







# BUSINESS PLAN 2021/2022

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## STATEMENT BY THE CHAIRMAN



SAEB EIGNER

CHAIRMAN

“IT IS MY PLEASURE TO INTRODUCE THE DFSA’S BUSINESS PLAN COVERING THE YEARS OF 2021 AND 2022. THE DEVELOPMENT OF THE BUSINESS PLAN FOLLOWS A PERIOD OF ONGOING SUCCESS AND ACHIEVEMENT FOR THE DUBAI INTERNATIONAL FINANCIAL CENTRE (DIFC), DESPITE SOME VERY CHALLENGING CONDITIONS.”

The DFSA continues to play a key role in establishing and maintaining the DIFC’s reputation as a leading global financial centre. Our Business Plan builds upon our commitment to international standards and best practices so that the DIFC continues to grow and support the Dubai and UAE economies.

The growth and development of the DIFC, particularly over the past year, has taken place against a backdrop of a global pandemic that is unprecedented in the context of the modern globalised economy. It is against this backdrop that I would like to focus on the following topics – uncertainty, well-being, resilience and vision. At the time this Business Plan was conceived, the world still faced a period of extreme uncertainty due to the spread and impact of COVID-19. Even as vaccines are approved and rolled out, the global economy remains greatly impacted by events since late 2019. In financial services, uncertainty is a feature that is ever-present, but the current environment makes it very difficult to see the path ahead. This poses considerable challenges for us individually, for our families, friends and colleagues, but also for the DIFC, Dubai and the UAE.

For the DFSA, a key focus has been – and will continue to be in 2021/22 – the well-being of our staff as well as that of the wider DIFC community. As with all organisations, we are dependent on the well-being of our people in order to perform our role. Our team brings vitality, intelligence, experience and commitment that is crucial for effective functioning. To that end, we aim to lead by example in this area by continuing to attach the highest priority to protecting our people and our community.

It is quite remarkable that, when faced with an event unprecedented in the context of the modern globalised economy, the DFSA and the DIFC community were able to demonstrate an incredible degree of resilience and adaptability in responding to such a challenge. Over the past year, the DIFC expanded in size and the effective functioning of financial services in or from the DIFC was maintained, with the sector able to continue contributing to the development of the broader Dubai and UAE economies. While the economic fallout from the pandemic is likely to persist for some time, the resilience and agility shown so far provides comfort that the DFSA and broader DIFC community is able to respond effectively to these future challenges. I have been in frequent contact with my regulatory counterparts around

the globe and with the leaders of key firms throughout the year to maintain open lines of communication.

When there is extreme uncertainty, it can be difficult to chart a path forward and this usually requires one quality above all in our leaders – vision. We are very fortunate that the leadership of Dubai and the UAE continues to demonstrate a vision for the health and prosperity of the country and for the well-being of citizens and residents. The same vision that led to the creation of the DIFC and DFSA some 16 years ago is now charting a path forward in dealing with COVID-19 and in planning for a post-pandemic world. This clarity of vision and purpose helps us to dispel the fog of uncertainty and look forward with optimism and excitement to the UAE’s 50th anniversary in 2021.

I am fortunate to be Chairman of an excellent international Board, which provides appropriate guidance and direction to our Chief Executive and his very able colleagues. Since the previous Business Plan, the appointment of Sabine Lautenschläger to the Board adds to the depth and knowledge of my colleagues. I would also like to thank Lord (David) Currie and Robert Owen, who stood down from the Board since we published our previous Business Plan, following many years of exemplary service. As with all regulators, the people are what determine the quality and success of the organisation. I am confident that, with the team we have in place at the DFSA, we will continue to make a strong contribution to the success of the DIFC, and so play a part in the ongoing achievements of Dubai and of the UAE.

