DFSA
Dubai Financial
Services Authority

THEMATIC REVIEW

High-Growth Firms

DFSA.AE

SEPTEMBER 2025

Contents

Executive Summary

In 2025, the Dubai Financial Services Authority's (DFSA) Supervision team carried out a Thematic Review (Review) of High-Growth Firms. The team used a combination of desk-based analysis and onsite visits and calls to selected DFSA Authorised Firms (Firms)[1]. The Review identified several key themes and findings, including examples of good practice, which are detailed in this report.

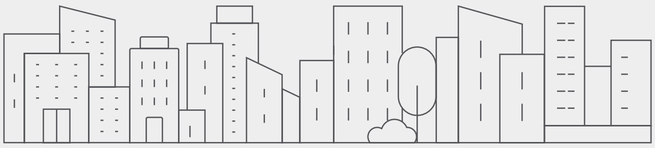
There are many tangible ways of measuring growth, and this Review has taken into account trends and actions including:

- the hiring of additional staff;
- moving of operations to new or larger offices;
- expansion into new products and services, which in some cases resulted in licence upgrades; and
- transfer of operations and/or staff (including Senior Executives) to the Dubai International Financial Centre (DIFC).

All of these examples showcase ambitious growth plans being deployed by Firms, and had been identified as part of the DFSA's business-as-usual supervisory activities.

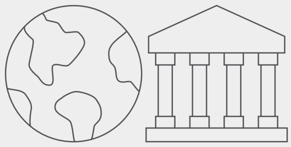
The statistics below illustrate the data that the DFSA received from Firms, as part of their regulatory reporting. They reflect these themes and the growth trends being seen in the DIFC.

All DIFC Firms – Highlights[2]

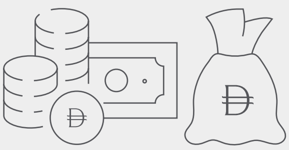


136
New Authorised Firms
Total number of Firms has increased by c. 46% since 2021

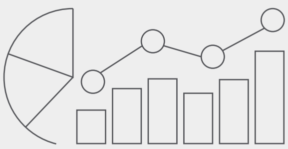
59
Home jurisdictions of DIFC firms



27
of the 29 Global Systemically Important Banks have a presence in DIFC



218bn
Total Assets in DIFC
c. 3% average annual growth rate since 2021



3.19bn
Net Profit
c. 13% average annual growth rate since 2021

169bn
Assets under Management in DIFC
c. 10% average annual growth rate since 2021

172bn
Assets under Advisory in DIFC
c. 16% average annual growth rate since 2021

1. The Review included DFSA Regulated Firms across a range of business models focused on advisory and arranging, brokerage, and wealth management financial services activities. Representative Offices and Employee Money Purchase Scheme firms were excluded from the Review.
2. These statistics are based on data provided by relevant Authorised Firms as part of their regulatory reporting and as at 31 December 2024.

In Scope Firms – Highlights[3]

278
Wealth Management Firms[4]
increase of c. 57% since 2021

194
Advisory and Arranging Firms
increase of c. 48% since 2021

63
Brokerage Firms
increase of c. 40% since 2021

62k
Retail Clients
c. 72% average annual growth rate since 2021

24k
Professional Clients
c. 6% average annual growth rate since 2021

10k
Market Counterparties
c. 13% average annual growth rate since 2021

9k
Employees
increased c. 56% since 2021

169bn
Assets under Advisory
c. 10% average annual growth rate since 2021

167bn
Assets under Management
c. 15% average annual growth rate since 2021

3. These statistics are based on data provided by relevant Authorised Firms as part of their regulatory reporting and as at 31 December 2024.
4. Wealth Management Firms include Fund Management, Investment Management, Private Banking, and Ancillary Services.

The illustrations on the previous pages are also indicative of the significant interest and innovation that continues to be seen as the DIFC consolidates its position as a global financial hub.

The DIFC (and Dubai as a whole) presents a compelling value proposition to financial services businesses:

- a central location in the Middle East with excellent transport links to the rest of the globe, which offers the ability to work flexibly across time zones;
- a modern legal system;
- infrastructure investments;
- countless networking opportunities;
- a large and growing investor base; a dynamic tax regime; and, the rapidly expanding DIFC market (the Centre is now home to more than 900 regulated entities, which altogether employ more than 40,000 people).

In its 2025-2026 Business Plan (which is aligned with Dubai's Economic Agenda D33, Digital Dubai, and the DIFC 2030 Strategy), the DFSA commits to further strengthening the DIFC's position as an international centre for financial services. The DFSA's aim is to create a dynamic environment for established players and startups alike. Adopting a robust, yet risk-based and proportionate supervisory approach, can help achieve this.

