



GEFI/DIFC Sustainable Finance Summit

7 June 2023

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Sustainable finance: the regulator's perspective

Introduction

Thank you for inviting the DFSA to take part in this summit. I am delighted to join all of you this morning as part of the DFSA working with GEFI and the DIFC Authority on the “Path to COP28”.

Today, I will give a brief update on the DFSA's sustainability work.



Levels of engagement

Our approach to sustainable finance is driven by our commitment to adopting and encouraging regulatory and supervisory practices that are internationally aligned and coherent across the UAE. In the DIFC, we are supporting firms through our Task Force on Sustainable Finance to hear their perspectives and direct experiences.

We play a leadership role domestically, jointly founding and actively contributing to the development of sustainable finance policy alongside other UAE regulators and government bodies in the UAE's Sustainable Finance Working Group.



Finally, we are committed to strengthening the global ESG-focused regulatory context in which the financial sector operates. We are working on robust and pragmatic regulatory frameworks with global regulatory colleagues, while also aiming to position the UAE at the forefront of the discussion.

Our priorities for 2023 and beyond


In 2021, we said that sustainability and climate-related risk management and corporate governance, reporting and disclosures and capital markets were areas where the DFSA wanted to deliver to support sustainable development and the transition to a net zero carbon economy in the UAE.



In the first half of 2023 we laid the groundwork for these changes and, in the next six months, we are taking them forward.

Risk management and corporate governance

We are moving forward with embedding the consideration of climate risk in our regulatory framework.



As part of the UAE Sustainable Finance Working Group, we have developed principles and guidelines to guide financial firms on incorporating climate-related considerations in risk management and corporate governance frameworks.

Some of you took part in our informal consultation – thank you. The Working Group is considering your feedback and will finalise the Principles in the next few weeks.


The DFSA will formally endorse the Principles and then translate them into voluntary guidelines as part of our regulatory framework. We believe that this high-level approach to setting supervisory expectations reflects the stage of development in the industry while addressing the scope of risks facing the regulated community.



Disclosures and reporting

In the informal consultation, many of you mentioned the critical role that disclosures play in ensuring that financial institutions manage risk, and material climate-related risks, effectively. We agree that information and metrics about the climate and environmental risks that financial institutions are exposed to, and how they are managed, can help market participants make more informed decisions.


Many of you also pointed to the upcoming sustainability- and climate-related disclosure standards from the International Sustainability Standards Board. The work the ISSB is



close to publishing is, indeed, expected to be a game-changer to foster trust and promote transparency in the market. For our part, the DFSA is considering the application of the upcoming standards in the DIFC.


Sustainability-related capital markets

Without appropriately transparent, accurate and widely available information about climate and environmental risks, consumers, investors, market participants and regulators alike can grow sceptical of the role that the financial sector is playing to support the transition to a net zero carbon economy.



That is why the DFSA has focused on sustainability in capital market practices, including bond and sukuk markets. We want the industry to continue to meet the objectives of sufficient transparency, consumer protection and avoiding greenwashing, in line with evolving international standards.

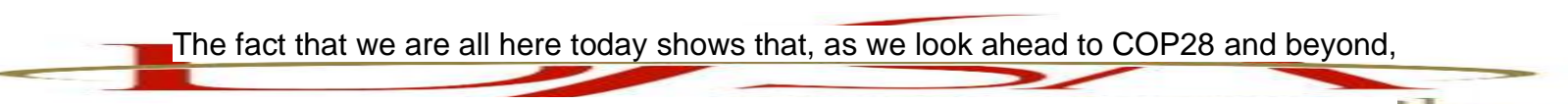
This is particularly relevant as the UAE is forging a path in the global market for green debt. The UAE Government recently launched a much-oversubscribed Islamic Treasury sukuk valued at AED 1.1 billion. In the private market, we have seen that Nasdaq Dubai remains the largest ESG sukuk market in the world, with over 60% of USD-denominated ESG Sukuk and over 60% of all-currencies ESG Sukuk.



We have recently acted to raise awareness on the risk of greenwashing and the potential impact on the flow of much-needed capital to support the UAE's transition. We published two Markets Briefs, aimed at all capital market participants, with guidelines on issuing ESG bonds and Sukuk and with guidelines on ESG-related disclosures for issuers and reporting entities in the DIFC.

Conclusions

In conclusion, we will continue to look to our international and national partners and our regulated community to deliver our agenda and to support the UAE's ambitions.



The fact that we are all here today shows that, as we look ahead to COP28 and beyond, the DFSA, GEFI, DIFCA, and the broader financial industry are committed to take the next steps:

- to integrate sustainability into decision-making in the sector;
- to promote transparency around sustainability and climate-related matters; and
- to support the economic transition of the UAE and more broadly.

Thank you.