

THEMATIC REVIEW

Compliance Arrangements



Contents

Executive Summary	3
Background and Purpose	5
Scope and Methodology	6
Key Findings and Observations	7
Capacity and Resources	7
Policies and Procedures	12
Governance and Controls	13
People and Culture	15
Technology and Tools	16
Regulatory Engagement	18
Supervisory Observations	19
Final Comments	20

Executive Summary

This report presents the Dubai Financial Services Authority's (DFSA) findings of a Thematic Review (Review) of Authorised Firms operating in Dubai International Financial Centre (DIFC), focusing on the effectiveness of firms' compliance arrangements. The Review covered Authorised Firms operating across the financial technology (fintech) sector in DIFC, including start-up entities, DIFC branches, and subsidiaries representing a broad sample of fintech business models – including Crowdfunding and Money Services – firm size, and maturity.

The Review was designed to evaluate firms' structures, resources, and how the internal function with responsibility for compliance with applicable legislation performs this task. It identified the following six core thematic areas through an analysis of firm submissions, supervisory interactions, and internal documentation:

1. Capacity and resources
2. Policies and procedures
3. Governance and controls
4. People and culture
5. Technology and automation
6. Regulatory engagement

This report outlines key findings under each theme, together with the DFSA's expectations, examples of good practices, and specific recommendations for improvement. All Authorised Firms are encouraged to reflect on these observations and assess the adequacy of their own compliance arrangements.



Defined Terms and Disclaimers

Defined terms are capitalised in this report. These terms are defined either in this report or, the Glossary Module (GLO) of the DFSA Rulebook.

Please note that this report is only intended to provide a general and informal overview of the matters stated in it. This report is not any form of, and must not be relied upon as such on any basis

whatsoever as, legal, professional or any other form of advice and is provided on a general, non-binding basis only.

While the Review focused on firms operating across the fintech sector, this report contains findings that will be of benefit to all Authorised Firms generally.



Background and Purpose

The DFSA supervises a growing number of fintech firms operating different business models within DIFC. Over the years, we have gained significant experience in overseeing these business models and gained valuable insights into how their compliance frameworks operate in practice. This ongoing supervision has enabled us to identify certain recurring themes in firms' compliance arrangements. We believe that addressing those themes would help strengthen standards across the fintech sector.

The following areas emerged as central themes through our supervisory engagement:

- The evolving role and responsibilities of Compliance Officers, including instances where firms have shown a reliance on regulators for guidance;
- The need for adequate human and financial resources to support effective compliance functions;
- Opportunities to enhance internal controls, monitoring systems, and documentation practices;
- The need to ensure that Compliance Officers have sufficient authority and independence to carry out their duties;
- The importance of establishing formal compliance monitoring plans (CMPs) and timely reporting mechanisms; and
- The need to address recurring issues that have been raised in audits or regulatory reviews.

Against this backdrop, the DFSA launched the Review to:

- Assess the effectiveness of compliance arrangements within firms conducting fintech business models;
- Identify areas for improvement and support operational effectiveness;
- Enhance firms' understanding of regulatory requirements; and
- Support Compliance Officers in being appropriately positioned to discharge their responsibilities effectively.

Our aim is to work collaboratively with firms to strengthen their compliance frameworks, share thematic insights, and provide benchmarks that can guide firms in uplifting their practices. By doing so, we seek to promote consistent, high standards of compliance across the sector that align with regulatory expectations and support the long-term growth and resilience of firms.

Firms are encouraged to reflect on these findings, compare them with their current practices, and take proactive steps to address any identified gaps. The DFSA looks forward to firms' constructive engagement with this report as we collectively work to raise standards across the sector.