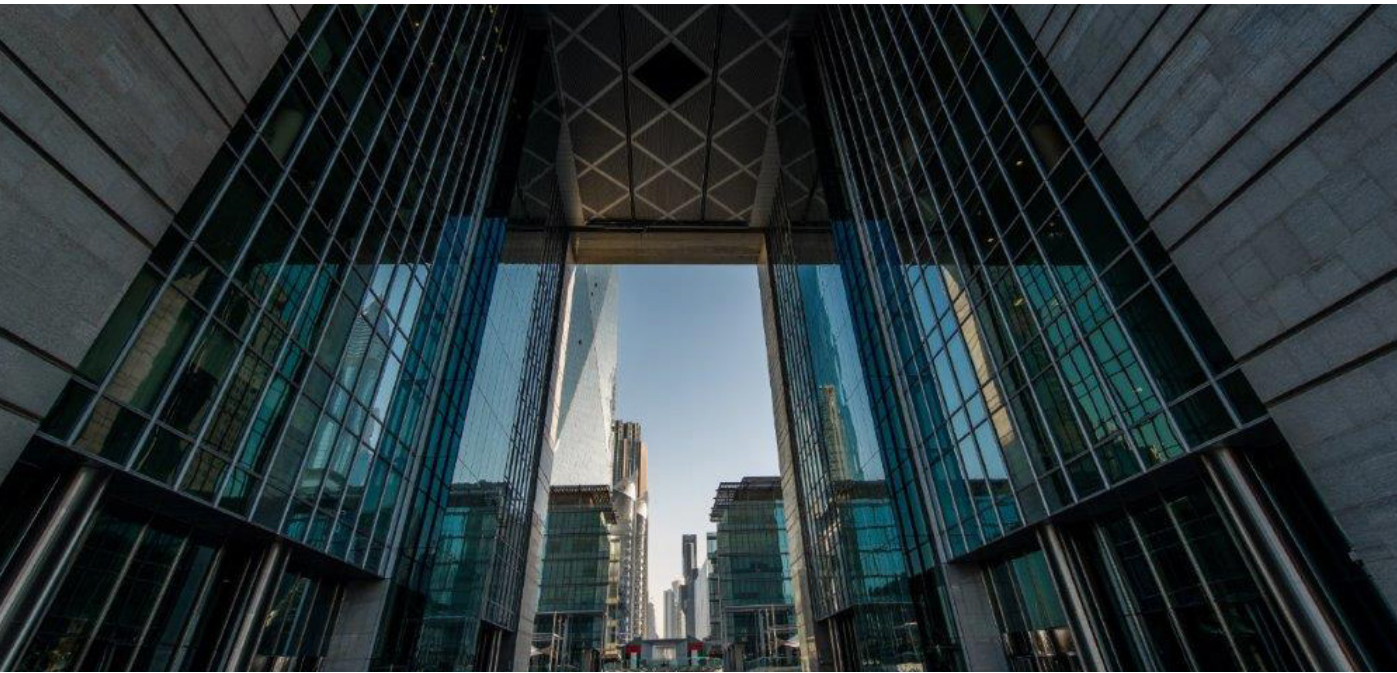
I close in thanking everyone at the DFSA for their extraordinary hard work and diligence, and am grateful to everyone within and beyond our DIFC borders who has supported us throughout 2020. I look forward to the ongoing efforts of our staff and support from our stakeholders over the period of this Business Plan.

A stylized, handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke.

SAEB EIGNER

Chairman

# DFSA



THE DFSA IS THE INDEPENDENT REGULATOR OF FINANCIAL SERVICES CONDUCTED IN OR FROM THE DIFC, A PURPOSE-BUILT FINANCIAL FREE ZONE IN DUBAI, UAE.

The DFSA’s regulatory mandate includes asset management, banking and credit services, collective investment funds, crowdfunding, custody and trust services, commodities futures trading, Islamic finance, insurance, issuing and trading of securities, money services, as well as an international equities exchange, and an international commodities derivatives exchange. Our regulatory sandbox (the Innovation Testing Licence) has steadily grown to be amongst the most active in the region and our cooperation and collaboration with the DIFC Fintech Hive is helping to shape the future of finance from the DIFC.

