

DFSA Annual Outreach 2025

Regulation in motion
Resilience, innovation, and integrity

19 November 2025

Welcome



Justin Baldacchino
Managing Director, Supervision, DFSA

Prudential Supervision Update



Mohamad El Khalil
Director, Prudential Supervision, DFSA

Prudential Risk Supervision

Key Objectives

Maintaining Financial Stability & Confidence

- Foster and maintain the financial stability of the financial services industry in the DIFC, including the reduction of systemic risk.
- Foster and maintain confidence in the financial services industry in the DIFC.

Protecting Depositors and Policyholders

- Protect direct and indirect users and prospective users of the financial services industry in the DIFC.

Business Models Focus

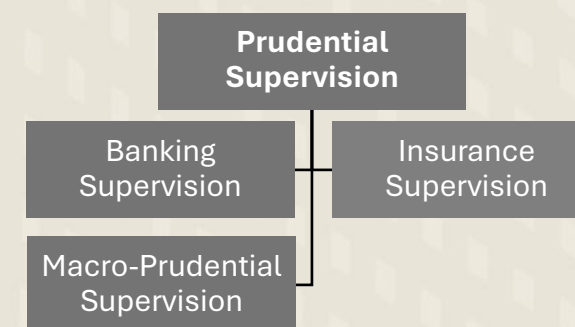
Banking

- Commercial Banks (*incl. Conventional & Islamic*)
- Credit Providers
- Proprietary Traders

Insurance

- Reinsurers (*incl. Re-Takaful*)
- Captive Insurance
- Insurance Intermediaries (Brokers)
- Insurance Management (Underwriters)

Team Structure



Supervisory Approach & Tools

Risk-Based

- Lead Supervisors
- Pool Supervision
- Thematic Supervision

Proactive

Forward Looking

Proportionate

International Cooperation

DIFC Financial Strength

Banking

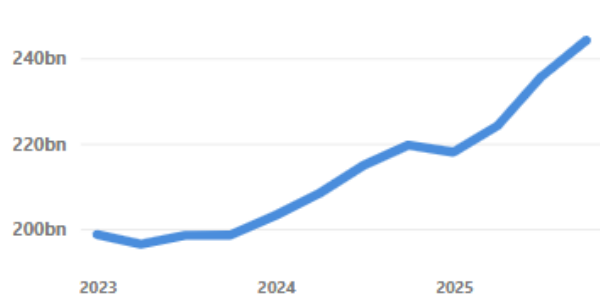
Sep-25

YoY chg.

Total Assets

\$244bn

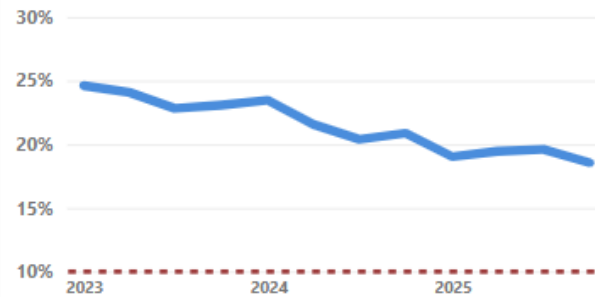
+11.2%



Total Cap. Adq. ^a

18.56%

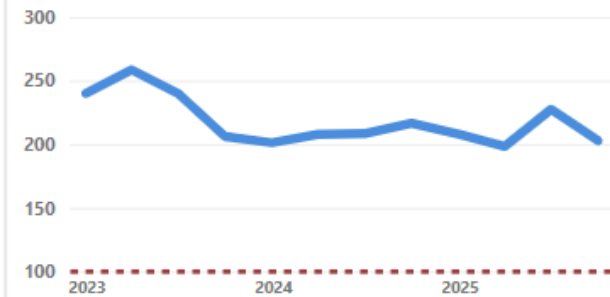
-232 bps



Liquidity Coverage ^b

203%

-14 pts



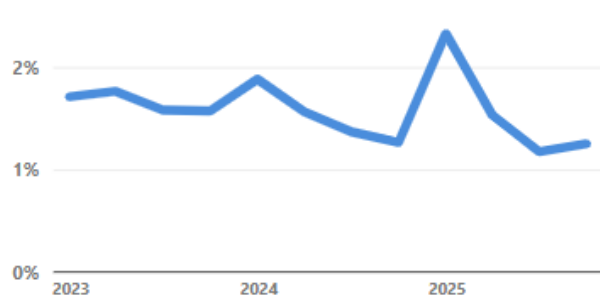
Sep-25

YoY chg.

Return on Assets

1.25%

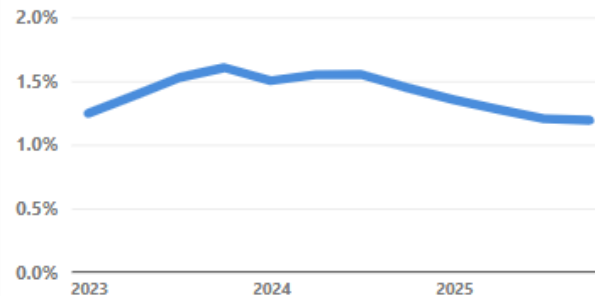
-1 bps



Net Interest Margin ^c

1.19%

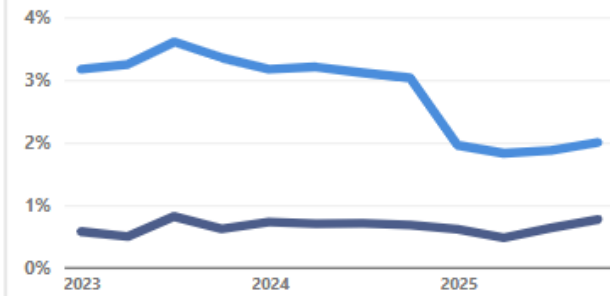
-26 bps



Non-perf. Loans (Gross) ^c

2.00%

-103 bps



● Gross Ratio ● Net of Prov.

^a Cat 1, 2, 3A, 5, local inc. firms only. ^b Cat 1 & 5 firms only. ^c Cat 1, 2, 5 firms only.



DIFC Financial Strength



Insurance

Sep-25

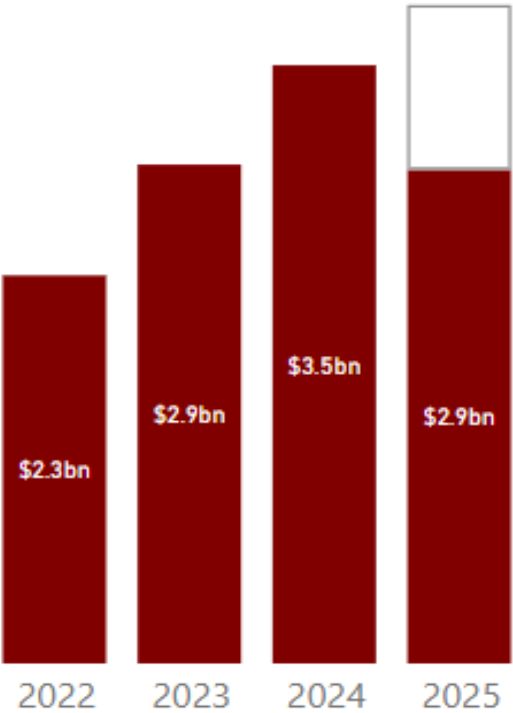
YoY chg.

Insurer GWP

12 months to: 30-Sep-2025

\$3.9bn

20.3%

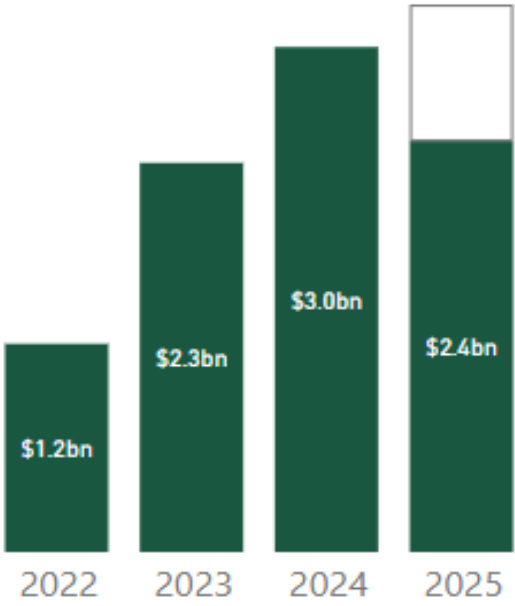


Brokered Premium

12 months to: 30-Sep-2025

\$3.3bn

21.0%





Key Activities 2025

Prudential Supervision

- Risk Assessments Programme 2025 (Banking & Insurance)
- Thematic Reviews
 - Support: High-Growth Firms, Conflict of Interest
- Resolvability Reviews & Resolution Assessments
- Stress Testing
- Crisis Readiness & Management
- Banks Licensing
- Monitoring Key Prudential Indicators
 - Macro-Prudential
 - Micro-Prudential
- FSAP Self-Assessment
- Supervisory Colleges, CMGs & Regulatory Engagements
- Policy Development Support – Basel III, Regulatory Burdens

Key Observations 2025

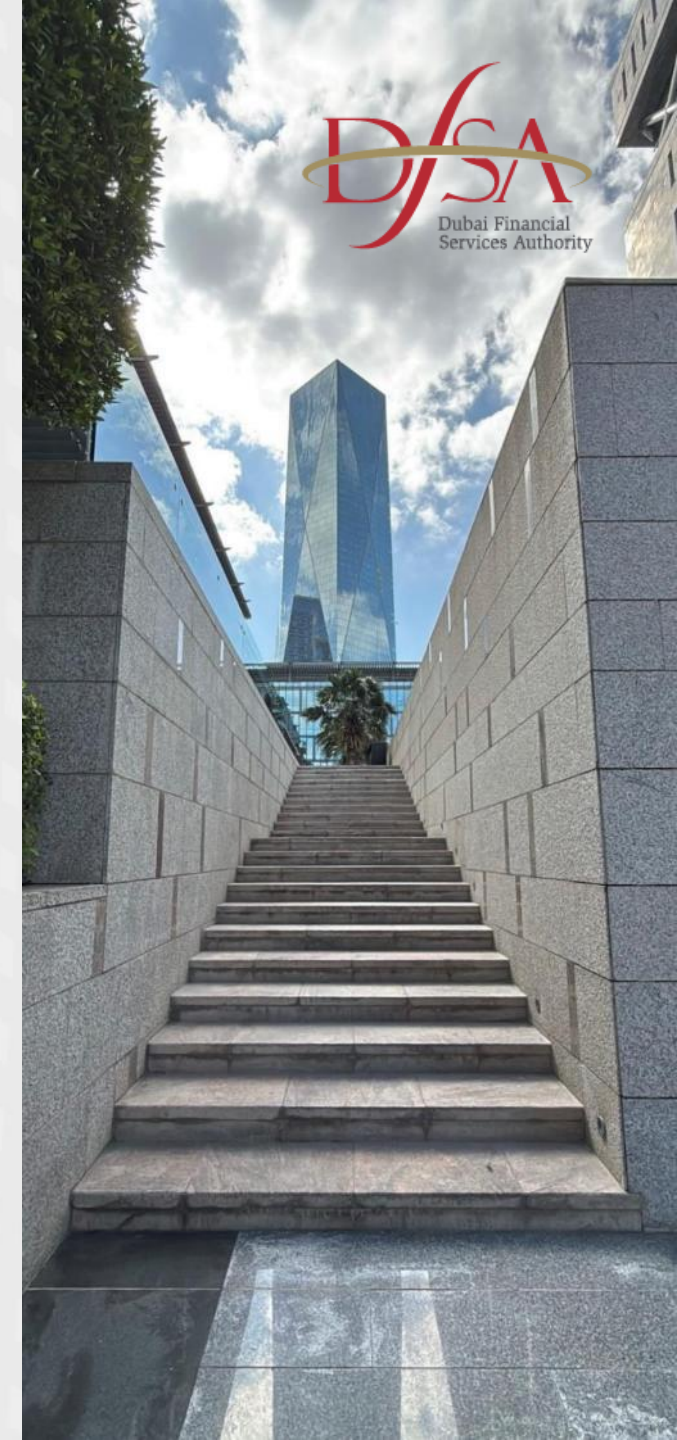
	Risk Area	Sub-Risk	Observations
General	Governance	Risk Culture	Poor <i>‘Tone from the Top’</i> – prioritising short-term gains, lack of accountability
			Unclear roles & responsibilities regarding risk ownership
	ERM	Business Plan	Update, clarity, and details
		Data Integrity	Data aggregation and reporting
	ERM	Risk Management Empowerment	Role and involvement of the Risk Management Function
		Risk Monitoring	Second line of defense oversight (Credit Risk)



Key Observations 2025

	Risk Area	Sub-Risk	Observations
Banking	Credit	Risk Appetite	Increased appetite due to margins pressure
		Credit Appraisals	Quality of credit analysis, inappropriate monitoring, accuracy & consistency of rating models
		Concentration	Increased exposures to the financial sector
	Liquidity	CFP	Lacking comprehensiveness and depth

	Risk Area	Sub-Risk	Observations
Insurance	Conduct	Disclosures	Brokers not disclosing to the Cedant interim brokers and potential Conflicts of Interest
		Fiduciary Duties	Brokers grossing-up insurance premiums
	Operational	Legal	Managing General Agent involved in activities without an active binding agreement





Key Risks 2026

Macro-Economic & Geopolitical Risks

- **Geopolitical Uncertainties** – Political Conflicts, Geoeconomic Confrontations
- **Macroeconomic Risks** – Interest Rates, Oil Prices, FX, Equity & Commodity Prices
- **Business Model Risks**

Financial Risks

- **Credit Risk** – Assets Concentration, NBFIs
- **Liquidity Risk** – Funding Risk, CFP
- **Interest Rate Risk** in the Banking Book

Non-Financial Risks

- **Financial Crime** (AML/CFT)
- **Operational Resilience:**
 - Cybersecurity
 - Third Party Risks
 - Business Continuity
- Data Integrity and Accuracy
- Compliance & Conduct
- Climate related Financial Risks
- New Technologies, incl. Artificial Intelligence

Key Focus Areas & Activities 2026

Prudential Supervision Focus

- High-Risk Firms
- Monitoring Macroeconomic & Geopolitical Developments
- Financial Stability & Resilience
- Operational Resilience
- Financial Crime
- Data Accuracy & Integrity
- Crisis Readiness

Prudential Supervision Activities

- Risk Assessment Plan
 - Monitoring & Management of Operating Environment Risks
 - Governance and Risk Management Practices
 - Deficiencies in Credit Management Frameworks
 - Operational Resilience Frameworks
 - Deficiencies in Data Aggregation & Reporting
- Thematic Review: Insurance Intermediaries Conduct

Conduct of Business Supervision Update



Chris Cameron
Director, Conduct Supervision, DFSA



2004



2008



“Such exceptional growth over a span of 20 years reflects the vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, of transforming the Emirate into the region’s leading global financial centre, and solidifies Dubai’s position as a world leading capital for financial services.”

2024

His Highness Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum
*First Deputy Ruler of Dubai, Deputy Prime Minister and Minister of Finance of the UAE;
and President of DIFC*

20125

A Year in Review

Continued Growth

*New and existing
Firms, broadening
and deepening*

Increased Maturity

*Improving standards
and effective
practice*

Approach

*Risk-based,
proactive and
responsive to
emerging trends*

Engagement

*Industry and
stakeholders, at
home and abroad*

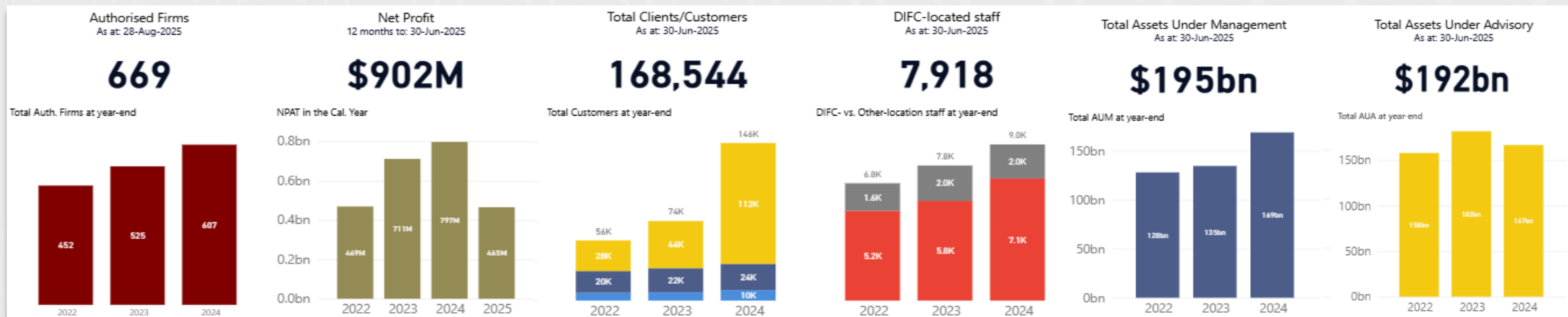
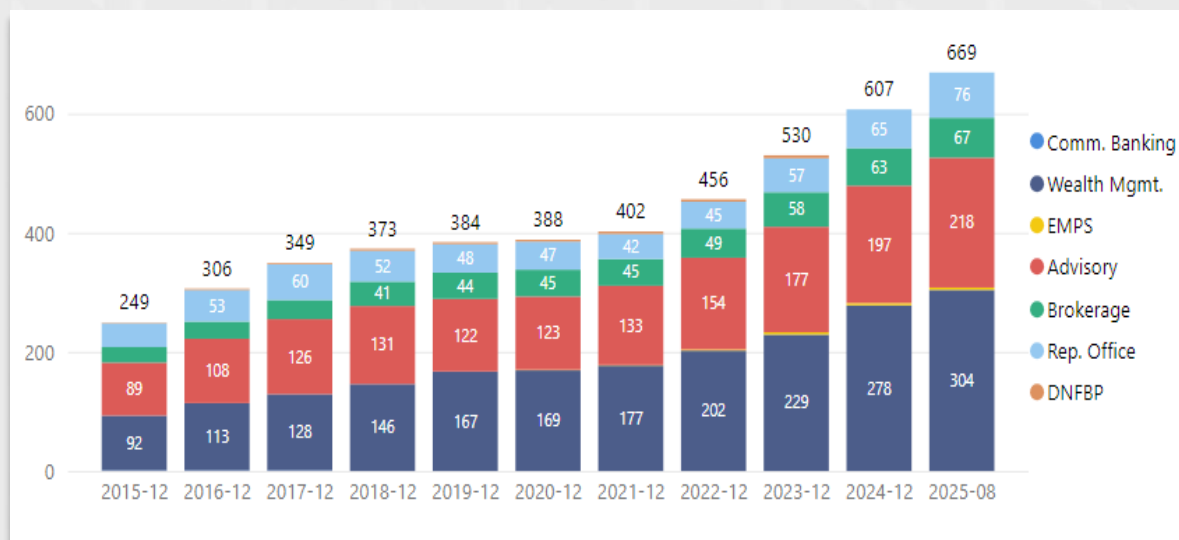