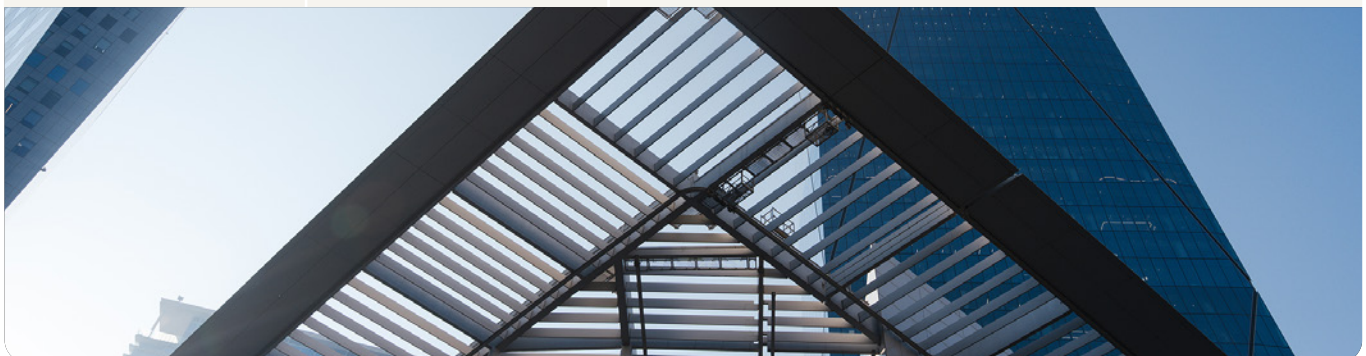


Scope and Methodology

The Review focused on a sample of Authorised Firms across the fintech sector in DIFC. The main objective was to assess the current state of compliance practices among those firms.

The Review was undertaken in two phases:

Phase One	Information Collection	The DFSA requested selected fintech firms to respond to a survey which was intended to provide the DFSA with an overview of the firms' compliance practices and their overall effectiveness. A Dear Senior Executive Officer (SEO) letter was sent to participating firms to complete the survey.
Phase Two	DFSA Review	All survey results were reviewed and analysed to pinpoint specific areas of concern, and to identify firms that require further investigation. Further interviews were held with Compliance Officers to understand concerns and potential remediations. As a result, this report, which was created following the Review, lists detailed findings, good practices, and regulatory expectations.



Key Findings and Observations

Capacity and Resources

The Review assessed whether the Compliance Officers have sufficient capacity, as well as access to sufficient resources provided by the relevant Authorised Firm, to fulfil their responsibilities effectively. It gave particular attention to staffing levels, support structures, and internal arrangements, where one officer oversaw both the local entity and a Group or a Related entity.



The key findings are summarised below:

1. Staffing Levels and Team Size

- More than half the firms (53%) operated with just one to three compliance staff members, while 37% had more than five staff.
- Several firms relied on a single individual, exposing themselves to “key person risk”.
- The presence of only one to three compliance staff (observed at 53% of the firms) may not be adequate, depending on factors such as the firm’s size and business. A lean compliance team may be proportionate and operationally sufficient for smaller firms with a limited client base, provided they are supported by clear processes, senior management oversight, and access to external expertise as needed.

2. Outsourcing and Independence

- The Review found that nearly 58% of the firms outsourced compliance arrangements to consultants or Group compliance teams, while around 42% managed it fully in-house. Outsourcing provided access to specialist expertise, but often with limited local knowledge and responsiveness.
- Some firms temporarily outsourced compliance, as staff turnover strained existing arrangements. In a few cases, outsourced providers themselves highlighted that the firm’s growing scale and workload require a dedicated full-time local compliance resource to ensure adequate oversight.
- In some cases, the DFSA survey was not completed by the Compliance Officer, but delegated to the SEO or Group team, raising concerns around ownership and independence.