Understanding Firms' expansion plans, together with any challenges/barriers to growth that they might face, is part of the DFSA's strategy to help them grow in a controlled and sustainable manner. The DFSA also seeks to introduce a secondary objective, which will focus on actively promoting and supporting the growth and development of the financial services sector in the DIFC more generally.

The DFSA's supervisory risk assessments and wider engagement revealed some scenarios, where Firms' systems and controls are not keeping pace with their growth rate. Risks in such scenarios can potentially crystallise quickly. Poorly planned and unsustainable expansion can adversely impact Firms' financial and non-financial resources, and increase the likelihood of adverse outcomes for both their clients and the wider market.

However, the Review also showed that in many cases, Firms have been proactive in identifying potential risks from their growth plans, and were taking steps to enhance governance and add resources.

The DFSA expects all Firms to consider the key themes and findings from this Review in the context of their specific business activities and obligations. Firms may be asked to demonstrate how they have addressed these areas in future engagements.

Scope and Methodology

The aim of this Review is to help the DFSA better understand the drivers for growth and assist with its continued drive to apply a risk-based, proportionate supervisory approach to support the controlled and sustainable growth of Firms in the DIFC.

Specifically, the Review focused on:

Risks and Root Causes:
Assessing a subset of High-Growth Firms to better understand the risks and root causes, and recommend actions to address those risks as appropriate;

Impact:
Assessing high growth impact on Firms' financial resources, systems and controls, processes, and staffing;

Forward-Looking:
Understanding Firms' forward-looking expansion plans, including any challenges/barriers to growth in the DIFC; and

Feedback:
Wider dissemination of key findings and good practice to the industry, to enable Firms to achieve growth in a controlled manner.

The Review was conducted in two phases:

Phase 1: Data Analysis

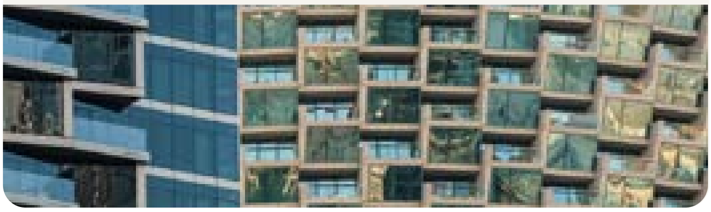
To reduce regulatory burden, the DFSA relied on existing regulatory reporting to select a cohort of Firms that have achieved High-Growth over the last three years. It defined 'High-Growth ' as rapid growth in scale and/or complexity of Firms' business models during the 2021-2024 period relative to peers, based on a number of data points.

Metrics considered included – but were not limited to – revenue, client numbers, staff numbers, client money/ safe custody, assets under advisory, assets under management, and trades arranged and executed.

Phase 2: Desk-Based Reviews and On-site Visits/ Calls

Based on an analysis of the regulatory reporting data, a sample of 16 Firms was selected for focused information requests and desk-based reviews. This was followed by an on-site visit/call for a more focused discussion and assessment of their growth plans and the impact on financial and non-financial resources.

The Supervision team identified a further nine Firms with more limited or specific areas of growth. For these Firms, a call was scheduled to provide further valuable insights on their growth areas. A consistent approach was adopted for all onsite visits/calls to ensure appropriate comparability and benchmarking, as well as to identify good practice and areas for improvement.



Trends and Growth Drivers

Multiple consistent themes emerged across the different business models with reference to growth in the DIFC.

A number of Firms are seeking to expand their footprint in the DIFC, including by transferring operations and/or staff from other international financial centres:

- Many brokerage firms highlighted plans for desk transfers from other group entities, mainly London, Paris, and Singapore. Commodities including energy and metals, and equities markets together with increasing demand for prime brokerage services, were highlighted as key growth areas in this sector. Some private banks also indicated that they were exploring upgrading their DIFC entities to booking centres, a signal of their importance to their parent groups and their global operations.
- The Review identified, across business models, interest from staff in entities in other jurisdictions to move to Dubai. The Firms attributed this interest to business opportunities in the region in general, but particularly to interest in hedge funds, whose presence in the DIFC is driving additional business.
- Islamic Finance was mentioned as another potential growth area for the region, driven by client demand.
- Firms' expansion of operations in the DIFC is certainly to be encouraged. But at the same time, Firms must ensure that their Compliance resourcing, as well as systems and controls, keep pace with the rate of growth and change. Transfer of business operations and/or staff should be managed in a controlled manner. Employees relocating will need to be properly integrated and trained on DFSA requirements. Similarly, if clients are being transferred in as part of the expansion process, they must also be onboarded in accordance with DFSA requirements.

Industry feedback suggests that there will be more acquisitions to build scale as well as consolidation in the brokerage sector, as smaller firms struggle to compete with the sophisticated technology and infrastructure of larger players.