COB Team Business Models

Broadening & Deepening

Wider Wealth & Asset Management Sector Highlights

- **669** Authorised Firms (**79% of total AF's**)
- **14 GSIBs** out of the 27 operating in the DIFC¹
- Total Assets Under Management **USD195bn**
- Total Assets Under Advice **USD169bn**
- **60** Retail Endorsements
- Employ **c. 65%** of all staff in DIFC regulated firms
- Occupy significant office space in the DIFC
- Serving over **168k** clients



¹ Out of the 27 G-SIBs operating in the DIFC, we have 14 have G-SIBs with WAM licence/activities

Conduct Team Business Models

Wealth Management	Brokerage	Advisors Arrangers	Employee Workplace Savings	Offices Representative
315	67	218	6	75
Private Banking	Platform Brokers	Advisers	DIFC Employee Workplace Savings (DEWS)	Representative Offices
Investment Management	Executing Brokers	Arrangers	Associated Service Providers	
Fund Management	Arranging Brokers			
Custodians*				
Fund Administrators*				
Trustees of Funds*				
Trustee Service Providers*				

681 Conduct Firms
78% of Authorised Firm Population

* Commonly referred to as our Ancillary Service Provider business models

As at 3 November 2025

Conduct Team Approach



Operating Model

Team Based Supervision | Wider Wealth Management Sector |
Pooled Supervision | Higher Risk Firms | Outreach | Engagement



Risk-Based and Data Led

Thematic Reviews | Business Model Monitoring |
Risk Assessments | ePortal activities |
Annual Reporting | Client Assets Reporting |
Fund Registrations | Periodic Fund Returns



Stakeholder Engagement

Conduct Risk Support across DFSA |
Outreach to Industry & Trade Associations | Standard Setters
Engagement | Government Departments |
Regulatory Authorities (Domestic, Regional & International)



Conduct Team Work Plan 2025

We are responsible for supervising the Conduct of Business risks across the entire DIFC

2025 Work Plan

- Thematic Reviews
- Risk Assessments
- Supervising Higher Risk Firms
- Pool Supervision of majority of Firms
- Portal Activities
- Newly Authorised Firm Outreach
- Annual Reporting
- Clients Assets Review
- Periodic Fund Return
- Fund Registration
- Stakeholder Engagement

Key Achievements

3 Thematic Reviews



7 Conduct Outreaches



37 Risk Assessments



5936 Portal Activities



Market landscape

Private Banking

Trends and Highlights

- Overall Growth
- Crypto-Token Activities
- Islamic Finance
- Key risks: Staff Misconduct, Suitability of Advice, and AML CTF & Sanctions Compliance

AuM
USD524m

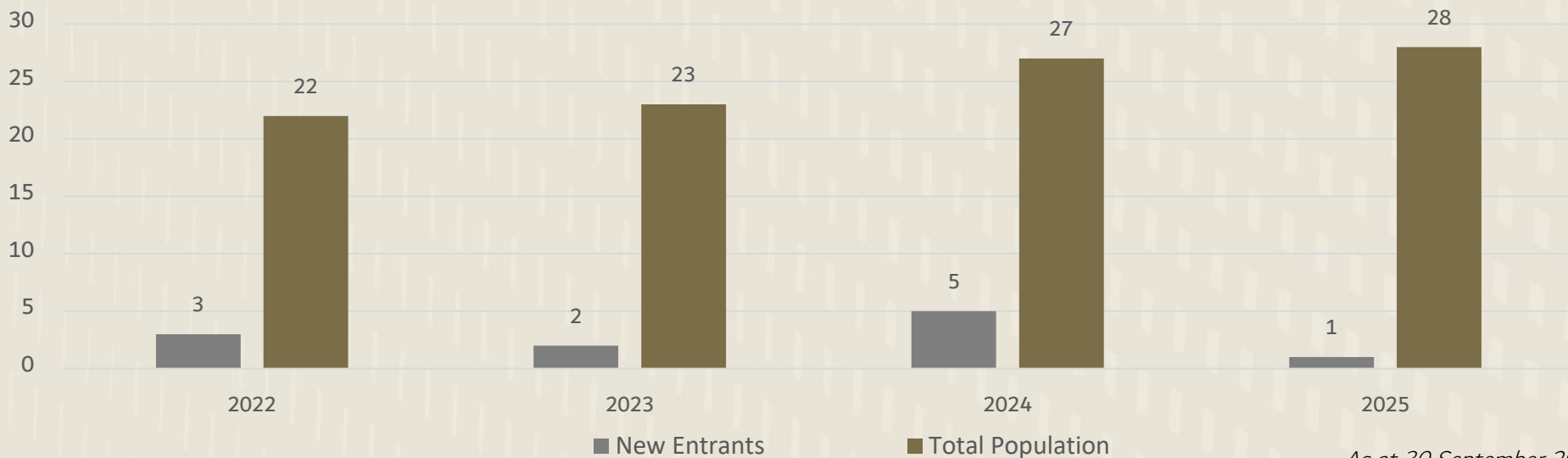
AuA
USD98bn

DIFC Staff
1,348

Clients
14,114

Total Authorised Firms **28**

Yearly Authorisations



As at 30 September 2025

Market landscape

Brokerage

Trends and Highlights

- Growth
- Crypto-Token Activities
- Consolidation and Acquisitions
- Key Risks: Market Abuse Systems & Controls, Oversight of Trading Environment

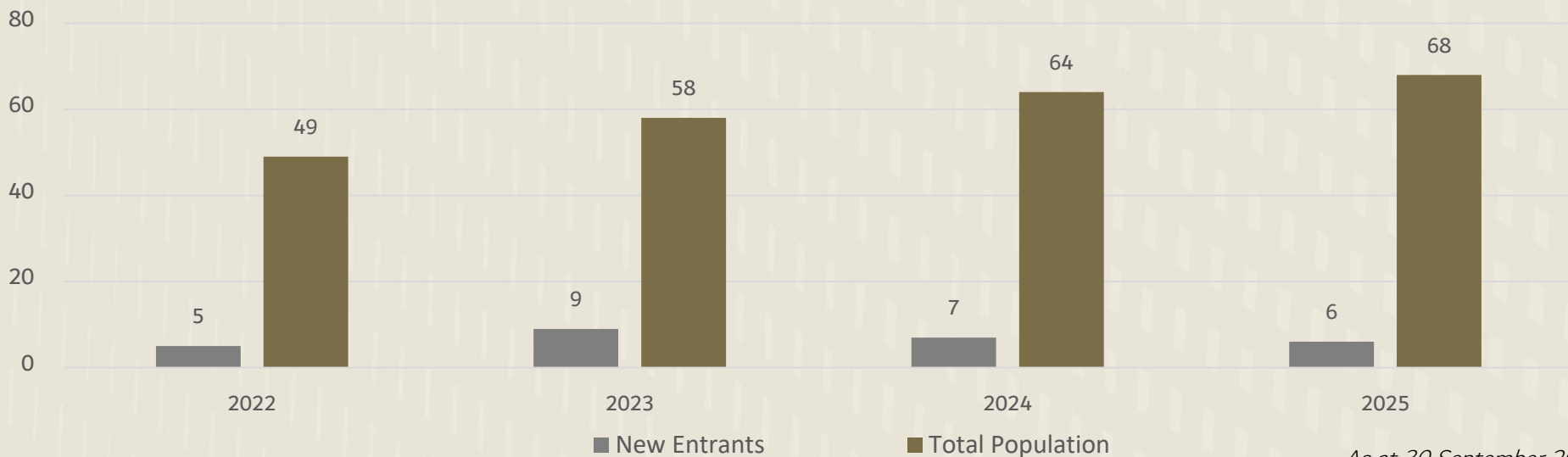
Trades Arranged/Executed
(last 12 months)
31.1m

DIFC Staff
1,136

Clients
40,175

Total Authorised Firms **68**

Yearly Authorisations



As at 30 September 2025

Market landscape

Investment Management

Trends and Highlights

- Growth of Hedge Fund Managers
- Crypto Tokens
- Trade Execution
- Management of Foreign Funds
- Key Risks: Governance, Suitability of Investments

AuM
USD168bn

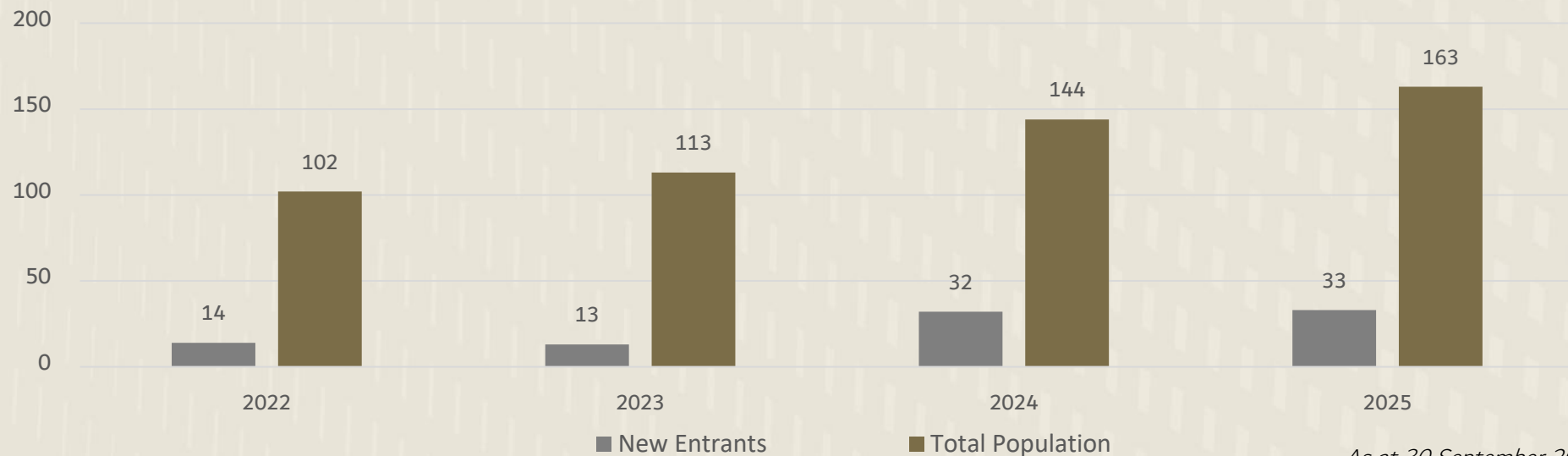
AuA
USD42bn

DIFC Staff
1,944

Clients
51,200

Total Authorised Firms **163**

Yearly Authorisations



As at 30 September 2025

Market Landscape

Arrangers and Advisers

Trends and Highlights

- Overall Growth
- Arranging vs Referrals
- Key Risks: Suitability of Advice

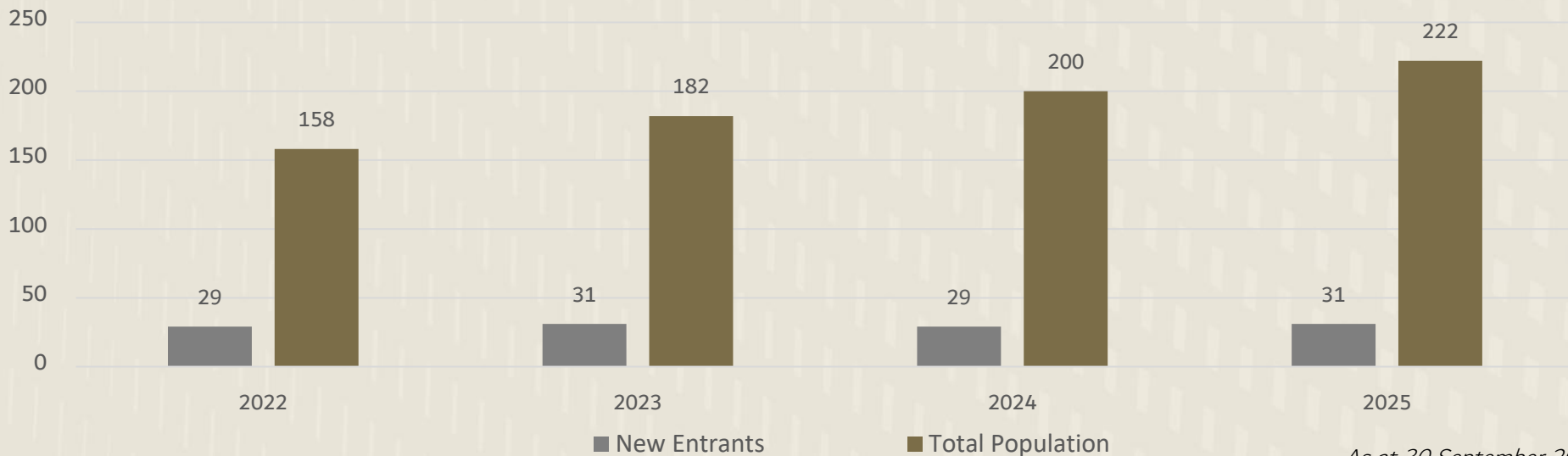
AuA
USD29bn

DIFC Staff
1,564

Clients
10,551

Total Authorised Firms **222**

Yearly Authorisations



As at 30 September 2025

Market landscape

Fund Management

Trends and Highlights

- UAE jurisdiction of choice
- Continued growth of Funds and FuM
- Standardised Waivers – removing unnecessary regulatory burden
- Upcoming holistic funds review
- Key risks – Governance and oversight, standard of fund applications (usage of red line versions)

FuM
USD11bn

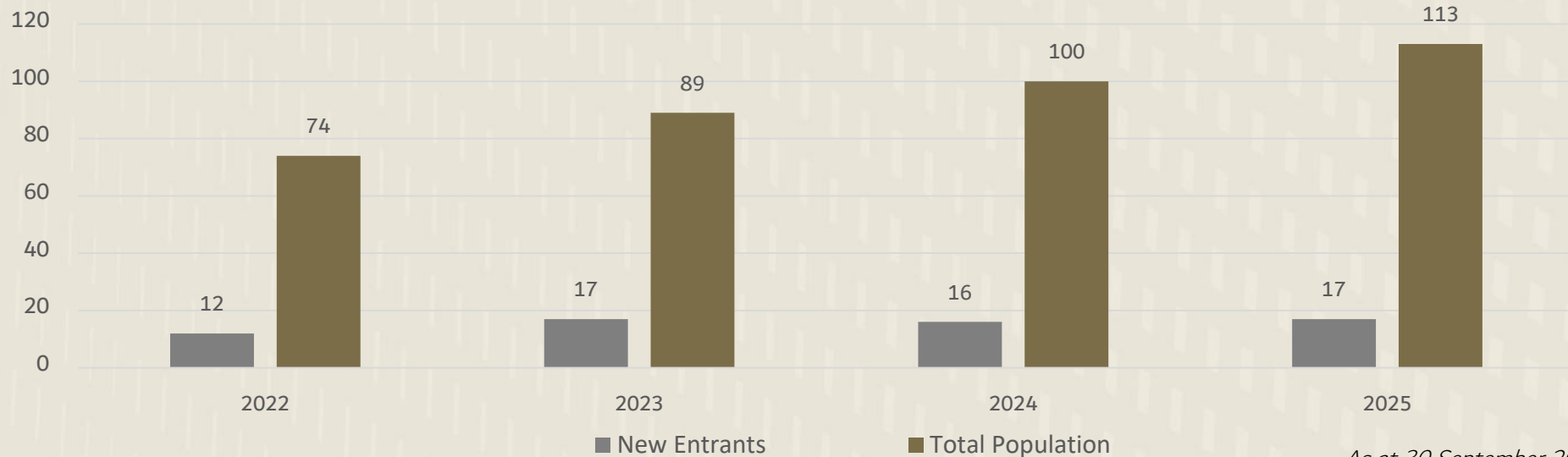
AuA
USD17bn

DIFC Staff
862

Clients
2,517

Total Authorised Firms **113**

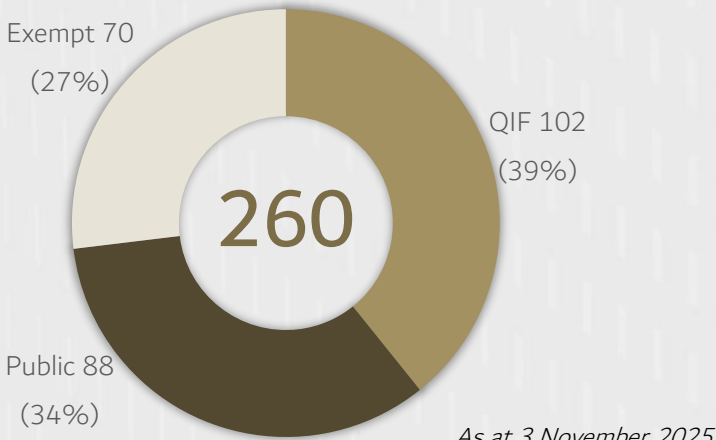
Yearly Authorisations



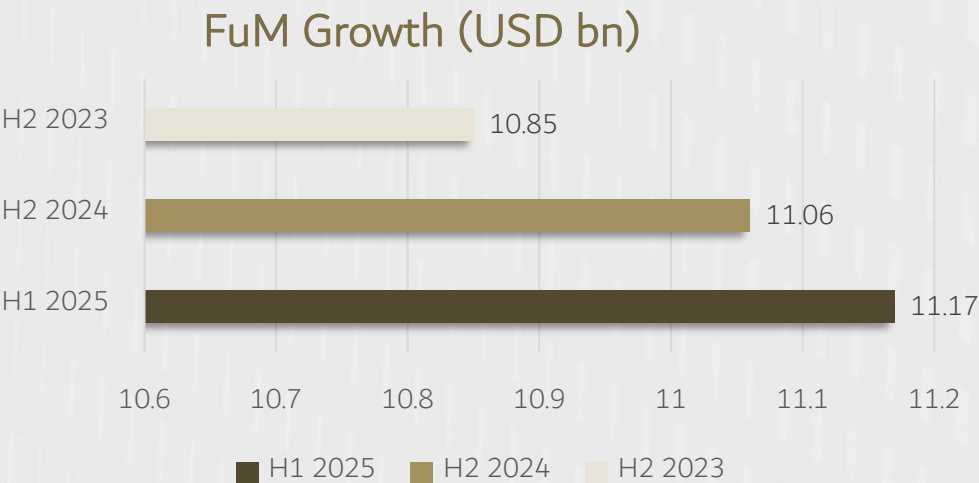
As at 30 September 2025

Asset management market landscape

Fund Management - Funds



As at 3 November 2025





Fund Management Trends

Master – Feeder	H1 PFR 2025 9 Domestic Master Funds 35 Domestic Feeder Funds
Passported Funds	92 DIFC Funds* 8 ADGM 0 Mainland
Umbrellas (PCC) & Fund Platforms (ICCs)**	8 Fund Platform Endorsements 34 ICs 34 PCCs & 70 PCs
Public Funds	21 at end of 2023 88 as at 3 November 2025
Removing unnecessary regulatory burden	Standardised Modifications <ul style="list-style-type: none">• Credit Funds• Feeder Funds

*As at 22 October 2025

** As at 3 November 2025





Thematic Reviews 2025

Risk-based and data-led



	Whistleblowing	Fund Management Self Custody	High Growth Firms	Conflicts of Interest
Focus Areas	<ul style="list-style-type: none">• Whistleblowing Practices• Whistleblowing Regime	Effectiveness and level of compliance with CIR, CIL and GEN	<ul style="list-style-type: none">• Risks and root causes• Impact• Forward looking	<ul style="list-style-type: none">• Governance• Identification and Management of COI
Key Findings	<ul style="list-style-type: none">• Whistleblower Protection• Policies and Procedures• Governance	<ul style="list-style-type: none">• Operational Risk• Conflict of Interest• Transparency & Disclosure	<ul style="list-style-type: none">• Business Strategy & Growth Plans• Governance & Decision Making• Staffing & Resourcing Plan (inc. Risk & Compliance)	<ul style="list-style-type: none">• Assessment of COI• Identification practices• Training and Awareness
	February 2025	October 2025	October 2025	Q1 2026

High-Growth Firms Thematic Review

Definition	Firms with rapid growth in scale and/or complexity during 2021-2024 relative to peers and based on a number of data points (inc. revenue, client numbers, staff numbers, client assets, assets under advisory/management and trade data).							
Aim	Better understand drivers for growth and assist with risk-based, proportionate supervisory approach to support the controlled and sustainable growth of Firms in the DIFC. Assessing a subset of High-Growth Firms to better understand the risks and root causes and recommend actions.							
Approach	<ul style="list-style-type: none">• Data analysis – reliance on existing regulatory reporting to reduce burden and select cohort of High-Growth Firms.• Desk-Based Reviews and On-site visits/calls using consistent approach for appropriate comparisons and benchmarking.• We identified good practice as well as areas for improvement.							
Review Areas	Business Strategy	Governance	Risk & Compliance	Staffing & Resourcing	Risk Management	Outsourcing	Financial Resources	Onboarding
Outputs		<div>Feedback Letters issued to in-scope Firms</div> 		<div>Industry webinar to share key themes/ findings and good practice</div> 				

Self-Custody Thematic Review

Definition

Fund Managers who use self-custody arrangements, where the assets are held internally

Aim

Assess the overall effectiveness and the level of compliance in accordance with the Collective Investment Rules, Collective Investment Laws and other applicable rules in the General module

Approach

- We conducted desk-based reviews and/or visits to assess self-custody arrangements of in-scope Fund Managers.
- A consistent approach was applied across all FMs to ensure appropriate comparisons and benchmarking.
- We identified good practices as well as areas for improvement.