3. Dual Roles and Governance

- For the purpose of the Review, dual firm arrangements refer to situations where a Compliance Officer appointed to a DIFC firm also performs compliance-related duties for one or more entities within the wider Group (whether inside or outside DIFC). In such cases, the individual's time, responsibilities, and reporting lines may be split across multiple firms, which can affect their ability to discharge the DFSA-mandated Compliance Officer function effectively.
- Overall, approximately 32% of the firms indicated that their Compliance Officers oversaw compliance in Group or Related entities, in addition to the Authorised Firm in DIFC. Often, they did this without clear service level agreements to govern resource-sharing arrangements and responsibilities.
- Although the scope of this Review focused specifically on Compliance Officers and the effectiveness of compliance arrangements, the DFSA included a limited set of questions related to Deputy Money Laundering Reporting Officer (MLRO) appointments. This was driven by previous supervisory experience,

where several Compliance Officers were observed to be simultaneously acting as Deputy MLROs. The intention was to assess whether Compliance Officers were double hatting by performing both of these roles and undertaking additional responsibilities that could compromise independence and capacity. However, the survey results identified a separate trend where the SEO was appointed as the Deputy MLRO of the firm. While this sits outside the core focus of the Review, this finding is relevant and worth highlighting from a resources and capacity perspective as it raises concerns regarding resource allocation, independence, and control effectiveness.

- One recurring issue was that SEOs also acted as Deputy MLROs, blurring business and compliance oversight.
- Approximately 20% of the firms did not have a Deputy MLRO at the time of the Review (as required under [Rule 11.2.3](#) of the Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Module (AML) of the DFSA Rulebook), weakening business continuity in anti-money laundering oversight.



4. Start-up Considerations

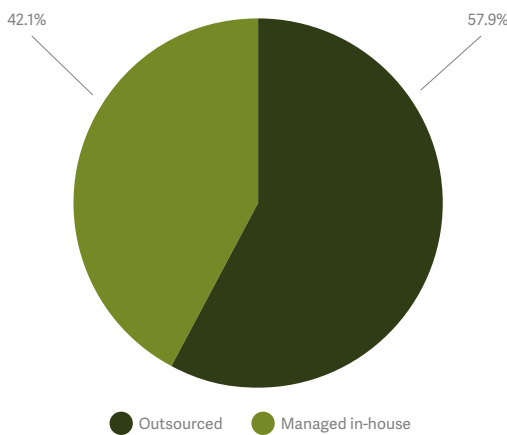
- Early-stage start-ups, where compliance resources were constrained by budget considerations, were a notable proportion of firms in the population sample. In several cases, such firms engaged external Compliance Officers for only a limited number of hours each month – insufficient to cover the full scope of regulatory obligations.
- Some other firms recruited junior staff lacking the technical skills and supervisory experience required for the role, reflecting cost-driven decisions. While such arrangements may reduce overheads, they create material risks around capability, continuity, and regulatory compliance, particularly as firms scale their client base and activities.



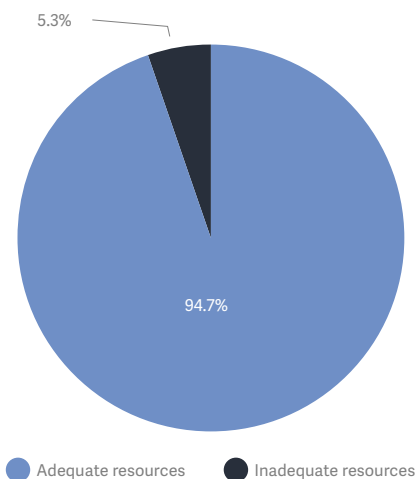
5. Perception vs Reality

Despite the gaps we observed, nearly 95% of the firms believed that they had adequate compliance resources, with only around 5% disagreeing. This reflects a disconnect between their self-assessments and the supervisory observations of weaknesses in governance, independence, and capacity.