- Acquiring firms should ensure that they carry out appropriate due diligence ahead of any transactions. They will also need to develop and execute an appropriate integration plan. In this context, key risks for Firms to consider include increased operational risks, related to systems integration; entering a non-traditional business and taking on operations, which are potentially outside their risk appetite and/or existing staff's skillsets; and inheriting conduct risks inherent in the target business, potentially placing greater pressure on their Compliance and anti-money laundering (AML) teams.

Dubai's rising population and broadening demographics are seen as major drivers for growth:

- In particular, Firms have mentioned that the relocation of clients to the region is driving local business. A significant number of high-net-worth and ultra-high-net-worth individuals are moving to and settling in Dubai. Firms are also witnessing expanded sovereign wealth fund activities, particularly in private equity and venture capital funds. These changes bring opportunities in both wealth management services and real estate transactions. Some Firms are growing their advisory teams accordingly, and seeking to conduct more activities from the region. Several Firms also noted the changing demographics of their client base, such as an increase in those of Chinese or African descent.
- Dubai's geographic location gives it a strategic advantage. It is widely recognised as a hub between the East and the West, and as a premier destination for international trade and investment. This, in turn, incentivises more growth. Similarly, the Gulf Standard Time sits conveniently between other time zones, making it easier for businesses to work with clients around the globe.
- Client demand is another key driver for growth, particularly because of hedge funds in the jurisdiction, and the interest that Firms' parent groups are showing towards expansion in Dubai.
- Firms also gave positive feedback on the DFSA's regulatory environment and its business-friendly approach.

Key Themes and Findings

Business Strategy and Growth Plans

Overview

The DFSA Supervision team expects Firms to produce a business plan. The business plan should enable, among other things, the effective management of the risks to which the Firm and its customers are exposed (General Module (GEN) 5.3.16). It must also consider both its current business activities and those which are forecast for the following 12 months. The plan must also be documented and updated as appropriate to reflect changes both in the Firm's business and the wider business environment.

Additionally, as per GEN 11.10.7, Firms are expected to advise the DFSA immediately of:

(a) any proposed restructuring, merger, acquisition, reorganisation, or business expansion that could have a significant impact on its risk profile or resources; and

(b) any action that would result in a material change in their capital adequacy or solvency.

This is a broad reflection of Principle 10 for Authorised Firms, which requires Firms to deal with Regulators in an open and co-operative manner, and informs the DFSA promptly of significant events or anything else about which the DFSA would reasonably expect to be notified.

Areas for Improvement

This Review found that most Firms had updated their Regulatory Business Plan (RBP) to reflect current strategy and set-up, or to support a variation of licence application. It also noted that several Firms provided the Supervision team with advance notice of any planned changes to their strategy, including business activities, personnel, or wider expansion plans within the region. Some examples where the DFSA identified weaknesses are as follows:

- Some instances of Firms not updating their RBP to include sufficient details on any changes to the business strategy, the rationale for the change, and whether the revised strategy was viable. The RBP should be a live document and reflect any material changes in the scope and scale of the Firm's activities, associated resourcing plans, and financial projections.
- A Firm omitting to notify the DFSA of its plans to establish another entity and any associated impacts on the existing DIFC entity.

Good Practice

This Review identified some specific examples of good practice related to Firms' business strategy and growth plans:

- Firms undertaking a full review of their RBP ahead of implementing any expansion plans, including revising revenue and staff projections as appropriate.
- Firms carrying out a gap analysis exercise in relation to their corporate governance structure and implementing a plan to address any identified gaps or enhancements needed.
- Firms proactively reaching out to the DFSA at an early stage and before executing their growth plans or submitting a variation of licence upgrade. The DFSA strongly encourages this approach. It allows for appropriate understanding, discussion and challenge to help shape Firms' expansion strategies and business goals.
- Firms noted that growth areas are being selected based on client demand and market opportunities, as well as scaling to achieve profitability and sustainability. Firms that are part of a Group informed the DFSA that, while global strategy plays a role, they had autonomy to draw on both Group strategy and local business activities and markets when determining the local business strategy. This demonstrates the increasing strategic significance of the entities within DIFC. This Review noted examples of Firms taking client feedback into account (whether through meetings or surveys) when considering expansion plans, and what services and products to offer in the future. Firms also reported using seminars and staff inputs to gauge growing markets.

Action Required

Firms should review their RBPs to ensure they remain accurate, up to date and adequately reflect the Firms' business model and scope of activities, both now and for the next 12 months. The DFSA encourages Firms to continue early notifications of any plans for business expansions or acquisitions in line with Principle 10 and GEN 11.10.7.

