

By Email

17 June 2025

To: Senior Executive Officers (“SEO”) of Authorised Firms in Prudential Category 3 and Category 4 that have an endorsement on their Licence to hold or control Client Assets

Re: EBCM requirements for Authorised Firms holding Client Assets

Dear SEO

The DFSA recently announced changes to its prudential regime following the Consultation Paper No. 161 on Enhancing Proportionality in Prudential Regulation ([here](#)). Part of the amendments to the DFSA’s rules will come into force from 1 July 2025, while the rest will apply from 1 July 2026. Please refer to our rulemaking instruments for the detailed amendments and the timing of their implementation ([here](#)).

This letter is to inform you that from 1 July 2025, and in accordance with the amended PIB Rule 3.7.1 ([here](#)), the Expenditure Based Capital Minimum (“EBCM”) will only apply to Authorised Firms in Prudential Category 3 and Prudential Category 4 (“Firm”) that are holding Client Assets¹ in any of the circumstances under COB Rule 6.11.4 (a) to (c), or that are licensed to carrying on any of the following Financial Services:

- Providing Custody;
- Providing Money Services;
- Acting as the Trustee of a Fund;
- Operating an Employee Money Purchase Scheme;
- Acting as the Administrator of an Employee Money Purchase Scheme; or
- Managing a Collective Investment Fund (except when Managing a Venture Capital Fund).

Consequently, if a Firm in Category 3 or Category 4 does not meet any of the conditions above, the EBCM requirement will not apply to them from 1 July 2025.

Next Steps

Where a Firm in Prudential Category 3 or Category 4 has an endorsement on its Licence to “hold or control Client Assets” under GEN Rule 2.2.10A, however, **it does not hold but only controls Client Assets** as part of its operational model,² then the DFSA will recognise that the EBCM does not apply to the Firm if it certifies to the DFSA that:

- a) it **does not currently hold** Client Assets; **and**
- b) it **does not plan to hold** Clients Assets in the next 18 months.

¹ Includes Client Investments, Client Money and Client Crypto Tokens, as defined in the GLO module ([here](#)).

² Refer to the amended COB Rule 6.11.4 ([here](#)), and the Guidance to the Rule, on what constitutes “holding” or “controlling” Client Assets. Additionally, you may refer to the DFSA’s Consultation Paper No. 160 ([here](#)) and the Feedback Statement ([here](#)) for more contextual information around “holding” or “controlling” Client Assets.

Certifications must be submitted to the DFSA using the dedicated online form “*Holding or Controlling Client Assets – Certification to the DFSA*” available on the DFSA ePortal ([here](#)) **on or before 31 July 2025.**

Critically, the Firm would remain under an obligation at all times to immediately notify the DFSA as soon as circumstances change, and the Firm plans to start holding Client Assets, in which case the EBCM requirement would begin to apply. Firms may use the Supervised Firm Contact Form on the DFSA ePortal ([here](#)) to send these notifications to the DFSA going forward.

A failure to notify the DFSA would be considered a breach of Principle 10 (Relations with regulators in GEN Rule 4.2.10) for not keeping the DFSA promptly informed of significant events of which the DFSA would reasonably expect to be notified. It may also constitute a breach of GEN Rule 11.10.7(d) (failure to advise the DFSA immediately of a significant breach of a Rule) and PIB Rule 3.2.5(3) (failure to notify the DFSA immediately of any breach, or expected breach, of a Capital Requirement). Any such breach would trigger appropriate regulatory action.

A Firm may also take a business decision to voluntarily withdraw the endorsement to “hold or control Client Assets” if it no longer needs it, and therefore the EBCM requirement will automatically no longer be applicable.

Please, be minded that due to changes around the application of the EBCM requirement, the DFSA is placing increased importance and reliance on data around Client Assets and Insurance Monies reported to the DFSA through the Electronic Prudential Reporting System (“EPRS”). Firms must maintain adequate systems and controls to ensure the accuracy, completeness and consistency of data reported via EPRS, including on:

- Client Assets via EPRS form B420 – Asset Management (data fields B420_80011, B420_80012, B420_80013, B420_80021, B420_80022, B420_80023); and,
- Insurance Monies via EPRS form B510 – Insurance Intermediation or Management (data fields B510_30400, B510_30500, B510_30600, B510_30700, B510_30800).

If you have any questions in relation to this letter, please contact us using the Supervised Firm Contact Form on the DFSA ePortal ([here](#)).

Yours sincerely,



Justin Baldacchino
Managing Director, Supervision

CC: Compliance Officers