In addition to regulating financial and ancillary services, the DFSA is responsible for supervising and enforcing Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) requirements applicable in the DIFC to its regulated community. The DFSA also exercises delegated enforcement powers under the DIFC Companies Law. These include powers to investigate the affairs of DIFC companies and partnerships where a material breach of DIFC Companies Law is suspected and to pursue enforcement remedies available to the Registrar of Companies (RoC).

# DFSA VISION & REGULATORY APPROACH



## VISION

To be an internationally respected regulator, leading the development of financial services through strong and fair regulation.



## MISSION

To develop, administer and enforce world-class regulation of financial services within the DIFC.



## REGULATORY APPROACH

To be risk-based and to avoid unnecessary regulatory burden.



## VALUES

- To expect high standards of ethical conduct and integrity from the DFSA and its people.
- To demonstrate professionalism, independence, efficiency, leadership and resolve in the discharge of our responsibilities.
- To ensure administrative fairness, consultative process, accessibility, impartiality and accountability in the performance of our functions.



# DFSA OBJECTIVES AND PRINCIPLES



THE DFSA HAS ESTABLISHED, AND STRIVES TO MAINTAIN, AN ENVIRONMENT THAT FOSTERS INTEGRITY, TRANSPARENCY AND EFFICIENCY.

It has done so by embedding high standards in a clear and succinct regulatory framework based on international regulatory standards, as relevant to a modern international financial centre.

IN DISCHARGING ITS REGULATORY MANDATE, THE DFSA HAS A STATUTORY OBLIGATION TO PURSUE THE FOLLOWING OBJECTIVES:

- To foster and maintain fairness, transparency and efficiency in the financial services industry (namely, the financial services and related activities carried on) in or from the DIFC;
- To foster and maintain confidence in the financial services industry in the DIFC;
- To foster and maintain the financial stability of the financial services industry in the DIFC, including the reduction of systemic risk;
- To prevent, detect and restrain conduct that causes or may cause damage to the reputation of the DIFC or the financial services industry in the DIFC through appropriate means, including the imposition of sanctions;
- To protect direct and indirect users and prospective users of the financial services industry in the DIFC; and
- To promote public understanding of the regulation of the financial services industry in the DIFC.

IN EXERCISING ITS POWERS AND PERFORMING ITS FUNCTIONS, THE DFSA SHALL TAKE INTO CONSIDERATION THE FOLLOWING GUIDING PRINCIPLES:

- Pursuing the objectives of the DIFC as set out under Dubai and Federal Law;
- Fostering the development of the DIFC as an internationally respected financial centre;
- Co-operating with and providing assistance to regulatory authorities in the United Arab Emirates (UAE) and other jurisdictions;
- Minimising the adverse effects of the activities of the DFSA on competition in the financial services industry;
- Using its resources in the most efficient way;
- Ensuring that the cost of regulation is proportionate to its benefit;
- Exercising its powers and performing its functions in a transparent manner; and
- Complying with relevant generally accepted principles of good governance.



## STATEMENT BY THE CHIEF EXECUTIVE



BRYAN STIREWALT

CHIEF EXECUTIVE

“IT IS MY PLEASURE TO PRESENT THE DFSA’S BUSINESS PLAN FOR THE PERIOD OF 2021 TO 2022, COVERING OUR CORE ACTIVITIES AS WELL AS OUR STRATEGIC AND REGULATORY PRIORITIES OVER THE COMING TWO YEARS. OUR BUSINESS PLAN SETS OUT OUR PLANS TO MEET OUR STATUTORY OBJECTIVES FOR THE DIFC.”

”

Development of our Business Plan also takes place against a backdrop of heightened uncertainty brought about by the global pandemic. While uncertainty is usually ever present in financial services, the pervasiveness and impact of the global pandemic has given rise to new challenges. Despite the uncertainty and macroeconomic challenges posed by the pandemic, I am proud of the way the DFSA and the DIFC community more broadly have responded and were able to maintain business continuity. As a consequence of both financial and operational resilience by the DIFC community, the DIFC continues to contribute to the broader economic and financial development of Dubai, the UAE and the entire GCC region.