Governance and Decision-Making

Overview

The DFSA expects the Governing Body of the Firm to be responsible for setting and/or approving the business objectives and overall strategy. This is articulated in GEN 5.3.30.

Additionally, as per GEN 5.3.17, Firms are expected to establish and maintain arrangements for providing their Governing Bodies and senior management with appropriate Management Information (MI) to oversee the business and any associated risks. This extends to information for monitoring and overseeing Firms' expansion plans.

Some good practice noted in this area is highlighted below. Overall growth was discussed at the Firms' Board or Committee levels (whether existing Committees or specific Committees created to support the planned growth), with insight from business heads where applicable. For Branches and members of large Groups, the strategy tended to be more globally driven. However, DIFC entities for the most part appeared to be involved in the process.

The forums where growth discussions take place vary according to the Firm's size, nature, and complexity. Growth decisions were found to be informed by various factors, whether internal (e.g. client demands) or external (e.g. market opportunities). This Review also found evidence of early proactive discussions concerning resourcing and office space at most Firms.

Areas for Improvement

The Review identified some areas for improvement in the following cases:

- A Firm was found to be lacking a well-defined or properly considered strategy after deciding to move away from its original business focus due to limited demand for the product. It acknowledged trying 'many different strategies' to increase business without success and now plans to focus on adding new products to its offering.
- Another Firm had been seeking to expand the scope of its licence quickly, by introducing numerous new business activities simultaneously, rather than adopting a phased, controlled approach to growth. The Firm in question had also undergone recent remediation work.
- There were several instances where the Board minutes around growth discussions were very high level. In the DFSA's view, they did not demonstrate a sufficient level of discussion and challenge on the proposed business strategy and growth plans, including the associated risks, resourcing plans and financial projections.
- Several Firms were found to be using MI to identify growth areas within the business, and to some extent, monitor the impact of new growth areas on financial and non-financial resources (e.g. backlogs, complaints, operational risk events, etc). However, Firms are encouraged to use MI substantively, to better measure the success of their expansion plans.

Good Practice

The Review identified some specific examples of good practice in this area as follows:

- Some Firms had taken steps to enhance their governance/Board in light of their growth plans, including the following actions:
  - appointing a new Senior Executive Officer (SEO);
  - revising the Board's Terms of Reference to clearly define the Board's roles and responsibilities;
  - creating new Committees (Audit and Risk Committee) or sub-Committees to enhance governance and oversight, and ensure that the expansion is managed appropriately;
  - One Firm treated its licence upgrade application as a specific project by putting in place a formal framework to articulate the governance and decision-making, and a project working group.
- One Firm highlighted the steps it took to formalise and support its expansion, and the transfer of brokers from other Group entities. A Working Group comprising members of the business - Finance, Compliance, Risk, Legal, Operations, and Technology, as well as the SEO – meets weekly to discuss the status of the action plan, ensuring that regulatory requirements, internal systems and controls, and business needs are properly implemented;
- One Firm mentioned that once it launched a new business line, it would seek to consolidate it for a certain period before seeking out further growth opportunities.

Action Required

As part of their business growth/expansion action plans, Firms should consider whether any enhancements need to be made to their existing governance and oversight arrangements. Firms should also consider whether additional MI is needed to monitor the impact of new growth areas on their financial and non-financial resources (e.g. backlogs, complaints, operational risk events, etc), and to measure the success of its expansion plans.

Key Risk and Compliance Matters

Overview

Firms are expected to establish and maintain Compliance arrangements, including processes and procedures, to ensure, as far as reasonably practicable, that they comply with all legislation applicable in the DIFC (GEN 5.3.7).