Review Areas

Operational
Risk

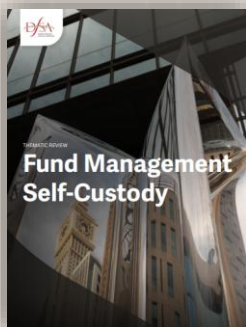
Conflict of
Interest

Transparency
& Disclosure

Liquidity Risk

Risk
Management

Outputs




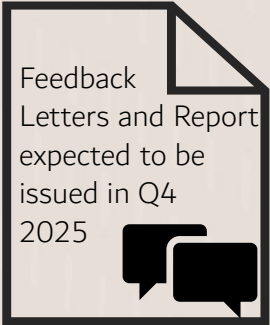


Feedback
Letters issued
to in-scope
Firms



Roundtable
discussion with
in-scope Fund
Managers



Conflicts of Interest Thematic Review

Definition	A cross-sector Review examining how Authorised Firms identify, record, and manage conflicts of interest risks in respect of their business in the DIFC					
Aim	<ul style="list-style-type: none">Assess compliance with DFSA regulatory requirementsUnderstand AFs process for identification and management of COIAssess the appropriateness of COI disclosures					
Approach	<ul style="list-style-type: none">Survey (710 Firms with 96% response Rate)Onsite Visits (25 firms representing different Business Models)					
Review Areas	Governance, and Risk Management	Identification and Reporting of COI	Management of COI	Monitoring and Review of COI	Record Keeping	Inducements
Outputs	<div></div> <div><p>Feedback Letters and Report expected to be issued in Q4 2025</p></div> <div><p>Outreach expected to take place in Q1 2026</p></div> <div></div>					

Whistleblowing Thematic Review

Aim

- Assess the level of compliance with the new regime
- Identify good practice and areas for improvement, and
- Identify outliers and instances of non-compliance

Approach

- Short online survey which was issued to Authorised Persons, Registered Auditors, and DNFBPs.
- The survey was aligned to specifically developed key risk indicators and risk measures
- A sample of 30 Regulated Entities received a follow-up desk-based review and/or visit

Key Findings Areas

1 Policies and procedures



2 Governance



3 Training and awareness



4 Reporting channels



5 Volume of reports



6 Protection



7 Monitoring and testing



8 Record keeping



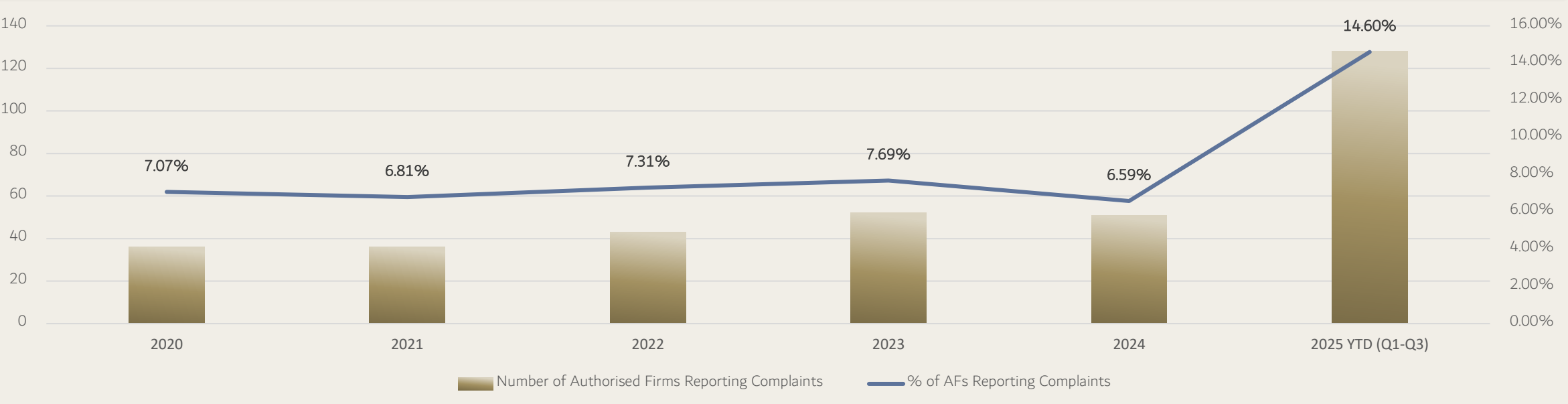
Complaints Handling Thematic Review

One Year On



Background 	<ul style="list-style-type: none">Consistently low level of Complaints reportedEver increasing number of Firms and customers	Focus Areas 	<ul style="list-style-type: none">Complaints HandlingGood Practice and Areas for ImprovementOutliers
Key Findings 	<ul style="list-style-type: none">Policies and ProceduresComplaint RecognitionGovernance	Timeline 	<ul style="list-style-type: none">August 2023 - Dear SEO LetterOctober 2024 – Report PublicationNovember 2024 – Outreach

One Year On



Newly Authorised Firms Outreach



DFSA Essentials

- (1) Governance, Risk & Compliance;
- (2) Conduct of Business;
- (3) Prudential

Being Supervised

DFSA's key resources

Markets

Suspicious
Transaction &
Order Reports

**AML & Counter
Terrorism Financing**
Prevention

Operational & Cyber Risk

Strengthening
resilience by proactivity



2

Outreach Events



119

Firms Responded



161

Individuals Responded



Implementation of Client Assets Changes



- Protection of **Client Assets** remains a **regulatory priority for the DFSA**.
- We have a low risk tolerance for the misappropriation/mismanagement of Client Assets.



- August 2024 - **CP160** published and consulted on proposals for a number of changes
- March 2025 - **Feedback Statement** issued alongside relevant updates to the DFSA Rulebook.
- **1 January 2026 - Revised rules will come into force**



- Ensuring our Client Assets **regulatory framework is proportionate and risk based**;
- Addressing **compliance issues identified through our supervision** activities (including our annual review of Client Assets Auditor Reports); and
- **Clarifying aspects of the Client Assets Regime** to improve compliance going forward.

Key changes include

- Clarifying the requirements applicable to Authorised Firms that only control Client Assets.
- Clarifying that Investments and Crypto Tokens that are Fund Property do not fall within the Client Assets regime (as is already the case for Money that is Fund Property)*.
- Introducing a requirement for Authorised Firms to compile and maintain a Client Asset crisis preparedness pack to facilitate Client Assets being promptly identified and returned to Clients in a crisis situation.



Stakeholder Engagement



DFSA Outreach

- CCO Working Group
- Newly Authorised Firm Outreach
- Client Assets
- Funds Roundtable

Thematic Reviews

- Whistleblowing
- Self-Custody
- High Growth

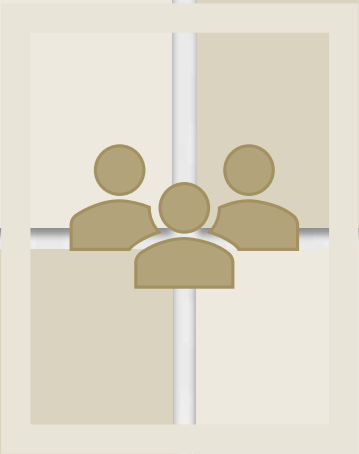
- Hedge Fund Manager (HFM) Middle East Summit
- AIMA Hedge Fund ME Summit
- AIMA Global Events
- Middle East Wealth Xchange
- Industry Associations
AIMA, MFA, GCMA, MEIMA

Industry

Regulatory

- Supervisory Colleges
- Regulatory Engagement

SCA	FSRA	UAECB	HK SFC
FCA	FINMA	CySEC	RBI ECB
MAS	FMA		

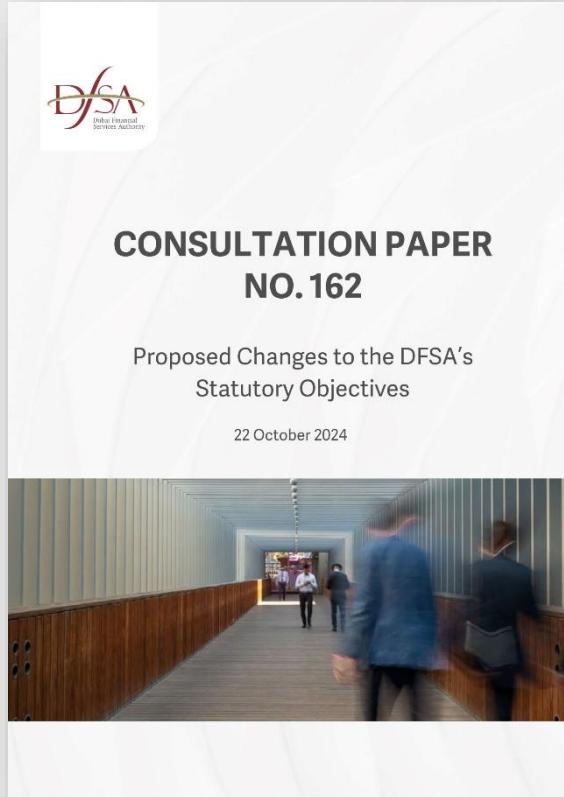


- Support DIFCA on broadening initiatives both locally and globally
- Engagement with Authorised Firms to help deepen DIFC operations

Secondary Objective

Secondary Objective

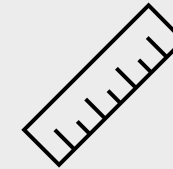
Continuing evolution of our approach



Support the development of the financial services industry in the DIFC



Benchmarking exercise of regulatory authorities



Alignment with international standards and maintaining regulatory independence



We are committed to playing a key role in the development of the DIFC and indeed have carried out activities that advance this goal so far as reasonably possible



2026 Priorities

Advancing regulatory standards and innovation within the DIFC

Suitability Thematic Review

- Design of systems and controls
- Operation in practice
- Point of Sale – Post Sale

Fund Platform Thematic Review

- Governance
- Business Models
- High-Growth Characteristics

Brokerage Thematic

- Oversight of Trading Environment

Risk Assessments

- Higher Risk Firms
- As required

Engagement

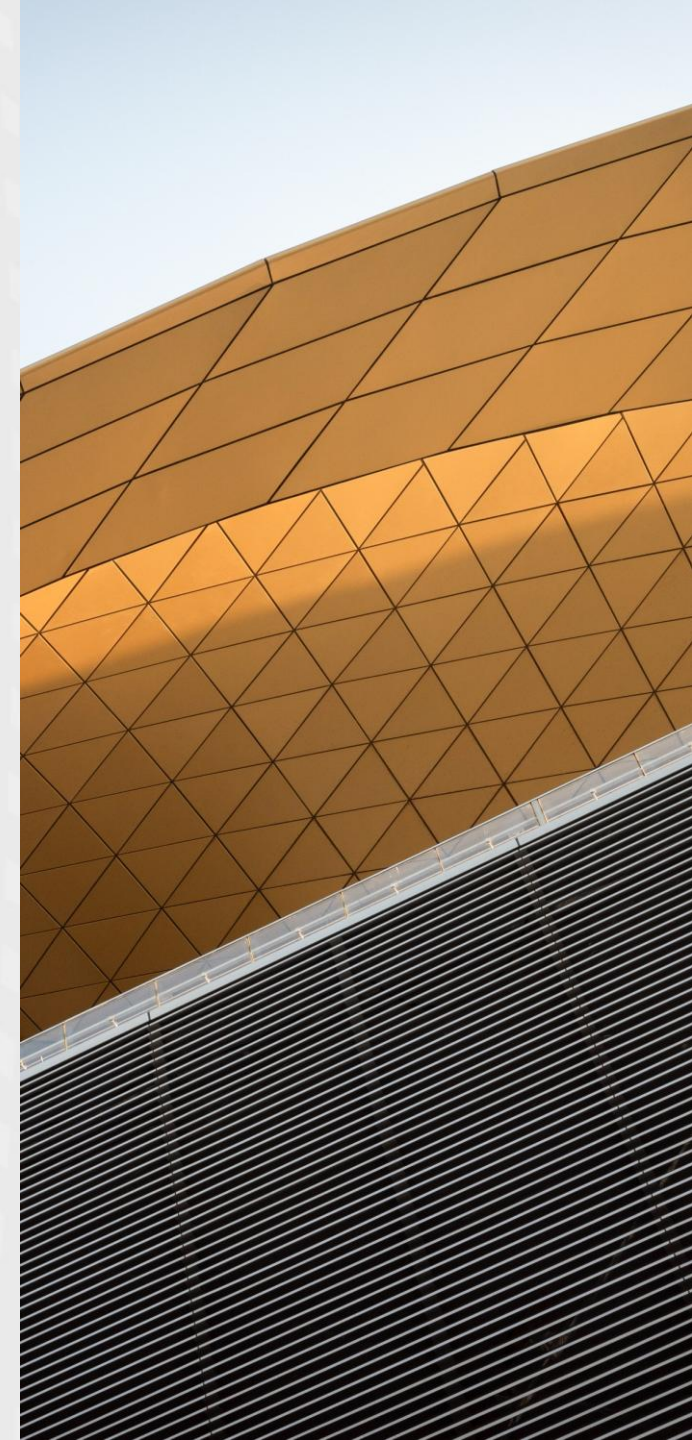
- Regulated Firms
- Industry Stakeholders
- Regulatory Authorities

Outreach

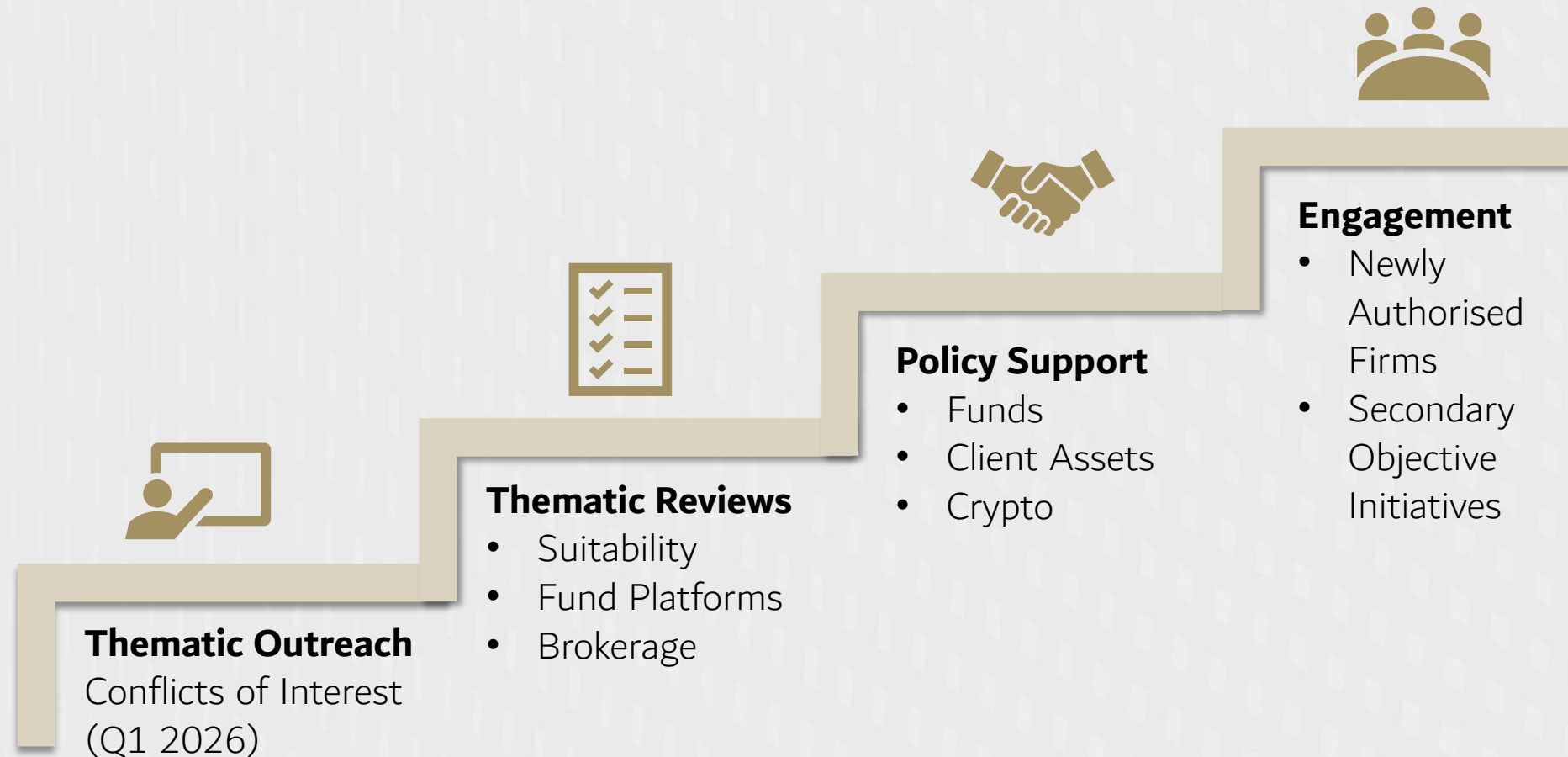
- Conflicts of Interest Thematic Review
- Newly Authorised Firms
- Thematic Reviews