How firms manage their compliance function



Firm's view on the adequacy of their compliance resources



Good Practices and Recommendations

The DFSA recommends that firms:

- Regularly assess whether their level of resources is sufficient and proportionate to the firm's size, nature, and complexity of business.
- Have appropriate arrangements in place to flag limitations of their current set-up to the Board, and outline plans to recruit or expand the compliance function locally.
- Establish and maintain a compliance function operating within DIFC, ensuring that it has the necessary competence, authority, and independence to perform its duties and without excessive reliance on a single individual.
- Clearly segregate compliance arrangements and business functions, and have documented frameworks outlining roles, reporting lines, and escalation procedures.
- Be mindful that, where one individual holds more than one role within the firm at the same time, it should be justified, proportionate, and supported by safeguards that mitigate conflicts of interest.
- Consider business growth trajectories when evaluating compliance staffing, as what may be adequate today may not suffice tomorrow.
- Consider establishing a formal time-split arrangement and clear deliverables per entity, where the compliance role is shared across entities.
- Appoint and document the presence of a Deputy MLRO, ensuring that both the MLRO and the Deputy have clear and defined responsibilities to support business continuity coverage.

Policies and Procedures – Spotlight on Compliance Monitoring Plan

The Review assessed how often compliance policies and procedures were reviewed and updated, including firms' compliance manuals, whistleblowing policies, CMPs, risk management policies, and complaints-handling procedures.

We observed that most firms had a structured review cycle in place. However, a small number indicated that certain policies and procedures, such as their whistleblowing policy or complaints handling procedures, were reviewed only when deemed necessary or in response to specific events. This approach does not align with the DFSA's expectation that policies and procedures are reviewed periodically to ensure ongoing effectiveness and relevance. [Rule 5.4.2](#) of the General Module (GEN) of the DFSA Rulebook specifically requires whistleblowing policies and procedures to be reviewed periodically to ensure that they are appropriate, effective, and up to date.

We subsequently reviewed firms' CMPs more closely. While most firms had CMPs in place and demonstrated formal review cycles, a supervisory analysis identified several shortcomings. Despite their commitment to annual policy reviews, multiple firms failed to provide evidence of timely reviews. Some firms had CMPs that were either untested, insufficiently detailed, or not clearly scheduled and tracked.

Some other CMPs were found to be deficient in several key areas. For example, the scope of the regulatory topics covered was limited, and the tests included in the CMP did not have enough details on the methodology used, outcomes identified, or the names of the responsible individuals.

The DFSA found that a few CMPs were missing Board-level sign-offs. Furthermore, basic controls such as version history and document ownership were absent in certain cases. Such practices raise concerns around governance, traceability, and accountability, with follow-up actions not clearly defined in relation to timelines or accountability.

Several firms used Group-level templates, with minimal effort to reflect the specific regulatory requirements in the DFSA Rulebook. These deficiencies call into question the robustness of the CMPs as a core second line of control.

Additionally, operational or staffing transitions disrupted timely reviews and the testing of CMPs, suggesting the need for more resilient compliance ownership structures.

The observed weaknesses suggest that policies and procedures are often treated as static documents, rather than as dynamic tools that evolve in response to risk, regulatory change, and business developments.

Good Practices and Recommendations

The DFSA recommends that firms:

- Maintain a proactive and scheduled review process for all compliance-related policies and procedures, regardless of whether material changes occur, with proper version control, dates, and ownership of document version control.
- Review and tailor compliance-related policies and procedures, to ensure that they reflect the regulatory requirements and the nature, scale, and complexity of firms' DIFC operations.
- Ensure that the CMP is an operational tool that guides ongoing compliance testing, and that it is not a document prepared solely for regulatory purposes.



Governance and Controls

The Review revealed varying degrees of involvement of the Board and senior management of firms in overseeing compliance, particularly in the review and approval of compliance policies and procedures. In some firms, the Board and senior management demonstrated active oversight of compliance matters, while in others, their involvement appeared limited or largely procedural. For firms where governance involvement was limited or largely procedural, this raises concerns about the effectiveness of their compliance arrangements.

Strong governance requires the Board and senior management of Authorised Firms to set a clear tone from the top, by regularly reviewing compliance policies and procedures, and holding the management accountable for implementation. The Board and senior management at firms should ensure that compliance arrangements are adequate, effective, and integrated into their overall risk management framework to strengthen compliance with regulatory requirements as set out in the DFSA Rulebook.