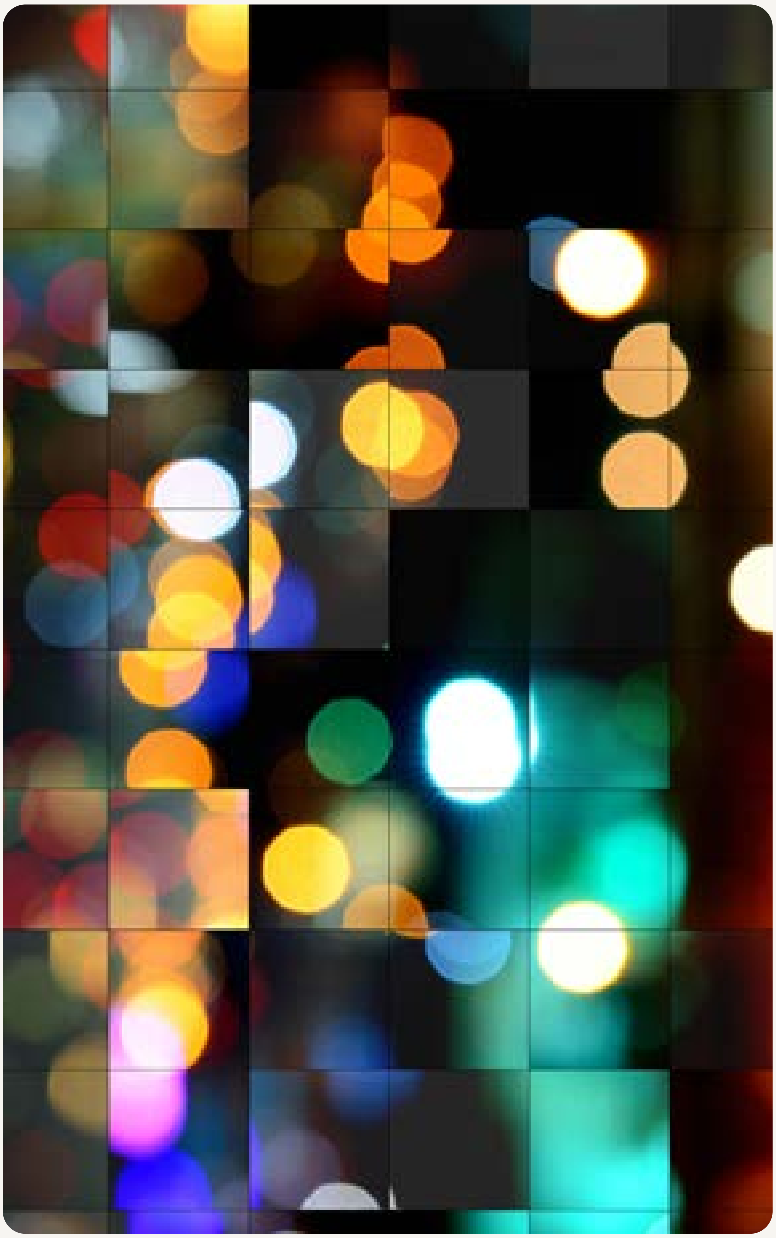
Key to this is ensuring that the Compliance function is adequately resourced and has unrestricted access to relevant records, and to the Firm's Governing Body and senior management (GEN 5.3.9 and GEN 5.3.10). As Firms grow, it is important to consider (and keep under review) whether additional resources and support are needed in the Compliance function, to ensure systems and controls keep pace with the rate of growth.

The Internal Audit function also plays a key role in providing assurance on the adequacy and effectiveness of the Firm's systems and controls.

Areas for Improvement

The Review identified some deficiencies in this area. Specific examples included:

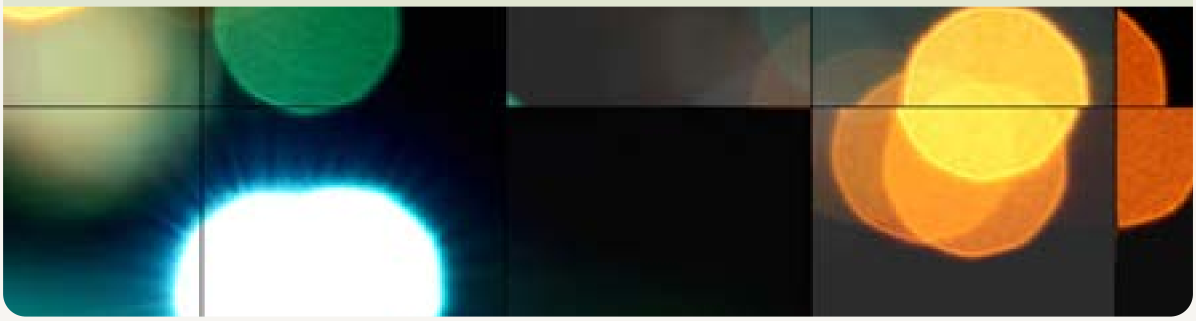
- In one instance, although the former Compliance Officer stressed to the Board the need for additional Compliance resources, given the Firm's plans to introduce additional products and move into crypto-related activities, the SEO confirmed that they had no plans to increase headcount.
- Another example of a reactive approach to recruitment was observed. While resourcing was considered a part of project planning for an upward variation of licence application, the view taken by the Board was that Compliance resourcing was sufficient. That was a conclusion reached on the basis of automated processes and support provided by the Group. In this instance, Compliance resources remained static despite the Firm's expansion and growth, although they acknowledged that they may hire more Compliance staff following (and subject to) an approval of the licence upgrade.
- At some Firms, growth opportunities were more business-led and Compliance was not engaged early on as part of the relevant discussions.
- Few Firms considered or commissioned specific work by Compliance or Internal Audit on their growth plans including how they had been executed, and the associated impact on or risks for the business.