Core Activities

- Portal Activities
- Newly Authorised Firms
- Annual Reporting
- Clients Assets Review
- Periodic Fund Return
- Fund Registration



Next Steps and into 2026



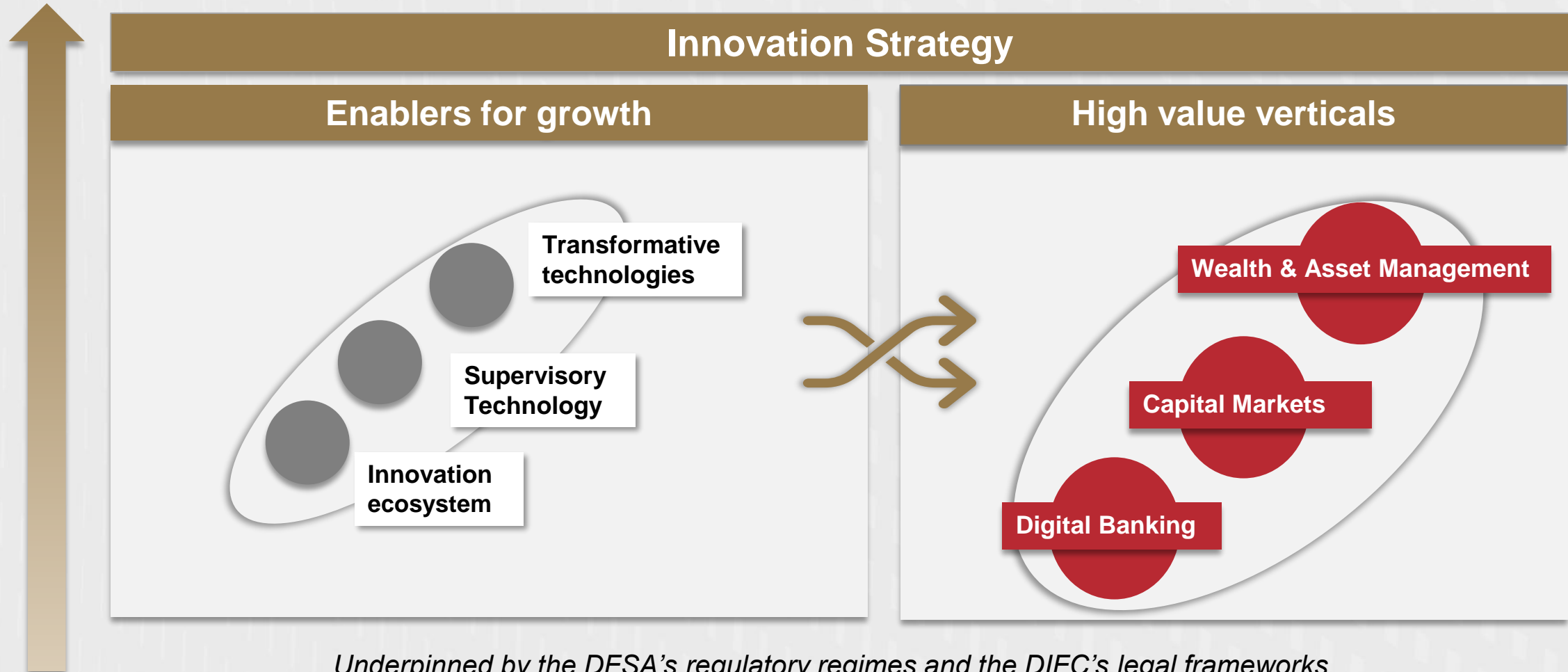
Innovation and Technology Supervision



Herman Schueller

Director, Innovation & Technology Risk Supervision, DFSA

DFSA's Innovation Agenda



*Underpinned by the DFSA's regulatory regimes and the DIFC's legal frameworks,
and developed in alignment with international standards*

Innovation Thought Leadership

Supporting the Fintech ecosystem: aligning internationally



UAE-unified Approach on Emerging Technology Risks

All 5 of the UAE's regulators attended the 2025 College, discussing alignment for technology & cyber risk supervision, collaboration on Post-Quantum Cryptography (PQC), cyber threat intelligence and AI risk oversight.



مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

UAE Regulators AI Working Group

A cross partnership between UAE regulators to evaluate supervisory frameworks on AI for financial services: Licensed Financial Institutions and Authorised Firms.



DFSA Digital Asset Coffee Club

Providing a platform for a group of regulators to engage in open and informal discussions to share insights related to Digital Asset and Crypto Token firms.



Bank of International Settlements Innovation Hub: Project Nadim

A project to combat Financial Crime through Cross-Border Collaboration. Aims to create an *Establishment of a Standardized Information Sharing Protocol, Development of a Common AI Pattern Recognition Model*.



HONG KONG MONETARY AUTHORITY
香港金融管理局



Bank of International Settlements Innovation Hub: Project Noor

Project Noor is a financial services technology initiative that seeks to equip financial supervisors with practical tools to evaluate and interpret the inner workings of artificial intelligence (AI) models used by banks and other FIs.



GLOBAL FINANCIAL
INNOVATION NETWORK



GFN Quantum Project Working Group

UAE and international working group on quantum risk. Alignment with UAE quantum strategy and GFN to build awareness, share insights, and co-develop the foundations for coordinated global readiness.

2025 ITL Tokenisation Cohort

Attracting a global ecosystem of industry players to the DIFC



- **Issuers** that create and tokenise assets, e.g. Broker/Dealers, Real Estate, Corporates, Fund Managers / on/off ramps for stablecoins.
- **Tokenisation platform providers** that convert real world assets into digital tokens.
- **Exchanges** helping to ensure tokens can be exchanged by licensed providers.
- **Legal & Compliance Partners** helping to ensure tokens are legally structured and compliance is being followed.
- **Custodians** enablement of secure storage and management of the tokens.
- **Auditors** firms specialising in digital assets auditing of blockchain assets.
- **Tech Firms** including Cybersecurity and Blockchain firms specialising in digital assets.

Project milestones	Dates
DFSA Tokenisation roundtable with industry players hosted by DIFC	January 2025
Expressions of Interest (EOI) Document published	March 2025
Engagement with interested respondents	Jun - Oct 2025
ITL application by participating firms	Q4 2025 (anticipated)

~100 EOI submissions

~20 Firms to progress to ITL application

Cyber and AI Risk Regulatory College



- Hosted at the Dubai FinTech Summit – May 2025
- 18 International Regulatory Authorities
- Academia
- Industry
- Standard-setter organisations

Insights

1. The current dynamic cybersecurity threat landscape demands that firms strengthen their cyber resilience capabilities by **prioritising foundational technology and cyber risk controls**, including supply chain risk management.
2. For a timely transition to Post-Quantum Cryptography (PQC), firms should be **updating their cryptography inventory** and identify relevant mid-term risks.
3. Firms should enhance **data and AI governance** through a comprehensive data risk management approach, and foundational security practices.

Cyber and AI risk DFSA publications



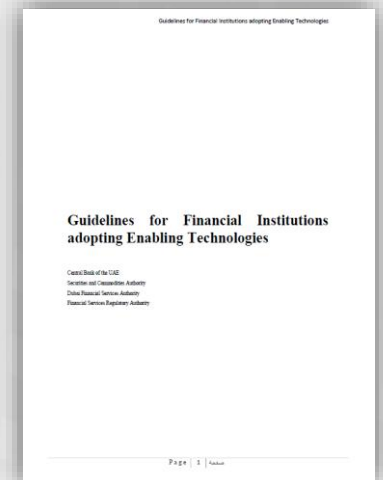
1. Cyber and AI Risk in Financial Services;

- Published **June 2025**
- Focused on Cyber, AI, and quantum risks
- Regulatory focus areas for cyber resilience
- Technical insights on AI risk supervision



2. Guidelines for Financial Institutions adopting Enabling Technologies:

- Published **July 2021**
- Focused on all enabling technologies:
 - ☐ APIs
 - ☐ Cloud computing
 - ☐ Biometrics
 - ☐ AI
 - ☐ DLT
- Practical implementation guidelines aligned with all UAE financial regulators

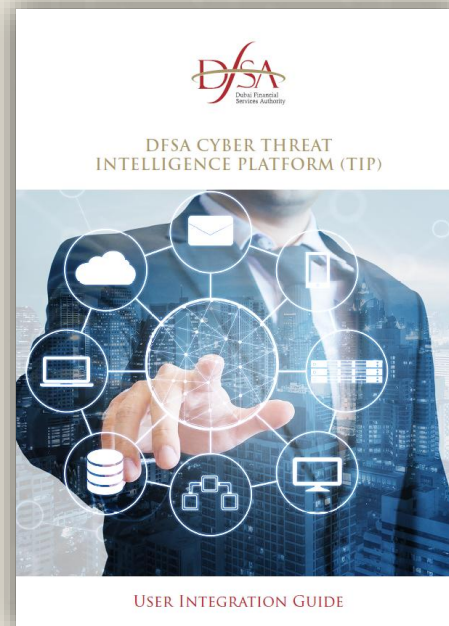


Cyber risk outreach sessions



Threat Intelligence Platform (TIP)

(March 2025)



Perspectives on the transition to post-quantum cryptography in the financial sector

(November 2025)



Thematic review: Compliance Arrangements



Thematic across more than 15 authorised firms across multiple fintech (Crowdfunding & Money Services) business models, to amplify good firm practices around six different core themes and areas for improvement.

Core themes identified:

Capacity and resources

- Staffing Levels and Team Size
- Outsourcing and Independence
- Dual Roles and Governance
- Start-up Considerations
- Anti-Money Laundering Oversight and Continuity
- Perception vs Reality

People and culture

- Staff turnover
- Senior staff awareness
- Empowerment of Compliance Officers
- Approach to compliance

Policies and procedures

Compliance Monitoring Plan

Technology and automation

- Automation and Client Onboarding
- Link to Resources and Capacity

Governance and controls

Regulatory engagement

Timeline

Dates

Dear SEO letter and survey link sent to firms	28 April 2025
Phase 1: Firms completed the survey questionnaire	April – May 2025
Phase 2: Follow-up engagement conducted with firms as needed	June - August 2025
Compliance Arrangements Thematic Report	Underway

Supervisory Observations:

- **Gaps in regulatory understanding:** Several Compliance Officers have demonstrated a limited understanding of the legislation administered by the DFSA.
- **Lack of authority and independence:** Several Compliance Officers have appeared to operate under the shadow of dominant SEOs or founders, which has compromised their ability to make independent judgment or escalate issues.

2026 Key Themes & Focus Areas



**Crypto Enablement
and Supervision**



**Supporting DIFC
Innovation
Ecosystem**



**Regulatory
collaboration on
Fintech**



**Cyber Risk
Regulatory College**



**Innovation thought
leadership on digital
assets, cyber risk, and
emerging technologies**



**Tech & Cyber
continuous
monitoring**

DIFC Strategy & Business Activities



Salmaan Jaffery
Chief Business Development Officer, DIFC Authority

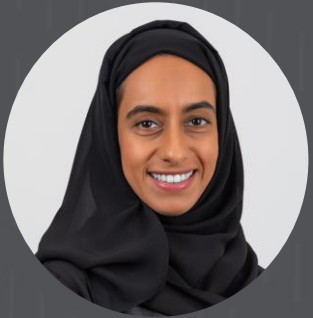
UAE Preparation for the FATF Mutual Evaluation 2026



Hasan Alhosani

Senior Compliance Specialist, General Secretariat of
the NAMLCFTC

Financial Crime Risk Supervision



Sara Kalban

Director, Financial Crime Risk Supervision, DFSA



Risk Based Supervision: Financial Crime Risk



Review



Risk Based Supervision FC Risk: Institutional Framework



Inherent Risk

Key risk indicators

- Business risk
- Customer risk
- Products & Services
- Geographic Reach
- Delivery Channel
- Proliferation Financing Risk
- Terrorist Financing Risk



Risk Based Supervision FC Risk: Institutional Framework



Inherent Risk

Key risk indicators

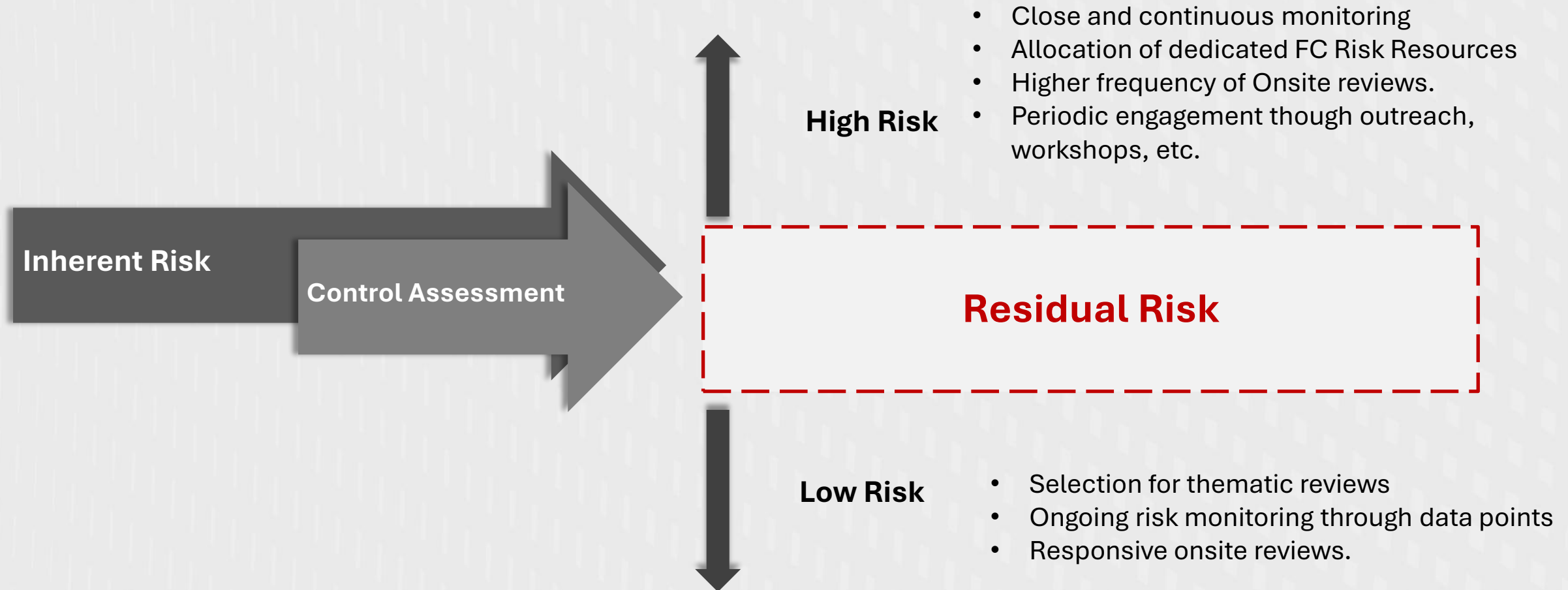
- Business risk
- Customer risk
- Products & Services
- Geographic Reach
- Delivery Channel
- Proliferation Financing Risk
- Terrorist Financing Risk

Control Assessment

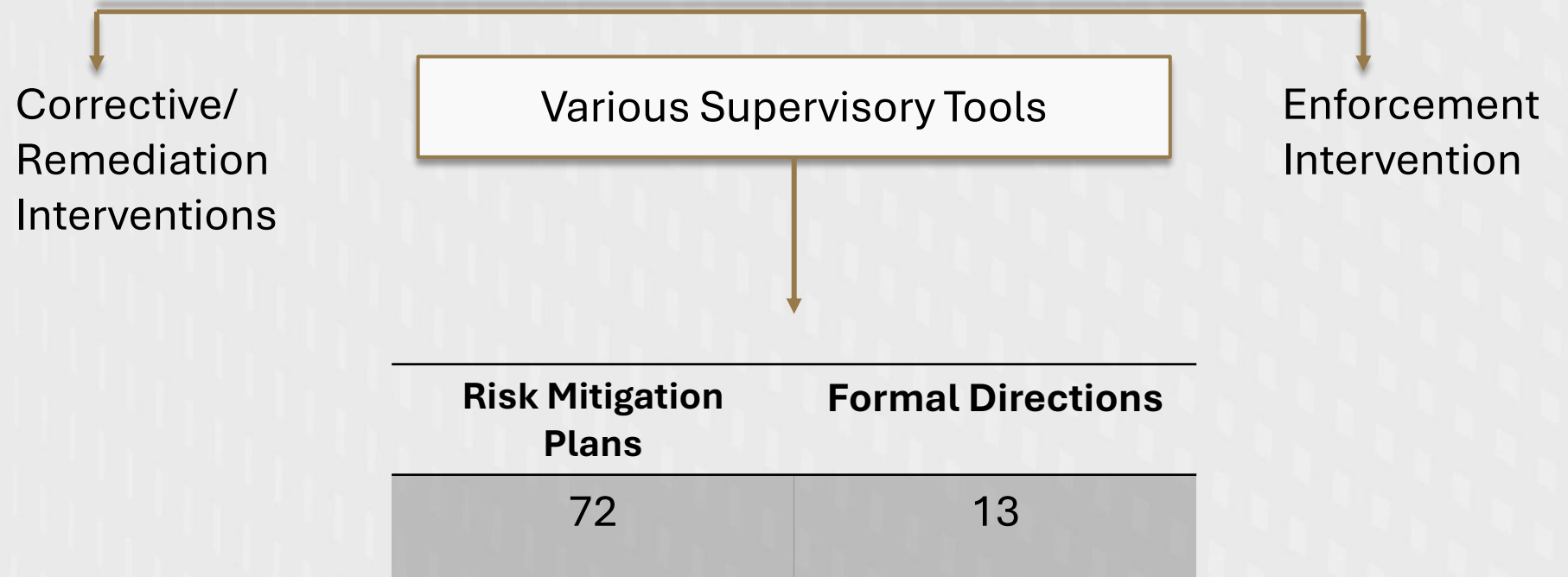
Control Factors

- Application of the Risk Based Approach
- Policies, Procedures and Systems
- Customer Due Diligence Measures
- Enhanced Measures
- Suspicious Activity Reporting Framework
- Sanctions Compliance
- Other Measures
- Internal Controls

