The firm must be ready to start live testing with customers (e.g., by having a website or an application ready to go). If a proposal is only at a conceptual stage, then the firm is not considered ready to start live testing.

d) **that it intends to roll out its business on a broader scale in or from the DIFC once it has successfully completed regulatory testing.**

The DFSA requires to understand, and see evidence of, the firm's intention to roll out its business at the end of the Test Period.

3. How do I apply for the ITL?

A firm wishing to apply for an ITL must first apply to be accepted into a cohort. There will be two cohorts per year, in which applicants for the cohort should provide the DFSA with a clear understanding of their business model and proposed innovation. Interested firms are encouraged to apply for either of our two annual cohorts. The next available cohorts are:

- *Winter cohort* – applications will open on 1 November 2018.
- *Summer cohort* – applications will open on 1 May 2019.

Once accepted into a cohort, the firm will be invited to complete an ITL application form and Regulatory Test Plan (“**RTP**”). The RTP describes the proposed business model, product or service and identifies the testing objectives and parameters, as well as the timelines and key milestones for that testing. The DFSA will help applicants navigate the process.

The DFSA will work with the firm to establish which Rules will apply during the testing period. There are key requirements that must be met, for example, general authorisation requirements (e.g., being fit and proper), being located in the DIFC, complying with relevant UAE Federal Law requirements, and acting with integrity, due skill, care and diligence.

Restrictions and conditions will be placed on the business model product or service that will be tested to ensure appropriate controls for the safety of any customers involved. These may include, for example, restrictions on the number and type of customers that may take part in testing.

Inquiries about the ITL should be sent to Fintech@dfsa.ae. For further queries, kindly refer to the DFSA website http://www.dfsa.ae/FinTech.

4. How long will it take to get an ITL?

The DFSA recognises that a definitive timeline would provide more certainty to firms applying for an ITL. However, experience has taught us that it is very hard to commit to a fixed-time period. Although the DFSA will aim to provide a response within six weeks of a firm submitting an application form and a completed and appropriate RTP , this timeframe may be affected by the complexity of the proposed Financial Service, the amount of regulatory support required, or other factors, such as the firm’s responsiveness.

5. How long is the ITL test period?

The testing period will normally be for 6 to 12 months. At the end of this period, a firm must demonstrate that it has met the outcomes detailed in its RTP, and that it can meet the full DFSA Authorisation requirements, in order to migrate to a full licence. In some circumstances, the DFSA may choose to extend the testing period to 24 months.

6. What if I am not ready to test, when can I apply again? Is there a stand down period?

There is no stand down period but you will need to wait until we open another cohort and apply again.

7. How much will an ITL cost me?

The precise fee calculation will depend on the nature of the activities being carried out. However, given the ‘start-up’ nature of many of the businesses, we will charge a maximum of USD 5000 per licence per year. To note, this will only be charged when we accept an ITL application.

At the end of the ITL, if the firm migrates to a full licence, then the normal DFSA fees are payable and are set out in the Fees (FER) module.

PART B

Crowdfunding

8. What types of crowdfunding does the DFSA allow?

The DFSA has rules in place to accommodate:

a) **Loan crowdfunding -** this is where lenders provide money to businesses[1] in return for interest payments and a repayment of capital over time; and

b) **Investment crowdfunding –** this is where investors invest, directly or indirectly, in new or established businesses by buying investments such as shares.

Please refer to the Conduct of Business (COB) module Chapter 11.

9. Why did the DFSA create a crowdfunding framework?

The DFSA announced its crowdfunding framework in August 2017 in line with a number of initiatives from the Dubai Government and the UAE Federal Government, such as the UAE's Innovation Strategy and the Dubai Plan 2021[2]. Crowdfunding is expected to become a more established form of financing for the important small-to-medium enterprise ("SME") sector, and we believe that our regulatory framework will contribute to the sustainable development of this funding source for SMEs and the UAE economy.

10. How much does it cost to apply?

The application fee for a crowdfunding platform is USD 5,000.

Please refer to the Fees (FER) module.

11. How much capital is needed for a crowdfunding platform?

The minimum capital for a crowdfunding platform is USD 10,000 (if not holding Client Assets) and USD 140,000 (if holding Client Assets). There are other considerations that may go into these calculations, you are therefore advised to talk to the DFSA for a final calculation.

Please also refer to the Prudential – Investment, Insurance Intermediation and Banking (PIB) module.

12. How long will it take for me to get a licence to operate a crowdfunding platform?

The licence timeframes vary depending on the provision of correct and complete documentation to the DFSA.

Please refer to the Regulatory Policy and Process ("RPP") sourcebook and the Application Forms and Notices module ("AFN").

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[1] If the crowdfunded money is provided to a business under an Islamic finance facility, then the business would repay the agreed profit rate and capital over time.

[2] www.dubaiplan2021.ae/dubai-plan-2021/

PART C

Other questions:

13. I am not based in Dubai, is it possible to arrange a conference call or a video conference with the DFSA for additional information on the application process?

Yes, it is possible to have a conference call or video conference with the DFSA's pre-authorisation team. Please contact the DFSA to organise this.

14. I am not sure if my business needs to be regulated by a financial services regulator, can you help me?

Whilst we will try to assist potential applicants with any queries, the DFSA does not offer advice. If you are unsure if what you are proposing to do needs be regulated, you should seek third party professional advice.

15. 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 (GEN) Module and in UAE Federal Law No. 8 of 2004.

16. Are there any financial services activities that cannot be carried out in the DIFC?

Yes, insurance activities in the DIFC are restricted to insurance contracts in relation to non-UAE risks and to reinsurance; and banks in the DIFC are not permitted to take deposits from the UAE market or deal in the UAE Dirham. These restrictions are set out in the GEN Module and in UAE Federal Law No. 8 of 2004.