Good Practice

The Review also identified some specific examples of good practice in this area including:

- There was evidence of some Firms seeking to proactively identify potential risks resulting from growth. One Firm mentioned that it was implementing a risk taxonomy for any new products/services launched. Some Firms also considered risks stemming from the conduct or behaviour of its employees during growth phases. There were examples of Firms introducing conduct scorecards and/or penalties for deficiencies in onboarding and suitability assessments.
- There were examples of Firms adopting an incremental and iterative approach to expanding their service offerings and launching new products/services. Soft launches, testing, and multiple feedback loops with different areas of the business were used to gather and address any feedback or issues at an early stage.
- The adequacy of Compliance resourcing is a challenge which has previously been highlighted in various DFSA communications, supervisory risk assessments and Enforcement Decision Notices. It was pleasing to note that most Firms in the sample had expanded their Compliance resourcing because of their growth plans and/or brought the Compliance function in house. This recognises the need for dedicated, on-the-ground resourcing as businesses grow in size and complexity. One Firm mentioned that consideration of Compliance resourcing was embedded within business planning and there was a matrix in place for calculating the ratio of Compliance professionals to Relationship Managers.
- Conversely, feedback from stakeholders also highlighted several potential root causes and challenges faced by Firms in relation to Compliance resourcing, including:
  - Market developments and business opportunities resulting in an influx of firms in the DIFC and a highly competitive market for Compliance talent;
  - Some Firms chasing revenue/client growth with a lag in investment in second and third lines of defence; and
  - Wholesale execution models where Regional or Global Compliance Functions prioritise other booking centres/entities based on a global or regional view of risk.
- One Firm mentioned that a key focus area within the Working Group assigned to oversee its expansion plans was on client onboarding in respect of brokers transferring to the DIFC from other Group entities. In such cases (and in advance of the broker joining), Compliance reviews the communications sent by the brokers to their clients as well as client classification and Know Your Customer (KYC) documents. Importantly, Compliance also reconciles each broker's list of clients against the Group database to identify any gaps/discrepancies in client onboarding for escalation.
- At most Firms, Compliance/Risk were engaged early on in relation to proposed growth opportunities. For example, during Committee/Board meetings.
- One Firm noted its intention to complete a six-month post-implementation review following approval of its variation of licence application.



Action Required

All Firms, particularly High-Growth Firms, are expected to have adequate Compliance resources to be able to detect, quantify, mitigate, and/or remediate conduct and financial crime risks. Failure to do so can result in regulatory breaches not being identified and existing systems/controls not operating effectively.

Firms should continually review their Compliance and Risk resourcing (in terms of headcount, skillset, automation, etc.) as they grow to ensure that it remains adequate for the nature, scale, and complexity of the business. Firms should also take proactive steps to identify and address any key risks emanating from their growth plans and ensure that appropriate controls are in place.

Firms' Compliance Monitoring Programmes also need to evolve as the business expands. To this end, and particularly where Firms are undergoing material changes and growth, they should consider including (as part of scoping discussions) work to test the effectiveness of systems and controls in any new business line or material growth areas.

Staffing and Resourcing Plans

Overview

The DFSA expects Firms to maintain and be able to demonstrate the existence of adequate and competent resources to conduct and manage their affairs. This includes both financial and system resources and human resources (GEN 4.2.4).

Areas for Improvement

The Review found that most Firms sought to proactively recruit and resource their operations before growth was achieved, rather than taking a reactive approach. This was either through relocation of staff from other Group entities, where applicable, or recruitment locally. As already highlighted above, we did however note one instance where the Firm appeared to demonstrate a somewhat reactive approach to recruitment (although resourcing had been considered and discounted as part of the project planning for a variation of licence and expansion). In another instance, we observed that while the Compliance Officer stressed the need for additional Compliance resource, the SEO indicated during our meeting that there were no plans to bring in additional staff.

Good Practice

Our Review identified specific examples of good practice in this area as follows:

- Additional hiring in line with the Firm's target market and changing client demographic (e.g. a Firm recruiting a Relationship Manager to service a specific target market with local language skills).
- Insourcing functions such as Compliance, Finance, and Human Resources, becoming less reliant on outsourcing and Group, and recognising the need for dedicated resourcing and more local support as the business grows in size and complexity.
- The addition of resources ahead of implementation of growth plans. One Firm mentioned that they would not launch a business line until the identified resourcing (specialist skills or Compliance) was in place. They wanted to ensure that they had the capacity, skills, and knowledge before launching any new initiative. Specific areas of focus for recruitment include Compliance, Operations, and Technology, with Firms particularly keen to invest in Information Technology (IT) for future needs. One Firm noted the increasing importance of operational risk as they grew in scale, while another Firm highlighted the significant investments they were making in technology as they continued to acquire businesses and integrate systems.
- A Firm acting proactively in anticipation of growth by taking on additional space in order to match growing client demand and relocation of staff to the region. To accommodate desk transfers, the Firm invested in IT, broadband, and Compliance resources prior to desk transfers taking place.
- Undertaking a gap analysis to assess both staff numbers and skillsets.