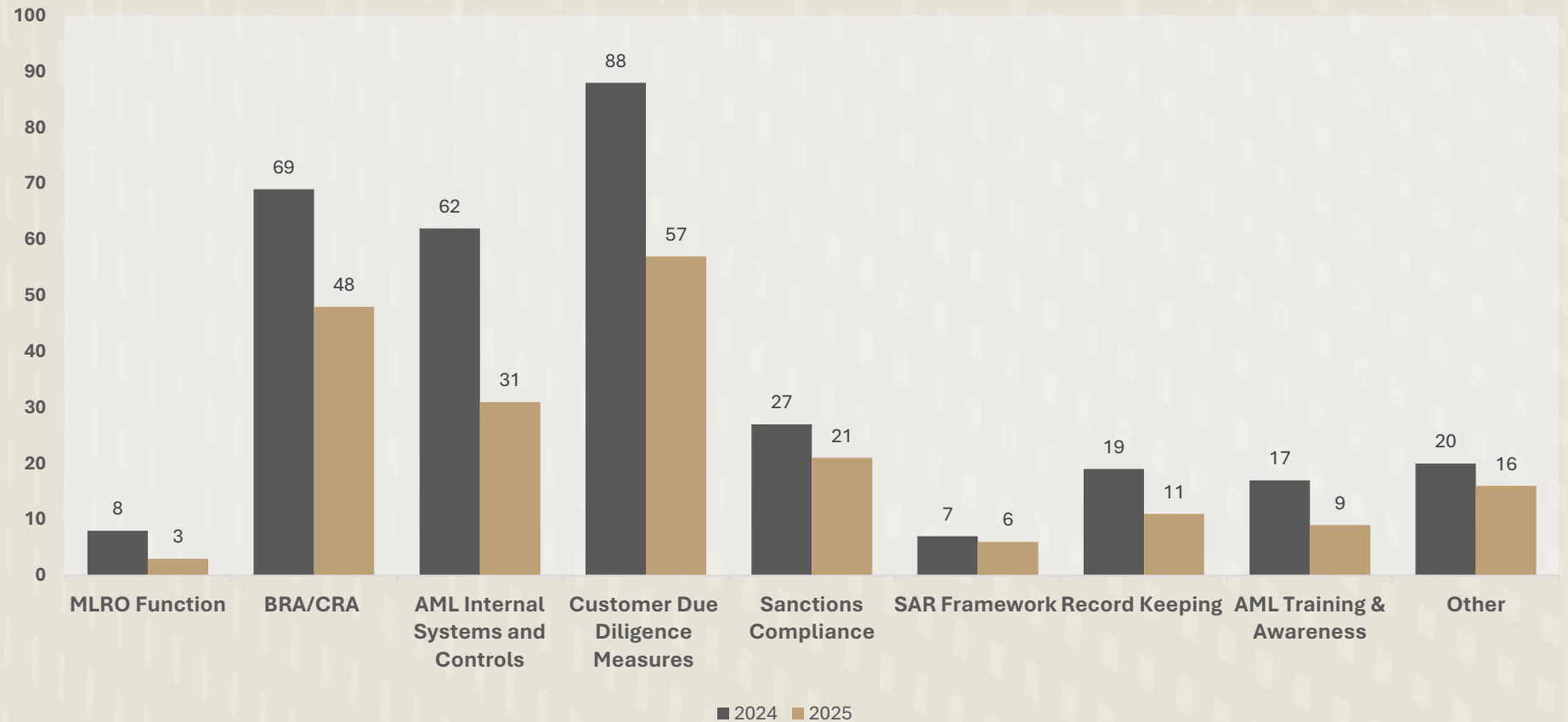
Risk Based Supervision FC Risk: Institutional Framework



Outcomes of Supervisory Reviews

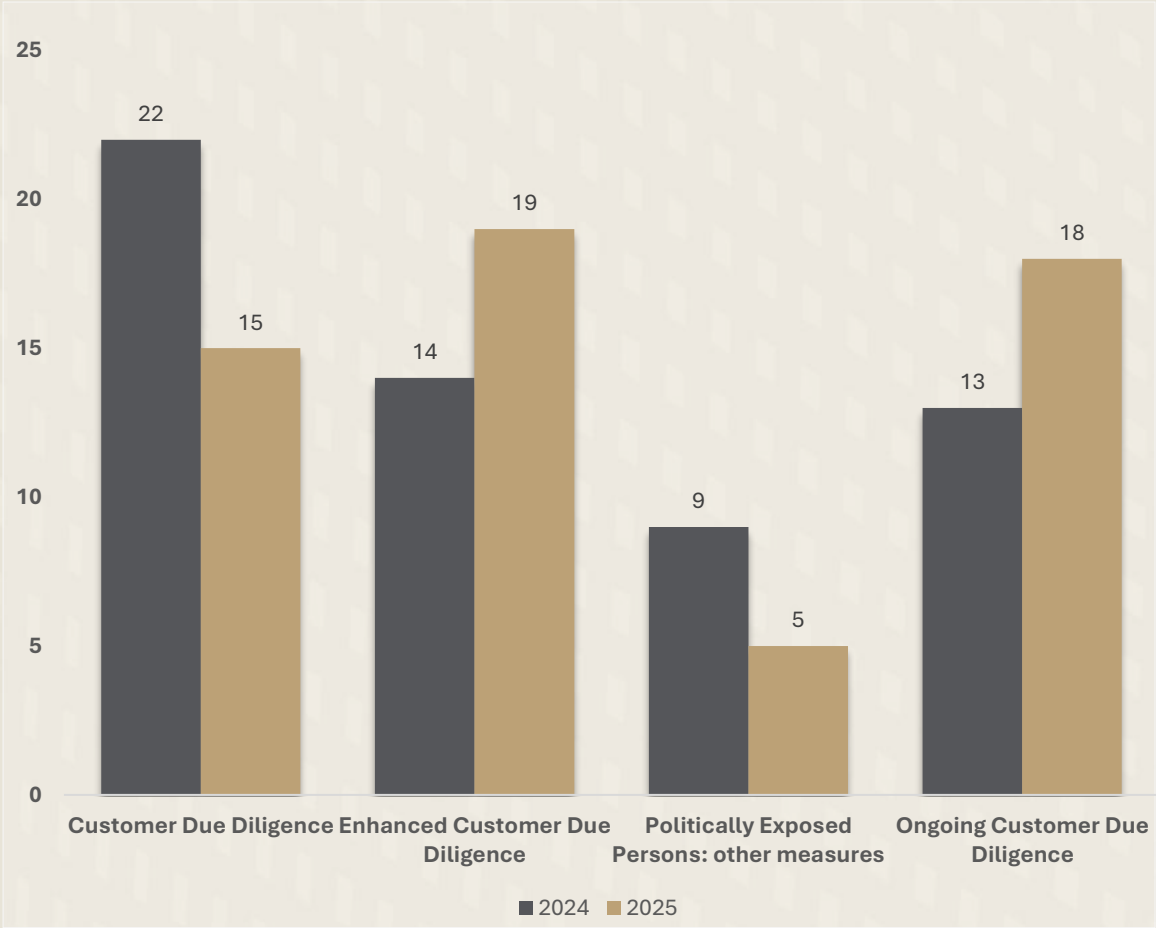
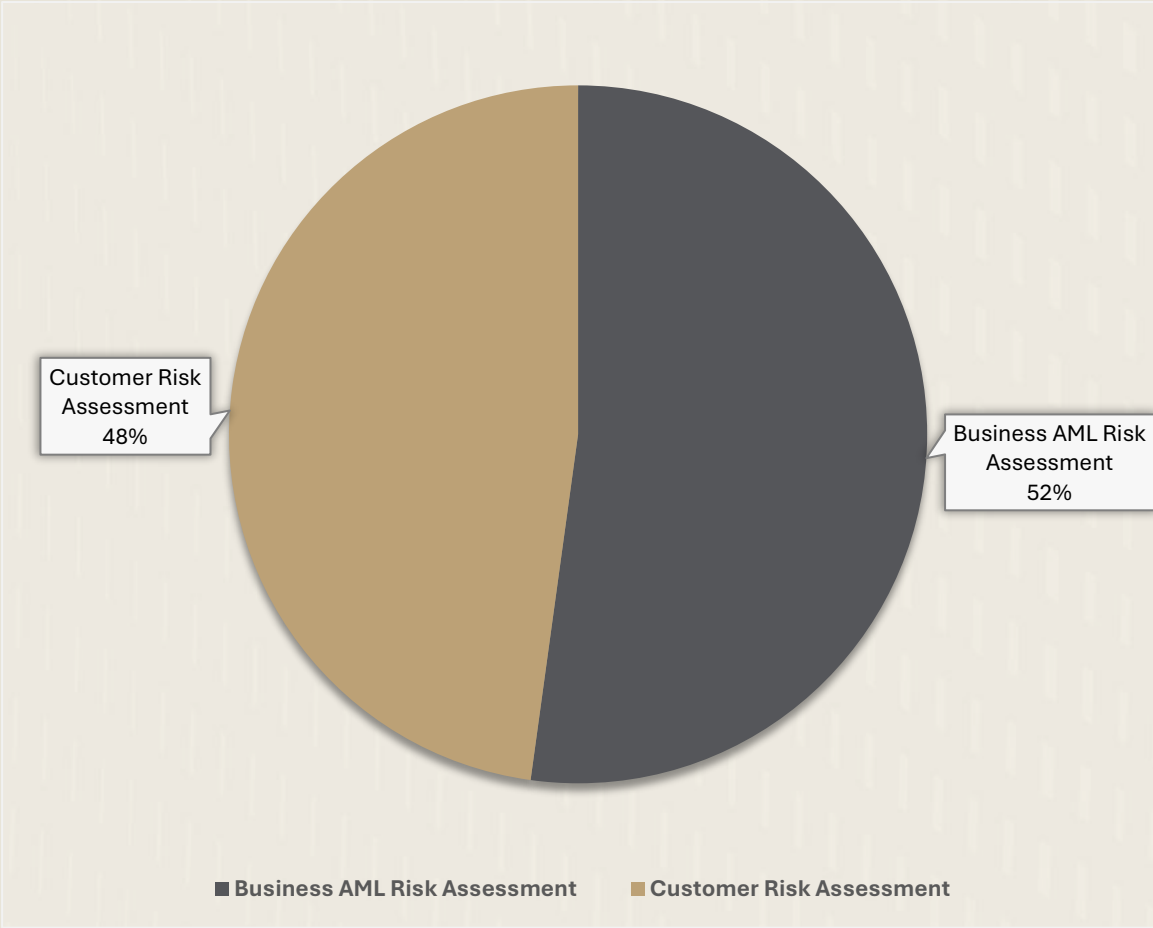


Risk Mitigation Plan Themes

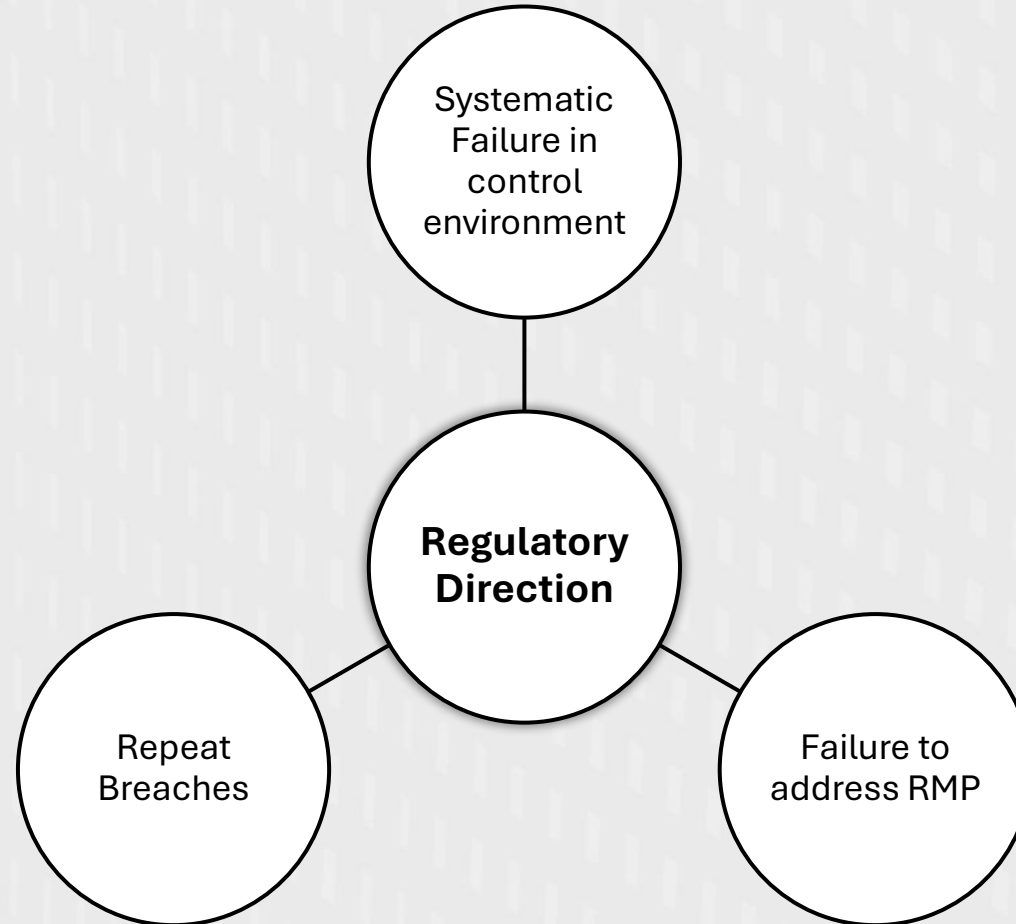


Period: 1 Jan 2024 – 30 Sept 2025

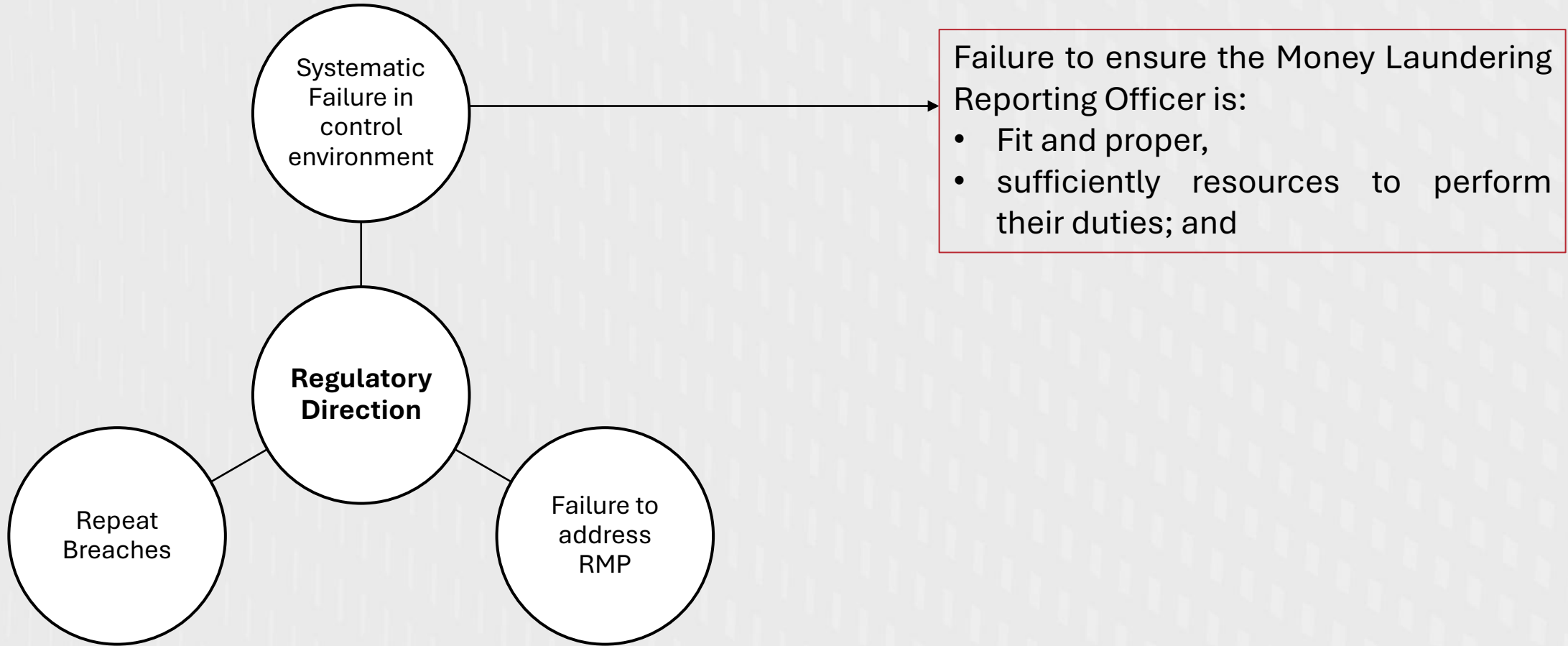
Risk Mitigation Plan Themes



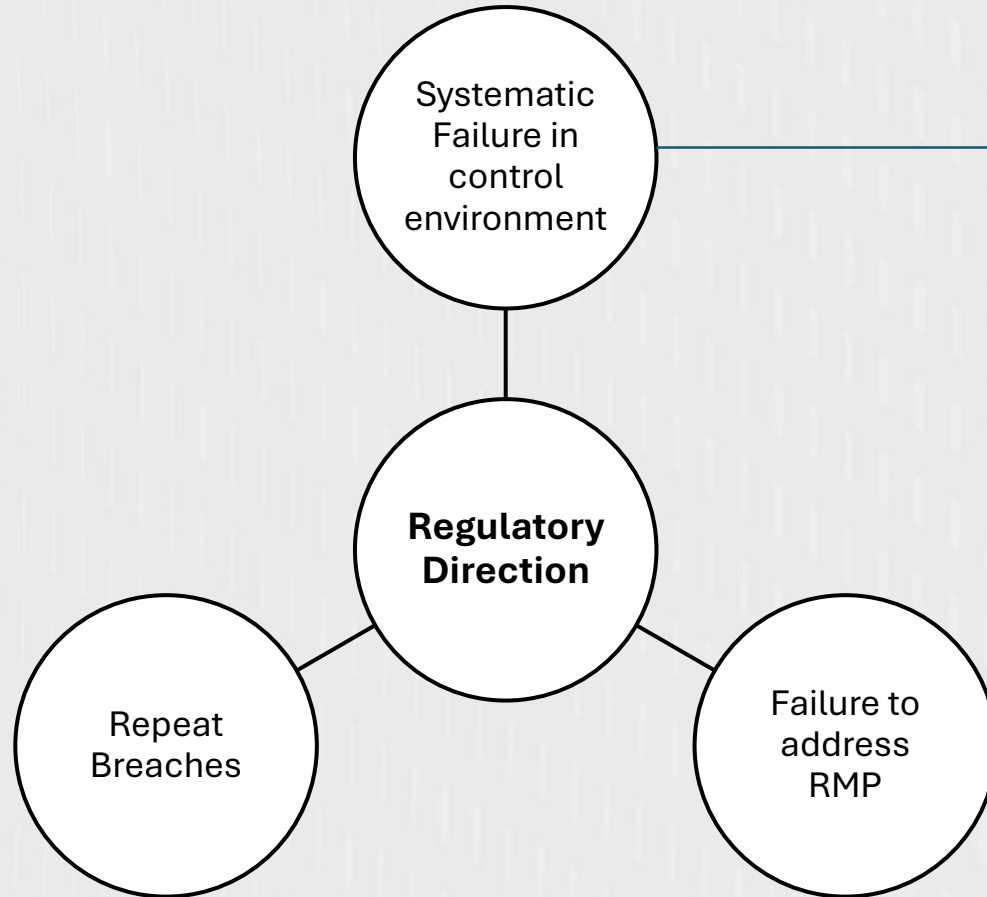
Regulatory Direction Themes



Regulatory Direction Themes



Regulatory Direction Themes



Failure to ensure the Money Laundering Reporting Officer is:

- Fit and proper,
- sufficiently resourced to perform their duties.