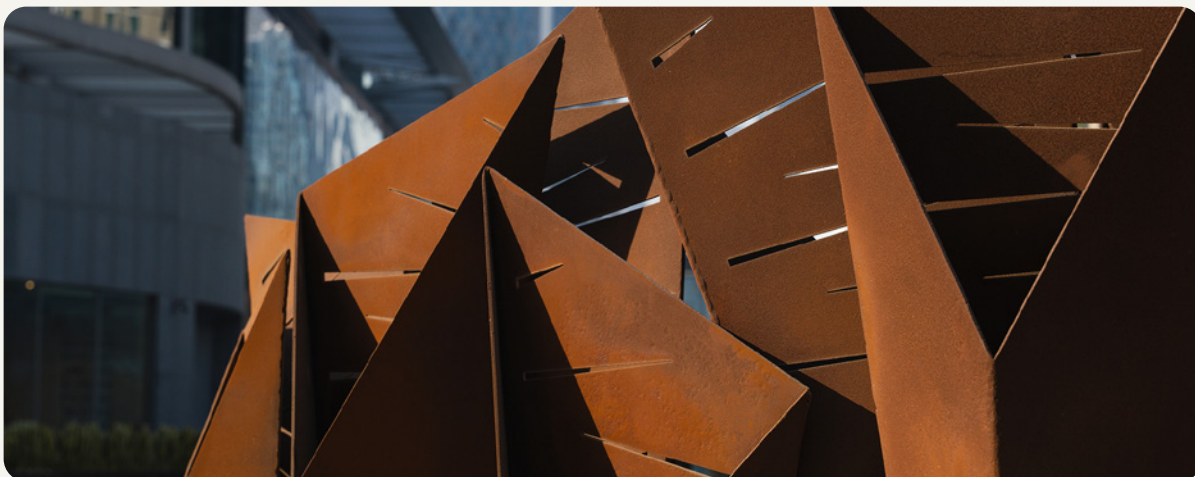
The Review also revealed a range of governance weaknesses that undermine firms' abilities to manage regulatory risks effectively. These weaknesses ranged from a concentration of responsibilities in the CEO (especially in small or founder-led firms without sufficient checks and balances) to insufficient reporting metrics to senior management, and operational vulnerabilities arising from the limited availability of Authorised Individuals.

We also considered whether firms maintained adequate procedures to track and address findings related to compliance issues and weak systems and controls where it has been identified in their internal audit reports. This included assessing whether firms had a policy or documented process in place to monitor how internal audit recommendations were being implemented and ensuring that appropriate remedial action was taken.

We observed that not all firms maintained such follow-up mechanisms – a key deficiency in their governance arrangements. The absence of a structured process to track internal audit findings limits a firm's ability to ensure timely resolution of control weaknesses. It may also reduce the effectiveness of the internal audit function as a third line of defence¹.

Additionally, based on supervisory engagement with firms, we identified instances where compliance issues raised by the DFSA during past supervisory engagements remained unresolved, despite assurances from firms that they had no repeat findings.

In several cases, the same weaknesses in compliance were observed again, suggesting that prior deficiencies were not adequately addressed in the firm's compliance framework. Such cases raise concerns over the effectiveness of firms' governance oversight in ensuring continuous improvement and remediation of previously identified regulatory gaps.



1. Position paper of the Institute of Internal Auditors: *The IIA's three Lines Model – An Update of the Lines of Defense*: [link here](#).

Good Practices and Recommendations

The DFSA recommends that firms:

- Maintain well-structured governance arrangements, with compliance functions reporting regularly to the Board or an audit and risk committee.
- Rotate oversight roles and maintain clear succession planning for staff.
- Engage senior management in the development and oversight of the compliance monitoring framework, demonstrating that the tone is set from the top.
- Have open channels of communication between Compliance Officers and the DFSA, allowing for direct engagement by the Compliance Officer and provide for involvement of the SEO on these communications for relevant matters, where appropriate.
- Reinforce the understanding internally that regulatory engagement is a shared obligation, and not something that is delegated solely by the SEO to the Compliance Officer. Firms are expected to establish a clear governance structure, including separation of duties between business and control functions.
- Implement structured follow-up mechanisms to internal audits and ensure timely and documented resolution of audit findings.
- Strengthen Board-level oversight of recurring compliance issues.