Action Required

Overall, it was pleasing to note that Firms have been taking a proactive and prudent approach to staffing and resourcing. The DFSA expects Firms to continuously reassess their staffing and resourcing needs, and ensure that they employ adequate, competent, and sufficient human resources to support their business models and growth ambitions.

Risk Management Framework

Overview

The DFSA expects Firms to establish and maintain risk management systems and controls to enable them to identify, assess, mitigate, control, and monitor their risks (GEN 5.3.4).

As part of this Review, the DFSA was keen to understand whether Firms' risk management frameworks had evolved in line with business growth, and whether they were still commensurate with the size, scale, and complexity of the business.

Areas for Improvement

This Review did not identify any significant concerns with Firms' risk management frameworks. However, in one instance, it was noted that the Risk Officer was not involved in discussions regarding the Firm's plans to add a financial service offering. Having the Risk Officer present early on in these discussions would have been useful to identify any potential risks to the Firm's growth plans.

Good Practice

This Review identified some specific examples of good practice in this area, including:

- Firms actively engaging the Risk function to identify inherent risks in their growth plans.
- Expanding the Risk team and developing Risk Management educational material in light of the Firm's growth plans. One Firm mentioned that they were seeking to embed a stronger Risk Culture and 'everyone-is-a-risk-manager' thinking.

Action Required

Overall, this Review did not identify any significant concerns in this area. However, in line with GEN 5.3.4, Firms are encouraged to continuously review their risk management frameworks, and assess whether any enhancements need to be made to account for their growth plans.

Outsourcing

Overview

Outsourcing can be a vital strategy for businesses seeking to scale up efficiently and obtain particular skills and expertise that they do not have in house. As part of this Review, the DFSA wanted to understand whether Firms have taken any decisions to outsource additional functions during the growth phase and whether there were any triggers for insourcing certain functions.

The DFSA expects Firms to conduct appropriate due diligence before selecting an outsourced service provider, and to effectively supervise the outsourced function or activity. Firms are expected to establish and maintain outsourcing policies and arrangements, among other requirements (GEN 5.3.21 and GEN 5.3.22).

In line with the DFSA's previous supervisory work, this Review found that in Branches and Firms that are part of large Groups, outsourcing arrangements were captured under a global Service Level Agreement framework, and the review of outsourcing arrangements was performed at the Group level. For all other Firms, these decisions remained with the DIFC entity.

Areas for Improvement

This Review did not identify any significant concerns in this area.

Good Practice

This Review identified specific examples of good practice as follows:

- A small subset of Firms bolstering key functions during their growth phase, such as by temporarily seeking additional support for the Compliance function (by bringing in an outsourced provider to assist with tasks such as onboarding) and additional IT expertise (e.g. to bring in a new client management system).
- Several Firms indicated that they were reviewing their outsourcing arrangements and considering insourcing some functions as they grow, most notably functions such as Compliance, Finance, and Human Resources.

Action Required

This Review did not identify any significant concerns in this area. Nonetheless, Firms are expected to continuously review their outsourcing arrangements to ensure that they remain fit for purpose in light of their growth plans.

Financial Resources

This Review also considered the impact of Firms' growth on their financial resources[2] (capital and liquid assets).

The DFSA expects Firms to perform an Internal Risk Assessment Process (IRAP) as applicable whenever there is a material change to their business, strategy, nature, or scale of their activities that may have a significant impact on their risk profile or adequacy of their Capital Resources. The assessment should also be approved by the Governing Body of individual Firms (Prudential – Investment, Insurance Intermediation and Banking Module (PIB) 10.3.2).

The DFSA also expects the results of an IRAP assessment to be documented by the Firm in writing and for it to include details of the risks identified, as well as the strategies and plans that are intended to deal with those risks, among others (PIB 10.3.3).

Similarly, Firms are expected to perform an Internal Capital Adequacy Assessment Process (ICAAP) as applicable, whenever there is a material change to the business, strategy, nature, or scale of their activities that may have a significant impact on risk profile or the adequacy of their capital resources. The assessment should also be documented and approved by the Governing Body of individual Firms (PIB 10.4.2).

Overview

This Review found that most Firms:

- consider their revenue streams to be adequately diversified across products, customers, or regions;
- have procedures in place to review and manage their ongoing capital and liquidity requirements in light of their growth plans. Cashflows and liquidity are tracked through ongoing reporting and discussed in Board meetings. For Branches or Firms that are part of larger Groups, financials are also monitored at the Group level;
- can rely on the support of the Group or Parent (where applicable) to fund their capital and/or liquidity requirements if needed; and
- capture the key risks, quality of controls associated with these risks, and stress testing (e.g. accounting for periods of no growth and extreme growth) in the ICAAP.