Regulatory Expectation

The DFSA expects senior management to ensure the Money Laundering Reporting Officer is:

- Fit and proper, and
- sufficiently resourced proportionate to the size, complexity, and risk exposure of the business.
- to have necessary authority and independence to perform the role

Engage

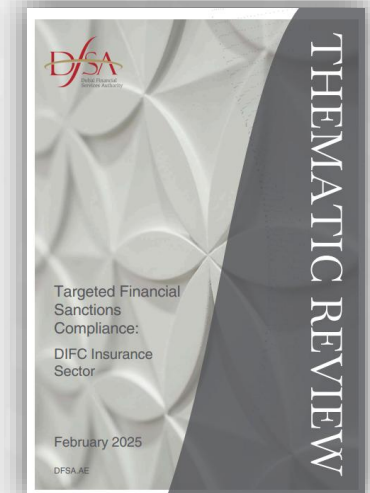
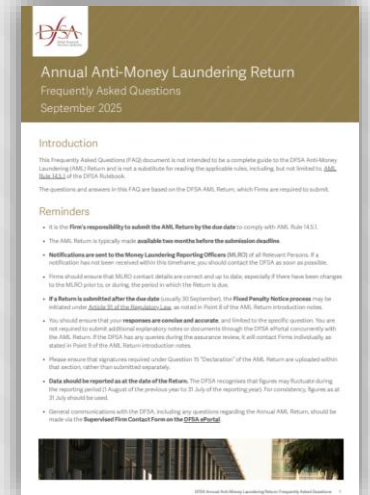
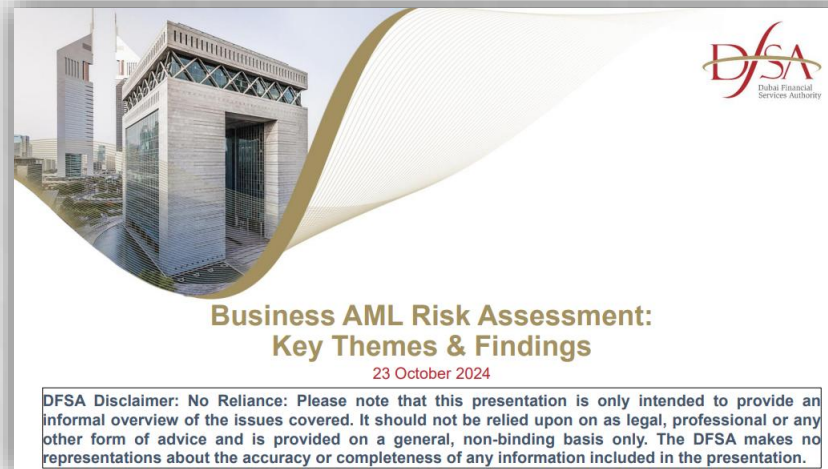
Financial Crime Risk Guidance

Firms should consider DFSA feedback as setting supervisory benchmarks that Firms are expected to act on.

Firms should consider:

- **Completing** a self-assessment against findings with the objective to enhance the control environment.
- **Engaging** senior management on recommended enhancements.
- **Embedding** approved enhancements by way of training

Remember to document it - to be able to demonstrate it at your next engagement with the DFSA.



2026 Work Plan: Financial Crime Risk

Risk Based Supervision FC Risk

Review

Monitor

Engage

FATF 2026 Mutual Evaluation

Internal
Preparatory
Work

Private
Sector
Engagement



Shaping tomorrow: Forward-looking policy update.



Charlotte Robins
Managing Director, Policy & Legal, DFSA



Developing policies for the DIFC



“Right-sized Regulation: Risk-based, globally credible, guided by DFSA’s regulatory objectives”

- Proportionate and principles-based approach to regulation.
- Alignment with evolving international standards by international standard setters.
- Guided by the DFSA’s primary regulatory objectives:
 - Fairness, transparency and efficiency;
 - Confidence in the financial services industry within the DIFC;
 - Fostering and maintaining financial stability;
 - Protection of the DIFC’s reputation, and
 - Promotion of public understanding.
- Transparency in the policy-making process (public consultation).

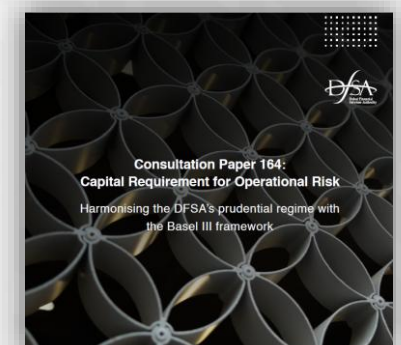
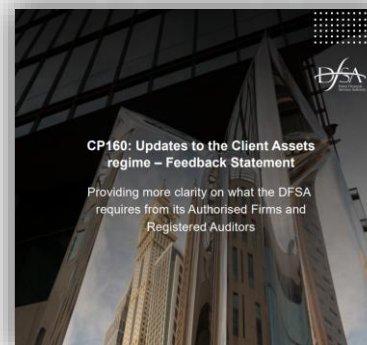
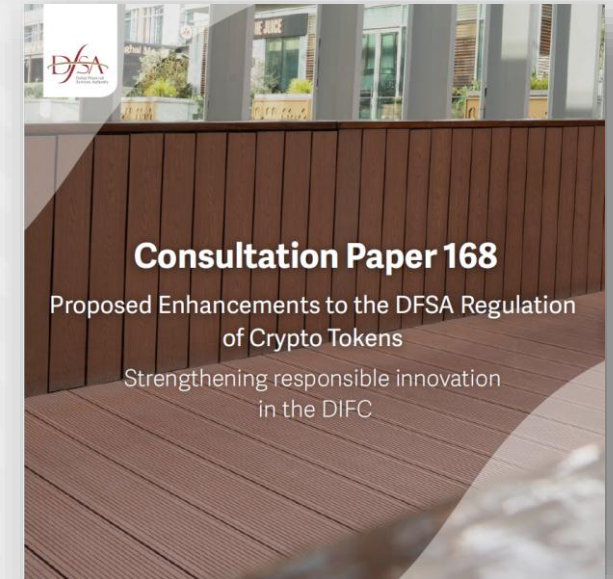
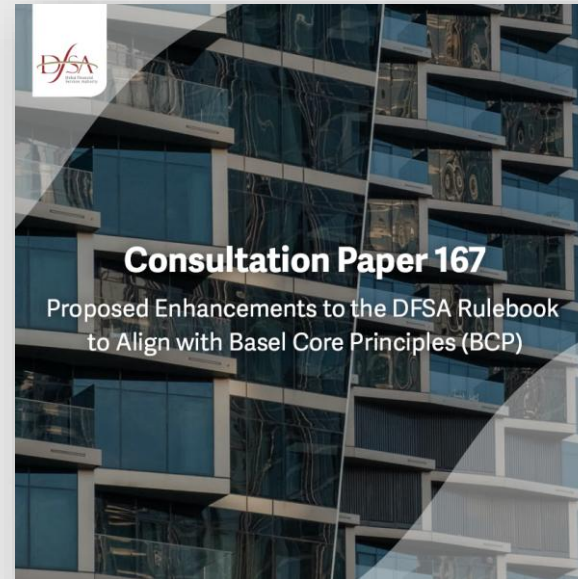
Highlights from our recent work

2024

- **3 May** – Interest Rate Risk in the Banking Book (IRRB) and Risk Appetite Statement
- **6 August** – Updates to the Client Assets Regime
- **8 October** – Enhancing Proportionality in Prudential Regulation
- **22 October** – DFSA Statutory Objectives (including secondary objective)

2025

- **10 March** – Capital Requirement for Operational Risk
- **6 March** – Approach to Licensed Functions and Authorised Individuals
- **2 May** – Offers of Securities to the Public from the DIFC
- **4 July** – Enhancements to the DFSA Rulebook to Align with Basel Core Principles
- **1 October** – Enhancements to the Regulation of Crypto Tokens (Part 3)



Collaboration, engagement & publications



Collaboration (International and UAE):

- UAE National Strategy on Islamic Finance
- UAE Sustainable Finance Working Group
- UAE Regulators AI Working Group
- Joint Climate Conference HKMA – DFSA
- Digital Asset Regulators' Coffee Club
- GFIN Tokenisation Project



Market Engagement:

- Survey on Artificial Intelligence in the DIFC
- Tokenisation Roundtable
- Innovation Workshop for DIFC Innovation Hub
- DIFCA's Sustainable Finance Catalyst Strategy
- Regulatory Forum at Dubai Fintech Summit



Publications:

- Explainer on the Innovation Testing Licence
- Feedback statement on Client Assets
- Feedback statement on IRRB
- Feedback Statement on Proportionality
- AI Survey Report 2025
- Joint Research Report on '*Scaling Sustainable Finance*'
- GFIN AI Report
- GFIN Tokenisation Report

Key policy focus areas for 2026/27



Products

- Collective Investment Funds
- Islamic Finance
- AML
- Enhancing proportionality
- Investors' Protection



Risks, Systems and Controls

- Corporate Governance
- Operational resilience



Innovation

- Digital Asset
- Artificial Intelligence



Other

- Updates to the Regulatory Policy and Process Sourcebook (RPP)

Collective Investment Funds



- Comprehensive review of the DFSA's Collective Investment Funds framework is underway.
- Through a phased approach with active market engagement - the aim is to:
 - Make the framework internationally aligned;
 - Foster and enable the growth of the funds industry in the DIFC; and
 - Make the CIR Module more streamlined and easier to navigate.
- Review covering DFSA's approach to (*inter alia*):
 - Legal accountability to Unit holders;
 - Specialist fund requirements for both Professional Investors (Phase 1); Retail Investors (Phase 2); and
 - Fund structures.



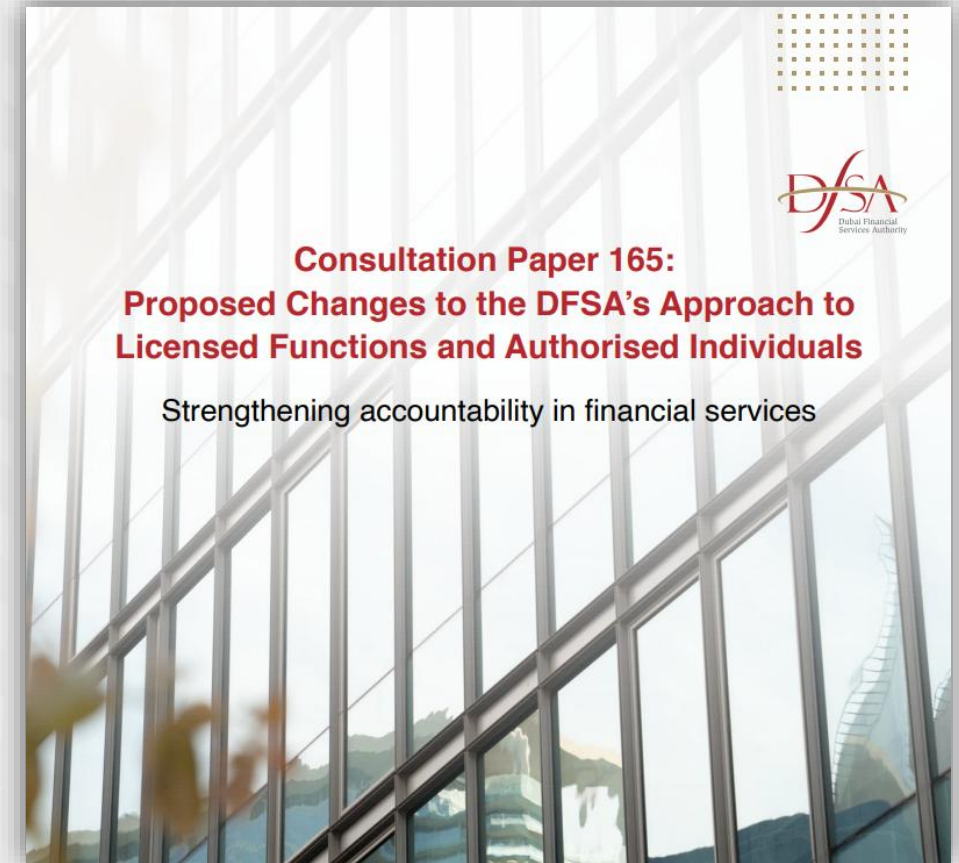
Policy focus: Islamic Finance



- The objective of the review is to align the DFSA's Islamic finance rules with international standards, addressing issues related to Islamic finance practices in the DIFC and responding to market feedback received on our rules.
- The review focuses on:
 - Enhancing Shari'a governance framework;
 - Updating Islamic banking prudential rules, and
 - Islamic finance endorsement requirements.
- Actively engaging with working group and committees to support the recently launched UAE National Strategy on Islamic Finance and the Halal Industry which aims to strengthen the UAE's position as a global leader in these sectors.

Policy focus: Corporate Governance

- CP 165: Changes to Licensed Functions and Authorised Individuals (March 2025).
- Following the consultation, we expect to publish rules related to:
 - Clarifying how Fitness and Propriety of Authorised Individuals must be Considered by Firms;
 - Extending the Conduct Principles to Relevant Employees, and
 - Updating the definition of Compliance Officer, Finance Officer and Senior Manager Functions.
- Authorised Firms must ensure that their Employees are fit and proper and have robust processes in place to demonstrate that they have complied, through appropriate measures, including maintaining relevant records.
- Authorised Firms should not act on the proposals until the relevant changes are made to the DFSA Rulebook. A statement will be published on the DFSA website by December 2025 / Q1 2026.





Policy focus: Operational Resilience



- Operational resilience ensures firms can continue providing critical services through disruptions (whether outages, cyber events, pandemics, geopolitical issues, etc.).
- Regulatory safeguards and management in this area will make a key contribution to ensuring that banks, custodians, clearing and settlement providers and all the necessary infrastructure service providers are resilient and able to continue to service their clients through times of significant disruption.
- DFSA is now working to align fully with the international standard setters and regulators of the largest financial sectors in setting our operational resilience standards.
- Key areas we are focusing on:
 - Governance and oversight arrangements;
 - Identification of critical services and mapping of required resources;
 - Setting of impact tolerances for each critical services; and
 - Scenario testing of abilities to stay within impact tolerances.



Policy focus: Digital Assets



- Regulation of the Digital Asset market (that is Investment Tokens and Crypto Tokens) has been an evolution for the DFSA, having just published our fourth consultation paper (CP168) in this area.
- The proposals in this CP were response to market feedback and also in an effort to further align without our international regulatory counterparts; and included:
 - 1) A proposal for firms to undertake their own suitability assessment of Crypto Tokens;
 - 2) A proposal to remove the thresholds and restrictions currently applied in respect of Funds that invest directly, or indirectly, in Crypto Tokens on the proviso that they have conducted an appropriate suitability assessment on the Crypto Tokens; and
 - 3) Minor amendments to the conduct requirements.
- A three-month transitional period was proposed to allow firms to comply with the new requirements.
- Once the rules get adopted by the Board, they will come into force 30 days after. We will make an announcement before the end of the year to alert the market to timeframes and also hold webinars to respond to market queries and support the market in the transition to the new approach.
- We are also focusing on the regulation and use of Investment Tokens in the DIFC having run our first theme tokenisation sandbox. We are now looking into the regulation we adopted in 2021, and see what may need to be updated and/or clarified.
- Lastly, enshrined in this work is our alignment with global standards – emphasising the central role that international standard setters have to play in setting standards that foster global consistency and mitigate the risk of regulatory arbitrage as well allowing for closer collaboration and engagement.

Policy focus: Artificial Intelligence

- The DFSA has recently conducted its second AI survey and published a report on the findings of the survey which include:
 - a) An increase in firm engagement from 83% to a 88% response rate;
 - b) An increase in the adoption of AI from 33% to 52% - with the biggest increase being in the adoption of Generative AI (GEN AI);
 - c) Stages of deployment differ, and many are still at pilot and proof of concept stage;
 - d) Governance is still catching up and progress is being made, but gaps remain;
 - e) Most are relying on third party-party developers to develop/implement their AI applications.
- We also intend to clearly communicate our regulatory expectations regarding the use of AI in the market early in 2026. While we might not be bringing in any new requirements, we will remind firms of the need to properly govern the use of AI, for example.
- We are also engaging with the other UAE regulators and government, to see if further guidance or principles needs to be issued at a UAE regulatory level similar to the technology guidelines issued in 2021.
- We will continue to engage with the market to obtain important feedback and insights as the use of AI develops even further.



Accelerating Innovation within the DIFC



Jeremy Cox
Associate Director, Authorisation, DFSA

Driving innovation: From ideas to impact

“

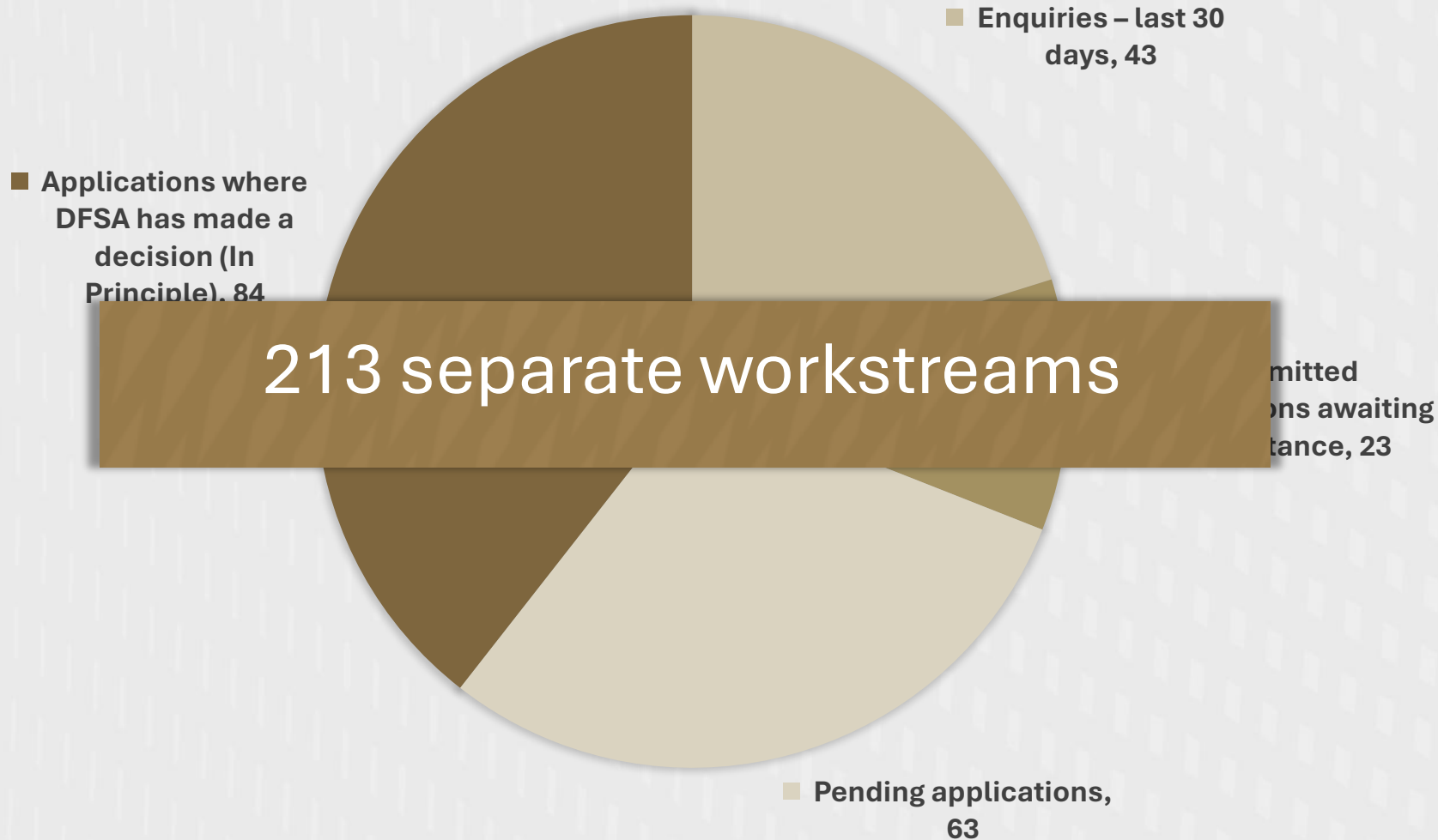
Innovation is the introduction of new ideas, methods, or products that lead to improvements, value, and progress.