People and Culture

The Review highlighted several cultural indicators that may affect the effectiveness of compliance arrangements, as highlighted below:

- **Staff turnover:** High turnover in compliance functions can disrupt continuity and delay regulatory engagement.
- **Senior staff awareness:** In some firms, we observed limited awareness of regulatory obligations by senior staff.
- **Empowerment of Compliance Officers:** While most Compliance Officers (nearly 95%) reported that they were comfortable raising concerns internally, a small but notable

proportion (around 5%) said they did not feel empowered, reflecting the need to strengthen a culture of speaking up and escalating material issues to the firm's Board.

- **Approach to compliance:** In some cases, compliance appeared to be reactive, or was treated as a checkbox exercise, rather than being embedded within the firm's business strategy.

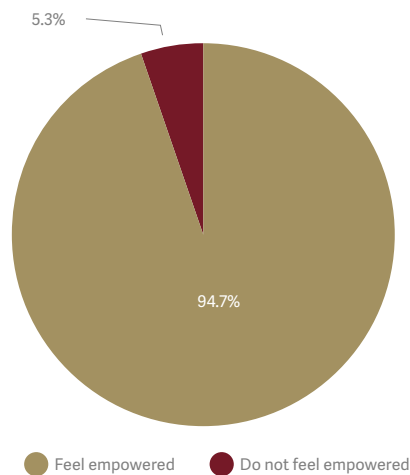
These signals underline the importance of tone from the top and the need for firms to foster a culture where compliance is supported, proactive, and integrated into decision-making.

Good Practices and Recommendations

The DFSA recommends that firms:

- Proactively plan for turnover through documentation, handover protocols, and back-up arrangements.
- Foster a culture of compliance and accountability. This includes succession planning, especially in critical control functions.
- Ensure senior management, including the CEO and heads of department, demonstrate ownership of compliance obligations and embed a tone from the top where compliance is prioritised, resourced, and discussed regularly – not just during regulatory events.
- Maintain a workforce that is appropriately trained and capable of engaging with the DFSA in a knowledgeable and transparent manner.
- Encourage a speak-up culture and provide staff with the confidence and tools to escalate issues, independent of commercial pressures.

Empowerment of Compliance Officers to escalate concerns internally



Technology and Tools

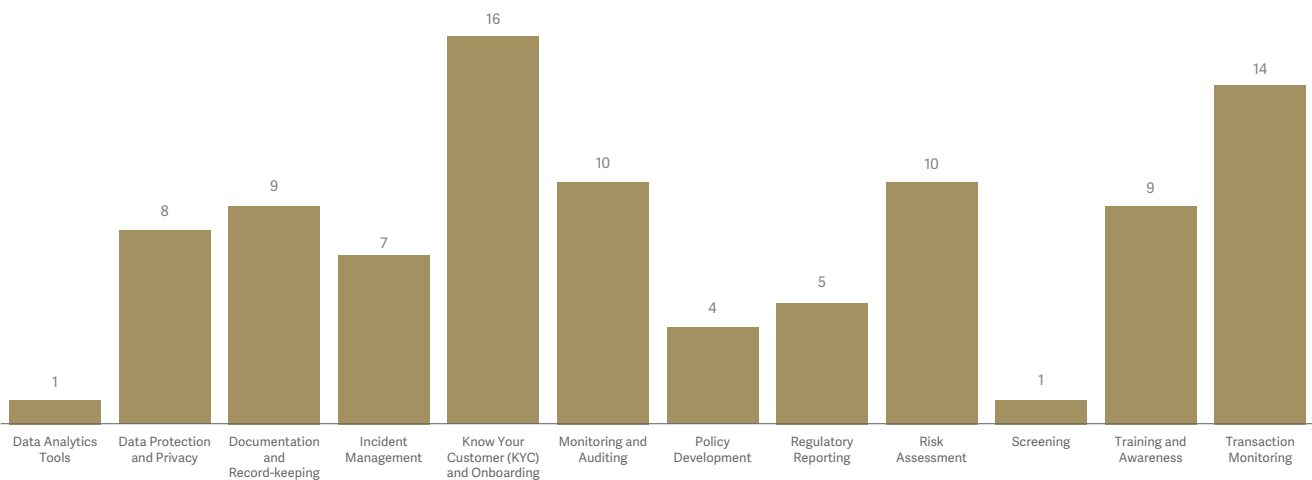
We observed that most firms recognise the importance of technology in supporting compliance arrangements, though the level of adoption varied considerably. This was evidenced by the fact that around 90% of firms reported using technology solutions across compliance functions, while the remaining minority (around 10%) continued to rely entirely on manual processes.