Areas for Improvement

A subset of Firms indicated some pressures on their profit margins and a high cost-to-income ratio. They mentioned that improving those metrics was proving to be a challenge due to, for example, the higher cost of hiring as a newer firm.

2. Firms should be aware of DFSA proposals in Consultation Paper No 161 – Enhancing Proportionality in Prudential Regulation, including proposed changes to ICAAP/IRAP obligations for Category 3A firms, alongside the Feedback Statement issued on 21 May 2025.

Good Practice

This Review identified some specific examples of good practice including:

- The Finance Officer being involved in budgeting and ensuring sufficient budget – not just for hiring, but also for other expenses associated with growth. The Finance function was also working closely with the business, monitoring the MI, and discussing risks they foresaw from a finance perspective.

Action Required

Overall, this Review found that Firms' financial resources are being considered alongside the growth in their business activities. Firms are ensuring that their ICAAP and IRAP (as applicable) are kept up to date, and that stress-testing measures are in place to account for extreme scenarios (whether growth or a downturn). Ongoing monitoring is encouraged to ensure that Firms have sufficient capital and liquidity on an ongoing basis.

In line with the requirements of PIB 10.3.2 and PIB 10.3.3, the DFSA encourages Firms to continuously review their financial resources and consider whether any changes need to be implemented in light of the Firm's growth plans.

Client Onboarding

Overview

In line with the requirements of Conduct of Business Module (COB) 3.3.1, the DFSA expects that Firms do not carry out Financial Services unless there is a client agreement in place (certain exemptions may apply), setting out the core information and disclosures required (COB 3.3). It is also expected that, where required, Firms undertake appropriate client classification (COB 2.2) and suitability (COB 3.4) assessments prior to recommending a client a financial product or financial service or executing a transaction on a discretionary basis for a client.

Overall, the Firms visited as part of the Review sample did not identify any particular challenges with the client onboarding process as part of their growth plans. Any enhancements that were made to the onboarding process/resourcing were to address Risk Mitigation Programmes issued by the DFSA following previous on-site risk assessments.

Broadly, and noting the limited sample of client files reviewed for each Firm visited, this Review observed that:

- There was adequate information contained on file in relation to the nature of the financial service/product provided to the client;
- There was documentary evidence to support the relevant client classification assessment; and
- The quality of forms/templates completed by Relationship Managers in relation to suitability assessments were satisfactory.

Areas for Improvement

This Review did not identify any significant concerns in this area.

Good Practice

This Review identified specific examples of good practice such as:

- A Firm implementing a quality assurance programme for consistent reporting/capturing of client information. Lessons learned from such reviews were discussed internally.
- One Firm investigating the use of a Generative Artificial Intelligence (AI) system for client onboarding.
- For a small number of Firms, which introduced enhancements to the onboarding process, these included updates to the onboarding and knowledge questions, appropriateness test, and the AML and Customer Risk Assessment (CRA) forms.
- In one instance, the Firm was proactively reviewing and offboarding inactive/dormant clients. Therefore, they were no longer a part of the annual review process. These decisions were taken by a specialist Committee (a formal offboarding Committee).

Action Required

Overall, this Review did not identify any significant concerns relating to client onboarding. However, client classification, suitability assessments and AML/Counter-Terrorism Financing and Sanctions obligations remain key priority areas for the DFSA. Our previous work has identified significant issues in these areas where Firms have grown quickly and their control frameworks and resourcing did not scale up accordingly. The associated remediation exercises were both costly and time consuming. All Firms are encouraged, therefore, to ensure that they have a robust onboarding process, which is continually reviewed and enhanced as they scale up.

Dubai Financial
Services Authority

About the DFSA

The Dubai Financial Services Authority (DFSA) is the independent regulator of Financial Services conducted in or from the Dubai International Financial Centre (DIFC), a purpose-built financial free zone in Dubai, UAE. The DFSA regulates and supervises Financial Services firms and markets in the DIFC. These include asset managers, banks, custody and trust service, commodities futures traders, fund managers, insurers and reinsurers, traders of securities, and fintech firms.

The DFSA supervises exchanges and trading platforms for both conduct and prudential purposes, overseeing an international securities exchange (Nasdaq Dubai) and an international commodities derivatives exchange (Gulf Mercantile Exchange).

The DFSA is also responsible for supervising and enforcing anti-money laundering and countering the financing of terrorism requirements applicable to regulated entities and Designated Non-Financial Businesses and Professions in the DIFC.

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