It can involve creating something completely new or significantly improving something that already exists, such as new goods, services, or business processes. The practical implementation of creative ideas is a key aspect of innovation.

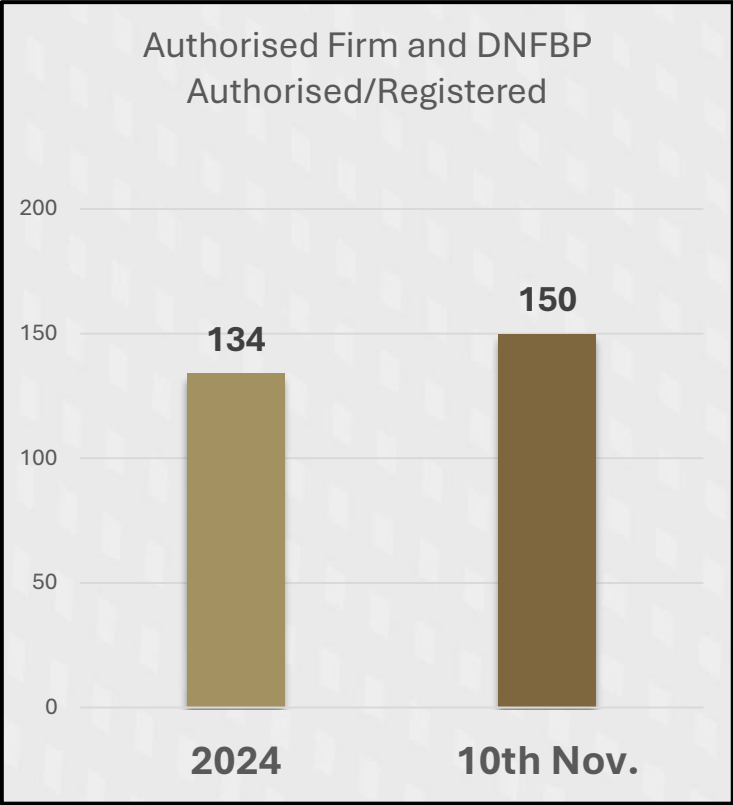
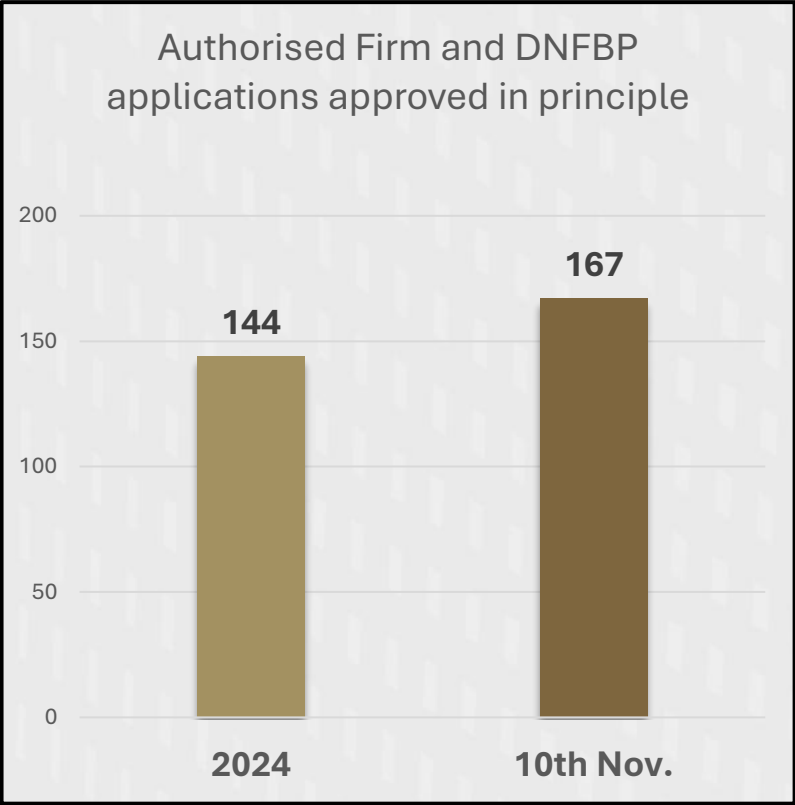
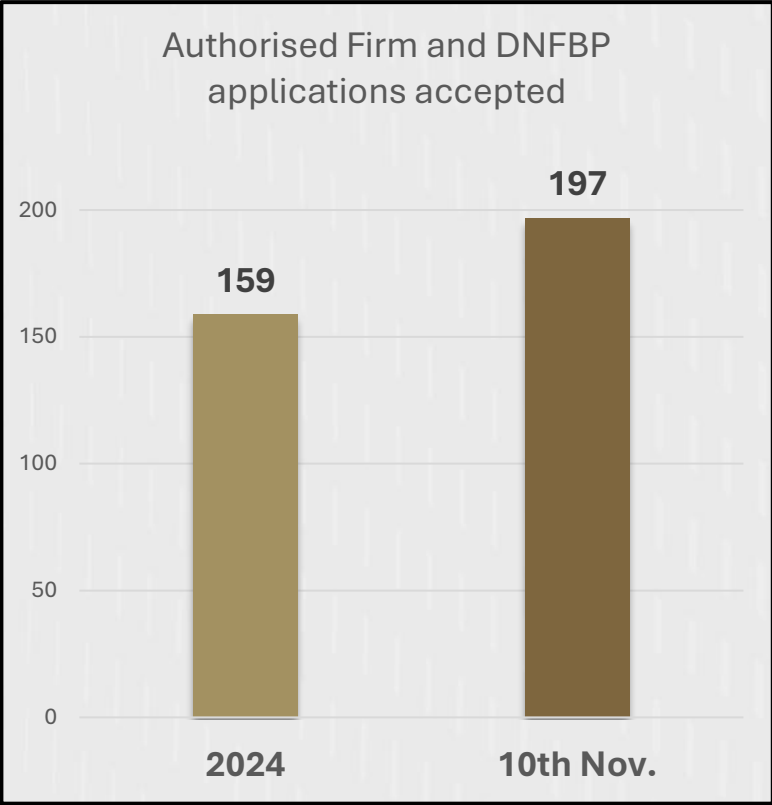
Google AI



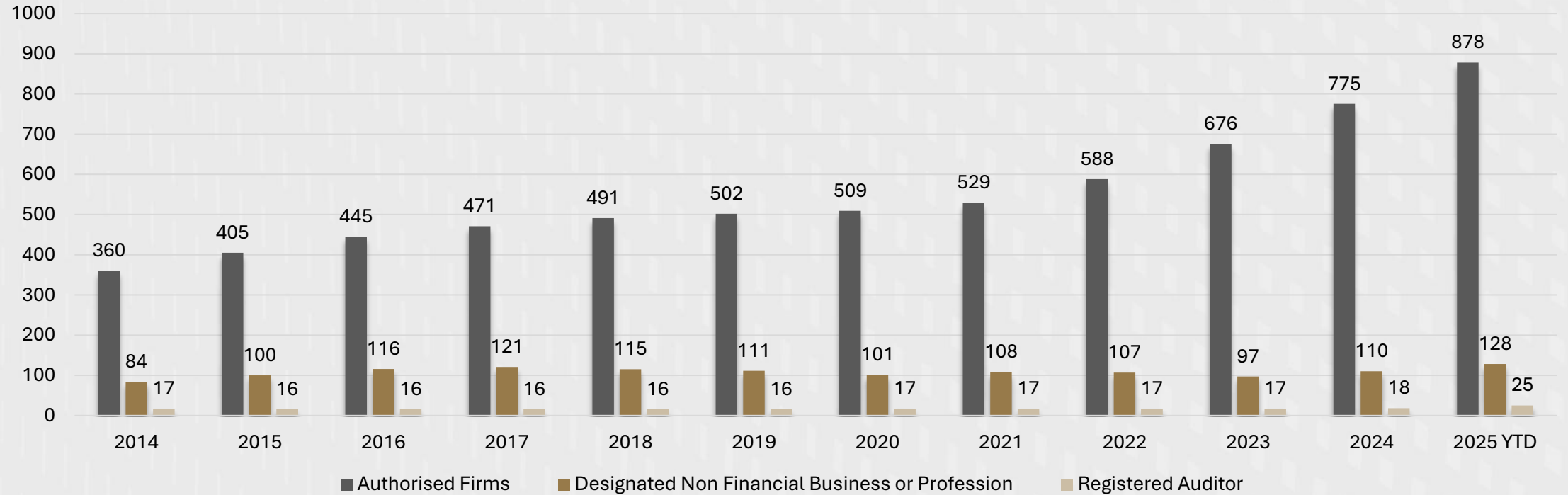
Stats – *as at 10 Nov 2025*



Stats – *as at 10 Nov 2025*



Stats – as at 10 Nov 2025



Authorised Firms	DNFBP's	Registered Auditors	Total
878	128	25	1,031

Throughout 2025, the DFSA has continued to receive rising volumes of applications for Authorisation with a 18% increase in applications during the first three quarters of the year to 30 September 2025.

The challenge to managing capacity

Considerations

- Increase speed to manage this capacity **but** without compromising upon quality.
- Continue to make the right regulatory decisions.
- Finite resources; it is unfeasible to keep recruiting additional staff.
- Using an adopted processes designed for lower volumes.

Questions we asked ourselves

- Do we request too much information from applicants i.e. various documents and manuals?
- Do we obtain the correct information in the most appropriate format?
- Do we ask our questions using the most efficient approach i.e. those that require free text answers?
- Do we often require clarifications upon the responses we receive?
- Is there repetition or duplication in our processes?
- Are we as efficient as we can be?
- Is the process as easy and logical as it can be?





DFSA Connect



- DFSA Connect is an integrated system between User/DFSA, with dashboards, to accommodate all processes.
- It uses new software to host the complete concept; Microsoft Dynamics.
- Ability for multiple account so both applicants and consultants can input/review.
- The Authorisation application form has a single-entry point to accommodate all types of proposals.
- It is dynamic and adapts/styles itself to meet requirements of each specific applicant. Only relevant questions will be asked.
- It is built using a modular approach to enable easy changes to content.
- Designed in house. A design/content collaboration with subject matter experts across the DFSA with careful drafting of questions to efficiently obtain the key information required.
- We have reduced the volume of uploads. Instead, questions will be asked will obtain the key information we would require from such document.
- We have increased the self certifications of items. The DFSA still maintains the ability to request items ahead of Authorisation.
- Post submission we expect correspondence to be based upon exceptions and not requesting new information.

Authorisation process



DFSA Connect:

Enables smarter automation, streamlined workflows, and a more applicant-friendly online system, reducing manual steps and delays – all of this is part of the DFSA's commitment to enabling innovation in a responsible and customer-centric way and ensuring new firms are meeting the DFSA's high standards.

Overview of application



Stage 1 - General Requirements

- Standing data (name, address, contact details)
- Legal status (Start-up, Subsidiary, or Branch)
- General background and regulatory experiences
- IT/Cyber set up
- Sources of funding
- Ownership
- Required Financial Services/Investments
- Endorsements
- Restrictions

Stage 2 – Specific business-related questions

- Representative Office
- Advising/Arranging
- Asset Management
- Fund Management
- Fund Platform Endorsement
- Insurance (Insurers, Insurance Management/Intermediation)
- Money Services
- Sales/Trading
- Islamic Endorsement
- Etc.

Stage 3 – Common questions

- Business plan
- Client information
- Prudential details (financial projections)
- Financial Crime prevention, Compliance and Risk
- Governance

Stage 4 – Final stage

- Application fees
- Fit & Proper declaration
- Declaration



Myths, legends, hints & tips

- The DFSA is not obliged to Authorise every application it receives.
- Our role is to assess an application, determining risks and ensuring mitigants are in place to manage these risks.
- Our role is **not** to simply collect a series of documents and ‘*issue a licence*’.
- We will be as helpful as we can, but the DFSA’s role is also not that of a consultant or advisor.
- Knowledge of a proposed business model is vital.
- The DFSA does not Authorise firms according to a Prudential Category. Neither the DFSA Public Register or DFSA Authorisation licenses notices state a Prudential Category.

Remember: Business model = Financial Services = Prudential Category.

- The DFSA works extremely closely with colleagues in the DIFC.
- Undertake research and obtain knowledge.
- Stress test a proposal and be tough; is the venture viable?
- Be open to seeking (*investing in*) good quality advice about any proposed venture.
- Good quality applications are always easier and quicker to process.



The future

Further modernising our approach

The Authorisation form is just Phase One. Going forward, DFSA Connect will become the single online channel for communication with all firms throughout their regulatory lifecycle.

The next phase, being rolled out later in 2026 will see Supervision processes delivered through the DFSA Connect platform.

Other planned enhancements:

- Submitted Authorisation applications will be assessed by AI Agents, initially trained to:
 - Highlight exceptions based upon answers provided
 - Write reports
 - Provide risk scoring
 - Suggest probability theorem
- DFSA operative roles will change to being the '*Human in the loop*' and making final decisions based upon recommendations made by AI agents.
- Detailed dashboards with better indication of progress timelines.
- Enhanced interactions within the system between the User and the DFSA.
- Integration between DIFC and DFSA processes; we often use the same data.

Audit and Infrastructure & Regulatory Reporting Update



Naweed Lalani

Director, Audit & Infrastructure Supervision, DFSA

Auditor Appointment

Do's

- Confirm your Auditor and Audit Principal's registration on the DFSA Public Register, before appointing them.
- Ask Auditor about the availability of the staff, their competence level.
- Agree the timelines and deliverables.
- Prepare your books of accounts ahead of the start of the audit.
- Provide timely and complete responses to audit queries.

Don'ts

- Just don't go with the cheapest quote.
- Don't wait until too late to sign the engagement letter.
- Don't delay in providing the requested information to the Auditor.
- Don't change accounting policies or reclassify items solely to meet capital or regulatory requirements.
- Don't change the Auditor solely due to difference in opinion,
- Don't engage your auditor to prepare your financial statements and accounting records, provide internal audit services, or act as an outsourced Financial Officer, or Compliance Officer.





Fixed Penalty Notices

- Common Reports subject to FPN
 - Annual AML Return
 - EPRS Returns (Quarterly & Annual)
 - Financial Statements Auditor's Report
 - Regulatory Returns Auditor's Report
 - Client Money Auditor's Report
 - Safe Custody Auditor's Report
 - Insurance Monies Auditor's Report
 - Annual Controllers Report
 - Funds Auditor's Report
 - Periodic Fund Manager's Report
 - IRAP / ICAAP
- Full list in GEN 14.1.1

- **The Penalty**
 - \$2,500 for the first contravention.
 - \$7,500 for the second contravention.
 - \$15,000 for any subsequent contravention.
- **Remember, it's your responsibility to submit the returns on time.**



Changes to the Online Forms

- Journey starts with the Supervised Firm Contact Form (SFCF).
- Separate Forms for:
 - Breaches
 - General Notifications
 - All Others (EPRS, FPN etc.)
- Changes to the Annual Reporting Template
 - Ability to skip a Report, if it is not ready
 - Separate Forms for late submissions
- New Form
 - Request for an extension of the reporting deadline

Markets Update: Code of Conduct & Observations.

Maryam Sultan
Associate Manager, Markets, DFSA



Suspicious transaction & order reports

Requirements:

Entities must inform the DFSA immediately if they:

- Receive an order, or arrange or execute a transaction; and,
- Has reasonable grounds to suspect that the order or transaction may constitute Market Abuse.

Market abuse reporting applies to:

- Authorised Market Institutions (AMI);
- Authorised Firms, and
- Recognised Members.
- Alternative Trading System Operators

Reporting Entities (Issuers of Securities) on a voluntary basis

Relevant provision

Markets Law 2012 Part 6 – Chapter 1 and 2

- Market Abuse, eight Provisions under the Markets Law:
 - Fraud and market manipulation;
 - False or misleading statements;
 - Use of fictitious devices and other forms of deception;
 - False or misleading conduct and distortion;
 - Insider dealing;
 - Providing Inside Information (Tipping);
 - Inducing Persons to deal;
 - Misuse of information.
- Systems and controls to ensure no market abuse is conducted: *GEN 5.3.20*
- Notifications to DFSA: *GEN 11.10.12A*



Code of Market Conduct

Helps to assess
whether particular
conduct constitutes
Market Abuse

Assists Authorised
Person(s) to
monitor, prevent
and report Market
Abuse to comply
with their
obligations

Highlights market
practices that do
not amount to
Market Abuse

Describes factors
the DFSA considers
in determining
Market Abuse

Observations



- Some firms ensure that their STOR submissions contain complete, proper and relevant information
- Some firms have appropriate testing and calibration of systems and controls to ensure that they are adequately identifying, reviewing and assessing suspicious transactions when they occur and reporting if deemed relevant
- Some firms maintain an insider list
- Some firms have their STOR notifications completed and maintained by a department that is independent from business units, for example, the compliance department.



- Overall, low volume of STORs submitted to DFSA. Also issues with the quality of those STORs submitted (inaccurate/incomplete information)
- Some firms lack understanding of what constitutes a STOR and reporting obligations
- Some firms rely heavily on head office or third party



Enforcement Priorities

Safeguarding investors & promoting trust.