Know your customer (KYC), onboarding, and transaction monitoring emerged as the most consistently automated workflow, with automation also featuring in many firms' frameworks for training, auditing, and risk assessment.

Some firms have developed advanced, integrated systems, covering areas such as regulatory reporting, incident management, and policy development, while others apply technology selectively, focusing only on core functions. A few smaller firms have maintained largely manual processes, citing low client volumes and proportionate risk exposure, but indicated openness to scaling technology use as their business grows.

Firms should expand their use of technology to strengthen compliance effectiveness, enhance efficiency, and ensure they are prepared to manage increasing business complexity and regulatory expectations.

Firm's use of technology and tools by function



Automation and Client Onboarding

The client onboarding process remains a key area of regulatory risk, particularly in sectors handling high client volumes, complex risk profiles, or cross-border transactions. Supervisory experience indicated that firms with automated onboarding functions were better positioned to conduct real-time risk assessments, perform screening and verification using structured workflows, and reduce potential for human error or delays.

However, supervisory engagement also revealed cases where firms relied heavily on manual onboarding, despite survey responses indicating automation. This misalignment raises concerns about the accuracy of self-reporting and firms' readiness in managing greater risk or volume.

Link to Resources and Capacity

Technology adoption was closely linked to a firm's internal compliance resources and capacity. Firms with limited staff, particularly those in early operational stages, often cited resource constraints as a reason for maintaining manual processes.

While this can be proportionate to current operations, it may not be sustainable as the business grows or engages more complex clients. Larger firms, or those with higher client volumes, recognised that technology could improve efficiency, enabling smaller teams to manage larger workloads without compromising control standards.

Nevertheless, some indicated that automation would only be considered after completing internal reviews or securing additional funding. This suggests that while firms are aware that technology can improve efficiency, some choose not to utilise it, for example, due to cost.

While most firms recognised the importance of using technology for compliance arrangements, there were significant disparities in maturity, integration, and alignment between stated practices and actual implementation. Firms that had already automated key areas, particularly onboarding and monitoring, demonstrated stronger compliance effectiveness and greater resource efficiency.

Good Practices and Recommendations

The DFSA recommends that firms:

- Develop and maintain clear technology roadmaps aligned to their compliance risk profile and business growth plans.
- Increase automation where possible to support compliance monitoring, record retention, and reporting.
- Implement tools to track findings and action plans across internal audit and CMP.
- Periodically assess whether current systems meet the firm's scale and risk profile.



Regulatory Engagement

Under the DFSA's supervisory framework, firms are expected to engage in open, transparent, and timely dialogue with the regulator. Such engagement would reinforce a good understanding of their obligations and willingness to escalate issues proactively. The DFSA places emphasis on the quality of communication and timeliness of responses. It also welcomes candour in reporting issues, particularly where regulatory breaches and material risks may be involved.

Several firms have also demonstrated weak regulatory engagement. Common issues have included failure to notify the DFSA of material matters in a timely manner, and missed or delayed responses to regulatory requests, including to the survey referred to in this report. Such delays hinder the DFSA's ability to carry out timely and effective analysis of the subject matter referred to and conduct appropriate interventions.

