

By Email

4 April 2019

To the Senior Executive Officers of DFSA Authorised Firms

Dear SEO,

Updated Regulatory Reporting Forms

The DFSA's regulatory reporting regime is a key tool through which we seek to enhance our supervisory oversight of Authorised Firms ("Firms") throughout the risk management cycle. The DFSA recently completed a comprehensive review and update of this regime, particularly in relation to the reporting requirements under the Prudential – Investment, Insurance Intermediation and Banking Module (PIB) of the DFSA Rulebook. The review focused on enhancing the quality, amount and nature of collected data.

Consultation paper and reporting changes

On 13 December 2018, the DFSA issued the Consultation Paper [No. 122](#), which proposed changes to the prudential reporting regime through the amendment of Table 1 of PIB Rule A2.4.1. The new changes came into effect on 25 February, 2019. Following that, revised reporting forms were made available on DFSA's Electronic Prudential Reporting System (EPRS) and an updated version of the Prudential Returns Module (PRU), including instructional guidelines, were published on 12 March 2019 ([VER5/03-19](#)).

The changes to the reporting forms include the introduction of new forms, amendments to the existing ones, and withdrawal of some forms as their content has been integrated into other forms. Additionally, most forms have been renumbered to fit within one of the following six categories:

- a. Balance Sheet and Income Statement
- b. Capital Adequacy
- c. Liquidity and Asset Liability Management
- d. Credit and Investment Activities
- e. Conduct
- f. Insurance Intermediation and Management

We attach to this letter for your reference, an excel file highlighting all the changes made to the reporting forms, including the added, modified and deleted data accounts in each form.

The DFSA would like to remind Firms that the reporting forms must be prepared and submitted in accordance with the [PIB Module](#) Rules, the PRU Module instructional guidelines, and, where applicable, the relevant accounting standards. The DFSA would also like to remind Firms that

submitting data in a timely and accurate manner is imperative to the effectiveness of our supervisory approach.

During March 2019, the DFSA held specific outreach sessions for the different categories of Firms where we highlighted the changes to the reporting forms. A copy of the presentation made at these outreach sessions is available on the DFSA's website and can be accessed via this [link](#).

Implementation Timeline

Going forward, where applicable, all Firms are required to use the updated reporting forms on EPRS to submit all their returns (quarterly and annual) to the DFSA, with immediate effect.

Quarterly EPRS Forms

As per PIB Rule 2.3.8, where applicable, all Firms must submit to the DFSA the required quarterly returns within one month of the end of each quarter. Going forward, Firms must use the updated reporting forms to submit their quarterly returns, commencing for returns for the first quarter of 2019 (Q1 2019), which must be submitted to the DFSA on or before 30 April, 2019. For most Firms, these returns will be their first quarterly returns for the 2019 financial year. For certain other Firms with a financial year ending other than on 31 December, this may be the last quarterly return submission for their 2018-2019 financial year.

Annual EPRS Forms

As per PIB Rule 2.3.8, where applicable, all Firms must submit to the DFSA the required annual return within four months of the end of the Firm's financial year. Going forward, Firms must use the updated reporting forms to submit their annual returns, commencing with annual returns for the 2018 financial year. For Firms with a financial year ending on 31 December 2018, the annual return must be submitted to the DFSA on or before 30 April 2019 and using the updated reporting form. Firms with a financial year ending after 31 December 2018, must also prepare and submit their returns as and when they fall due using the updated reporting forms.

Annual Returns for 2018

As per the Auditor Model (AUD) App1, where relevant, in producing a Regulatory Returns Auditor's Report, an Auditor must state whether the Firm's regulatory returns submitted to the DFSA on a quarterly basis have been properly reconciled with the appropriate annual returns.

Given that the updated reporting forms must be used for the 2018 annual returns, the DFSA acknowledges the challenges in executing a full reconciliation between the quarterly and annual returns for 2018. Therefore, in recognition of this challenge and as a one-time exception, the DFSA requests auditors to perform the 2018 annual reconciliation only for the total figures of the following reporting forms, as applicable:

- a. B10A – Assets
- b. B10B – Liabilities (Domestic and Branches)
- c. B10D – Off-Balance Sheet Exposures
- d. B20A – Assets – Islamic Financial Institutions

- e. B20B – Liabilities – Islamic Financial Institutions (Domestic and Branches)
- f. B20D – Off-Balance Sheet Exposures – Islamic Financial Institutions
- g. B30 – Related Party Schedule
- h. B40A – Profit or Loss
- i. B50A – Profit or Loss – Islamic Financial Institutions
- j. B120 – Capital Resources (this includes the ‘Total Capital Resources’ and ‘Resources Less Requirement’ accounts)

Additionally, for any other reporting form not listed above which contains newly introduced or modified data accounts, the Firm is only expected to complete the form to the extent that the line item remains unchanged from the previous version of the reporting form.

Implementation of IFRS 9

As explained in the Consultation Paper No. 122, the review of and changes to the reporting regime were made for a number of reasons, including the implementation of the International Financial Reporting Standard No.9 (IFRS 9) concerning the classification and measurement of financial instruments and the impairment of financial assets.

As per GEN Rule 8.2.2, an Authorised Person must prepare and maintain all financial statements in accordance with the International Financial Reporting Standards (IFRS). The DFSA notes, however, that a number of Firms were granted a modification of GEN 8.2.2 to apply the accounting Generally Accepted Accounting Principles (GAAP) adopted in their respective home jurisdiction rather than IFRS. The DFSA is aware that regulatory authorities in certain jurisdictions may decide not to implement, or to postpone the implementation of, IFRS 9. Accordingly, there is a possibility that differences between locally implemented financial reporting standards and those applied in home jurisdictions may create disruption to the concerned Firms.

As such, and to avoid any unnecessary regulatory burden, Firms from jurisdictions where the IFRS 9 expected credit loss provisioning regime continues not to be implemented, must follow the IFRS 9 requirements only in relation to the classification and measurement of financial instruments. However, these Firms may choose not to adopt the expected credit loss provisioning requirements as per IFRS 9 in relation to the impairment of financial assets. In such cases, the concerned Firms can apply the impairment requirements as applied in their home jurisdictions. In particular, these Firms can choose not to report to the DFSA the following sub-forms under B320 – Arrears and Provisions:

- a. Movement in Provisions for Expected Credit Losses; and,
- b. ECL Transfers

Important reminder

Finally, we would like to remind you that by signing PIB Form B100 (Declaration by Authorised Firm), a Firm and its officers declare, to the best of their knowledge and belief having made due enquiry, that the submitted regulatory reporting forms are complete and correct. Under Article 66 of the Regulatory Law 2004, a person shall not provide information which is false, misleading or



deceptive to the DFSA, or conceal information where the concealment of such information is likely to mislead or deceive the DFSA. The DFSA reserves the right to take necessary actions in such cases, as we deem appropriate.

Firms are reminded that general communications with the DFSA should be made via the [Supervised Firm Contact Form](#). This includes any questions regarding this letter. We encourage you to do so without delay and in sufficient time before the returns submission due dates.

We look forward to your continuing engagement and cooperation during 2019.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Arvind Baghel', is written over a horizontal line.

Arvind Baghel
Acting Managing Director, Supervision

cc: Finance Officers
Compliance Officers
Audit Principles