Alan Linning
Managing Director, Enforcement, DFSA

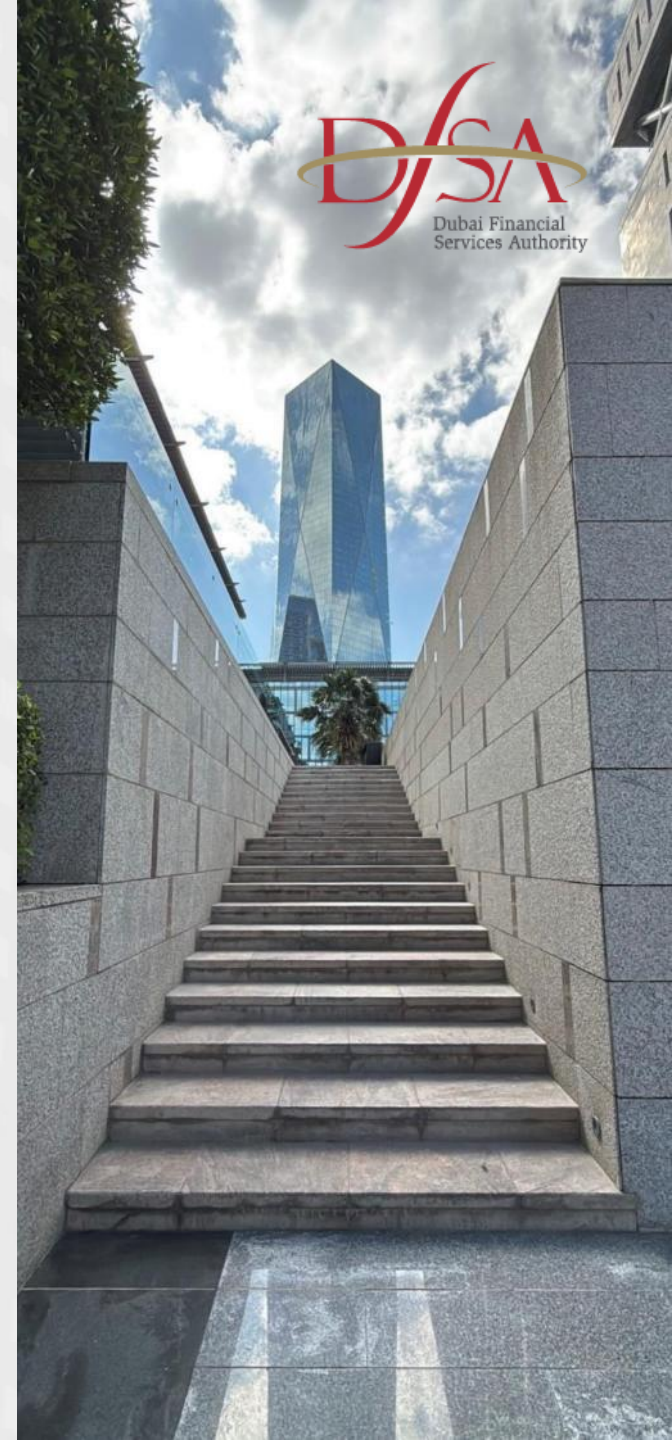
Our Enforcement Strategy

- We adopt a risk-based, intelligence-led and proportionate approach to taking enforcement action
- Enforcement action means the application of sanctions and other outcomes to address contraventions of the Regulatory Law, the DFSA Rulebook and other legislation administered by the DFSA.
- The principal objective of our strategy is to promote compliance with the Regulatory Law etc. In doing so we provide guidance and transparency to the market about:
 - the nature of the deterrent and remedial outcomes we achieve
 - why and how these outcomes advance the statutory objectives of the DFSA
 - the role of enforcement in promoting regulatory compliance
 - upholding the high standards set by the DFSA.



Role of Enforcement

- Assess referrals, complaints and whistle-blowing reports
- Investigate suspected breaches of the Regulatory Law etc.
 - Gather, review and analyse evidence with an open mind
 - Interview witnesses and subjects of investigations
- Determine which, if any, enforcement tool to use bearing in mind the risk posed to, and the impact on, the DFSA's regulatory objectives of the suspected breaches in question.



Risk-based Enforcement priorities for 2024-2025

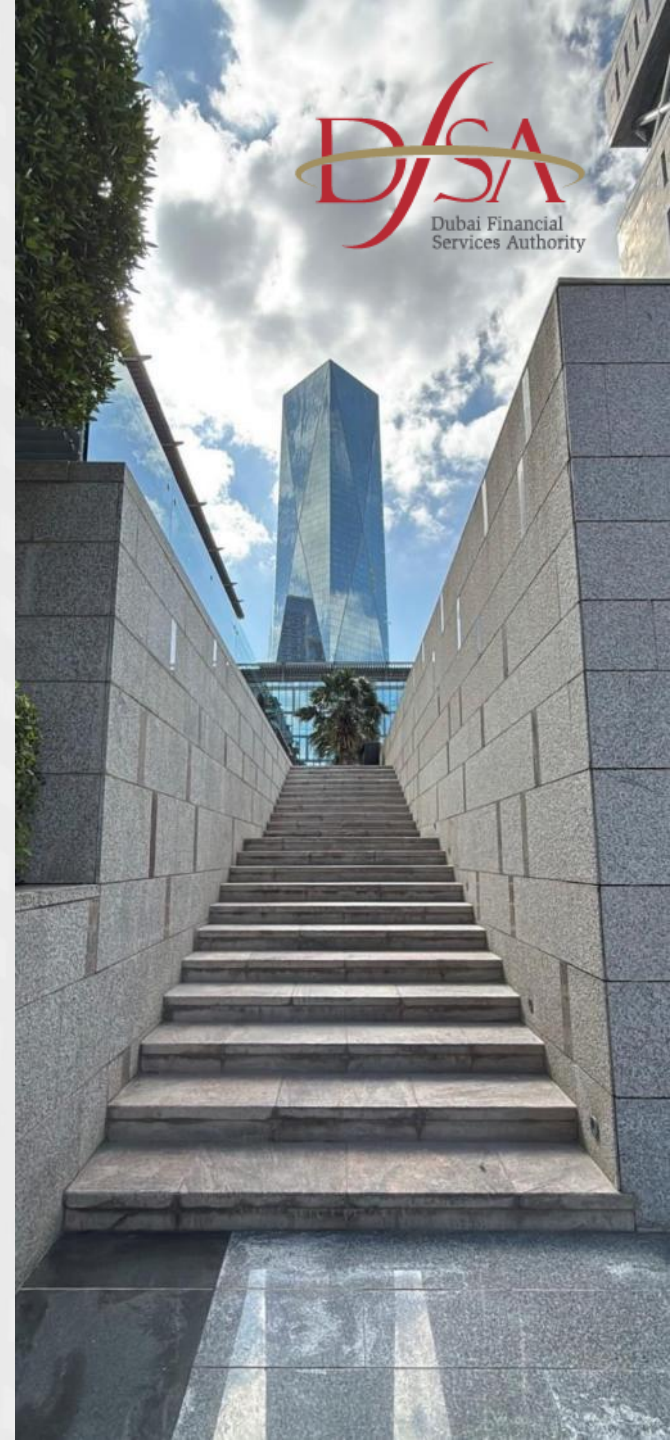
As a risk-based regulator, our enforcement priorities are aligned with our regulatory risk tolerance. We will prioritise investigations and enforcement actions in relation to activities for which the DFSA has low or no tolerance. These include:

- AML/ CTF breaches
- Misleading and deceptive conduct/fraud
- Unauthorised financial services businesses/ unregistered DNFBPs
- Market abuse
- Client money breaches
- Misleading the DFSA/Obstructing Investigations



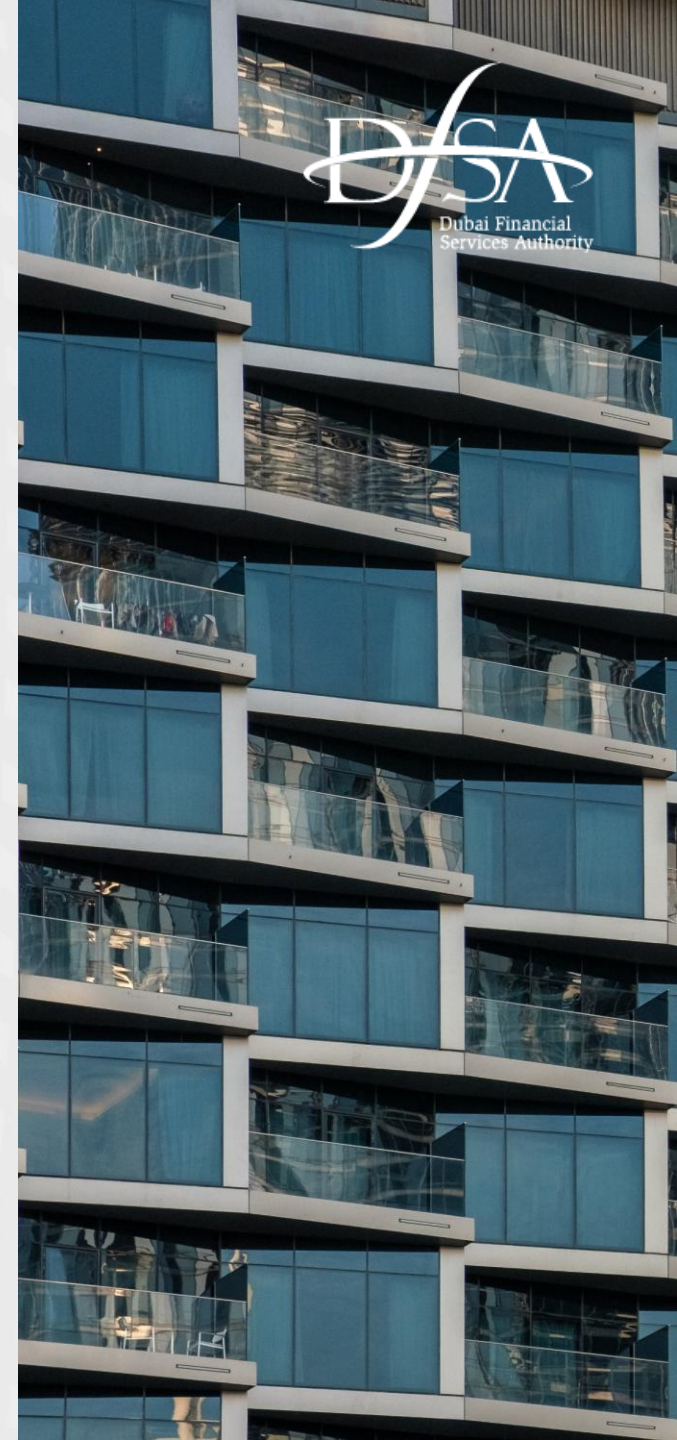
Settlement

- Enforcement will offer settlement when the recommendation is to impose a financial penalty.
- Settlement Decision Maker (**SDM**) appointed to decide whether to offer settlement and the quantum of penalty, based on recommendation from Enforcement.
- Agreed Decision Notice (**DN**) or Enforceable Undertaking (**EU**) or both
- Discounted penalty - 30% for early settlement (no disgorgement discount).



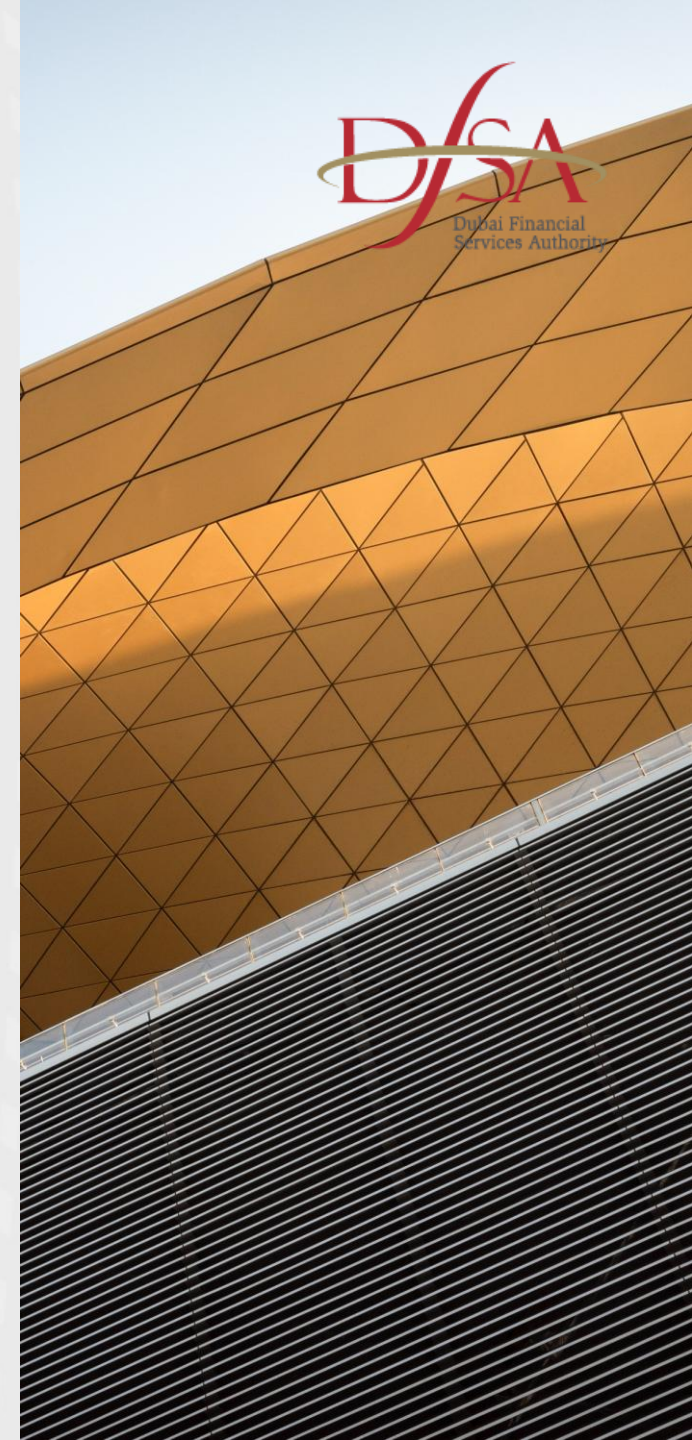
Contested Cases

- If settlement is unsuccessful, subject given opportunity to make representations about the DN
- Enforcement considers representations and decides whether to proceed
- If decision is to proceed :
 - DN may be amended to take account of representations
 - Case is referred to a DFSA Decision Maker (DM) who considers representations and decides whether to take action
- The subject has a right of appeal to the Financial Markets Tribunal



Enforcement Outcomes

- Private warning
- EU for remediation or restitution
- Public sanctions:
 - Public censure
 - Financial penalty
 - Direction (e.g. restitution, prohibition)
 - Restriction of individuals/business/dealing with property
 - Prohibition of individual
 - Suspension or withdrawal of authorisation
- Court orders for injunctive relief or restitution
- Payment of investigation costs



Common errors, misunderstandings encountered by Enforcement in its investigations

1. **Failure to report breaches** of the DFSA administered laws and rules within the applicable time limits. *NB. a suspected significant breach of the DFSA's rules must be reported immediately.*
2. **Compliance by an Authorised person** with the terms of the DFSA's notices to produce documents and to attend interviews does not amount to “*co-operation*” in the context of settlement discussions.
3. **When Enforcement directs an Authorised Person to maintain confidentiality** it means it! Failure to observe such a direction is a breach of the Rules.
4. **At short notice**, and without adequate explanation, **seeking an(other) extension of time** to comply with an investigation notice.

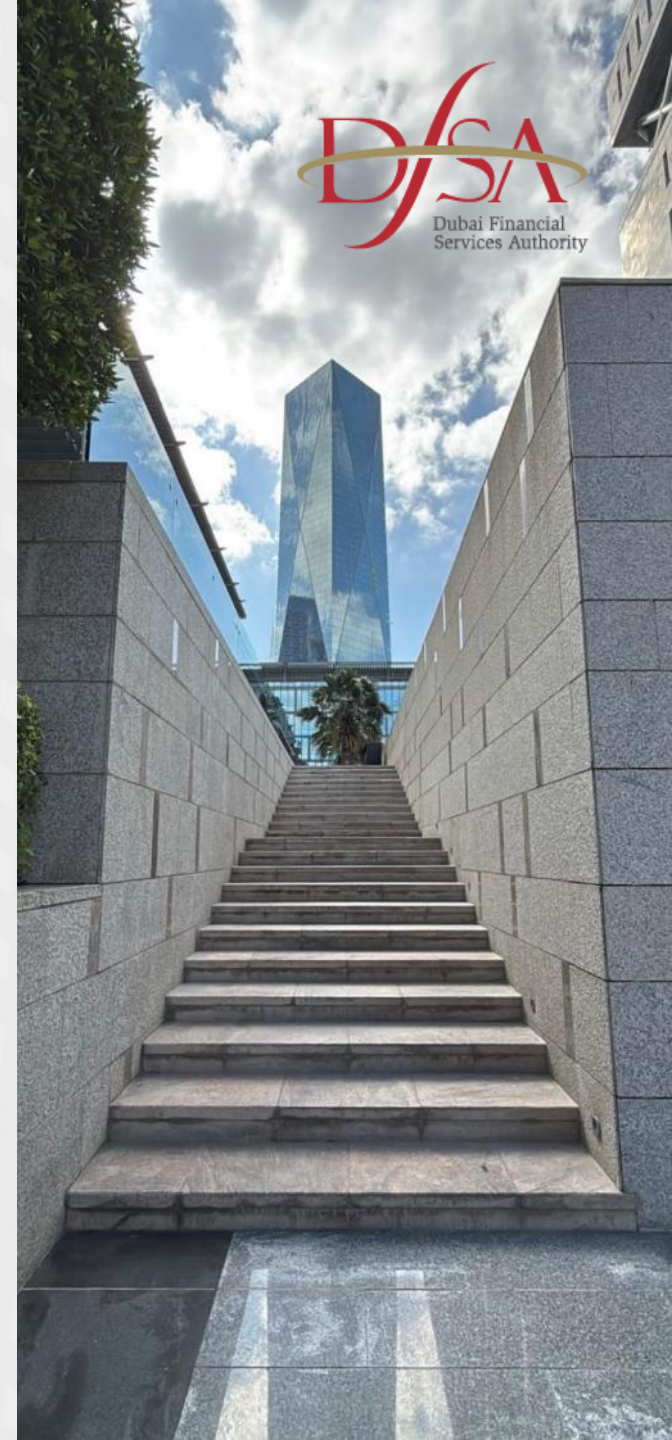


Common errors, misunderstandings encountered by Enforcement in its investigations

5. Failures in Communication:

- Authorised persons are obliged to deal with the DFSA in an open and co-operative manner
- However, we encounter instances where we receive inaccurate or misleading information or are met with deliberate obstruction
- We also see cases where the senior management of an Authorised Person fails to engage / fails to acknowledge the seriousness of the matters under investigation

6. Failure to maintain adequate / any records.



Thank you for
being part of the
DFSA Annual
Outreach 2025