As part of the Review, firms were asked whether the Compliance Officer feels empowered to report sensitive matters directly and independently to the DFSA. All firms responded "yes" to this question, including in cases where the SEO completed the survey on their behalf.

At the same time, supervisory experience across the fintech sector has highlighted an opportunity for further progress. While that supervisory experience has shown that few Compliance Officers proactively raised internal control weakness or misconduct during their tenure, these matters often surfaced later during exit interviews.

Fostering a culture where Compliance Officers feel confident to escalate concerns in real time, without fear of internal reprisal, would enhance transparency, strengthen governance, and ultimately, protect firms from non-compliance to DFSA rules.

Good Practices and Recommendations

The DFSA recommends that firms:

- Formally allocate responsibilities for managing regulatory communications and responses, such as replying to DFSA queries, submitting notifications, and ad hoc queries to the compliance teams.
- Treat all regulatory engagements – whether thematic reviews, ad hoc queries, or scheduled returns – as core governance priorities, not administrative tasks. The DFSA expects engagement to be based on openness, timeliness, and integrity.
- Ensure that the Compliance Officer has direct access to the regulator and can communicate independently, without fear of reprisal or internal resistance. The Compliance Officer must deal with the DFSA in an open and co-operative manner, and must disclose appropriately any information of which the DFSA would reasonably be expected to be notified ([GEN Rule 4.4.4](#)). Firms must also ensure that the Board and senior management set the tone for transparent, constructive, and prompt interactions with the DFSA.
- Reassess whether the Compliance Officer is truly empowered to escalate issues internally and externally.
- Review their governance arrangements to ensure that SEOs do not impede or influence disclosures that a Compliance Officer makes to the DFSA.



Supervisory Observations Beyond the Survey

In addition to the survey responses, our broader supervisory engagement across various fintech firms has revealed further concerns that are not directly captured in the survey. These include:

- **Gaps in regulatory understanding:** Several Compliance Officers have demonstrated a limited understanding of the legislation administered by the DFSA. This has been evident given the frequency with which they have sought DFSA guidance on routine regulatory matters that should be within their remit to assess and act upon.
- **Lack of authority and independence:** Our supervisory interactions indicate that, in some firms, Compliance Officers may have limited ability to exercise independent judgment or escalate issues effectively. This has been observed where CEOs or founders play a dominant role in operational and compliance matters, resulting in Compliance Officers providing limited input or visibility during supervisory engagements. This dynamic undermines the credibility and functionality of the second line of defence.



Final Comments

In recent years, we have seen steady improvements in the compliance practices across Authorised Firms operating within the fintech sector. As the DFSA regulatory frameworks have evolved over time to accommodate these types of innovative business models, fintech firms faced a steep learning curve adapting to all the applicable requirements and ensuring that adequate compliance resources were available in tandem with business growth. Since then, their capacity, processes, and sophistication have grown, reflecting a positive compliance trajectory across the sector.

The DFSA's thematic reviews play an important role in supporting this progress by giving firms the opportunity to benchmark their practices, identify gaps, and implement targeted improvements. We also value the strong cooperation and engagement shown by Compliance Officers throughout these reviews.

While the Review highlights areas where further investment in people, processes, and governance is needed, firms are generally moving in the right direction. Firms that maintain a continued focus on strengthening compliance arrangements and adequate resource availability to meet regulatory expectations, will contribute to building confidence, resilience, and market acceptance towards new innovation across the fintech sector in DIFC.

The DFSA thanks all firms for their cooperation and encourages them to use the findings of this Review as a practical guide to further enhance compliance arrangements.

The DFSA will continue to monitor firms' responsiveness to these expectations and may follow up with targeted reviews where warranted.





About the DFSA

The Dubai Financial Services Authority (DFSA) is the independent regulator of financial services conducted in or from 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 DIFC.

These include asset managers, banks, custody and trust services, 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 in DIFC.



www.dfsa.ae