Against that backdrop, we have developed our Business Plan based on our four key strategic themes that drive our organisational and regulatory priorities. These are Delivery, Engagement, Innovation and Sustainability. For the DFSA, our Delivery theme refers to our ability to deliver a world-class regulatory environment, including through reviews of our regulations and our supervisory and enforcement priorities. To that end, we will further enhance our policy framework through implementation of our new resolution regime. We will also seek to enhance our regime for the protection of client assets in order to maintain the integrity of the DIFC financial services industry.

Fighting financial crime will remain a key priority for the DFSA. Following the Financial Action Task Force (FATF) Mutual Evaluation of the UAE in 2020, we will continue to work with federal authorities to implement the associated recommendations. Similarly, we will continue to prioritise fighting financial crime from both a supervisory and enforcement perspective. A further supervisory focus over the coming years will be on any financial services activity taking place in the DIFC without the explicit regulatory authority to do so. Maintaining the reputation of the DIFC as a respected financial centre remains our core priority and those seeking to operate outside the letter and spirit of our regulations undermine this. Greater scrutiny will be placed on business models and activities taking place in substance within the DIFC, regardless of legal structure.

Throughout the business planning period, we will remain actively engaged with the regulated community as well as our peer regulators locally and internationally. This will include ongoing outreach events with the regulated community and our active participation with various international standard-setters including the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, the International Organization of Securities Commissions, the Islamic Financial Services Board and the International Forum of Independent Audit Regulators. We will also cooperate further with other authorities to enhance financial literacy in the UAE further, including through investor education initiatives.

Our Engagement theme also covers our collaboration with global central banks and regulators in the Network for Greening the Financial System, with the DFSA becoming one of the first in the Middle East and North Africa to join in 2020, and similarly the Sustainable Insurance Forum. These bodies aim to strengthen the global response required to meet the goals of the Paris climate agreement and enhance the ability of the financial system to manage associated risks and to mobilise capital for green investments. We will also continue to contribute to the UAE Core Regulatory Group on Sustainable Finance to help support the domestic industry in responding to the challenges and opportunities that arise in mitigating against climate change.

Our Innovation theme reflects our goal to utilise technology advances to address regulatory obligations and challenges, as well as to facilitate development and use of new technology within the DIFC. For the DIFC, we will continue to foster technological development through our involvement with the FinTech Hive, our use of our Innovation Testing Licence and our proactive approach to providing informal assistance to start-ups and other innovative firms wishing to set-up in the DIFC. Similarly, we will continue to pursue regulatory changes in this area so as to maintain the right balance between fostering innovation and protecting investors, including through the development of a Digital Assets regime. Internally, we have embarked on a digital transformation, guided by the UAE’s National Innovation Strategy. Through this, we aim to utilise technology to streamline and automate processes and improve our own cyber-resilience.





For many years now, Sustainability has been a key strategic theme of the DFSA and I believe this helped us respond to the unprecedented challenges we have faced over the past year.

“ENSURING OPERATIONAL RESILIENCE AND BUSINESS CONTINUITY IN THE PRESENCE OF VARIOUS CRISES HAS BEEN A KEY FOCUS FOR US BOTH INTERNALLY AND AT THE FIRMS WE REGULATE.”

This will continue to be the case over the business planning period. Specifically, we will maintain a strong supervisory focus on the operational resilience of the firms we regulate. This includes through our ongoing focus on cyber-security risk, whereby we expect the firms we regulate to have sufficient safeguards in place to protect against a cyber-attack, whilst also maintaining appropriate means of responding to one should it occur. At the same time, third party service providers will also come under closer scrutiny given their increased usage.

Naturally, a key focus under our Sustainability theme is our people. Over the business planning period, we aim to enhance the makeup of our work force to reflect the new growth areas of the DIFC. This includes increasing our capacity in operational and technology risk as well as overall corporate governance. I am very proud to say that the single largest nationality represented at the DFSA is our growing group of talented UAE Nationals, who now account for more than 30% of our workforce. This has been and will continue to be a priority for the DFSA as we seek to empower and support young Emirati talent. These young professionals are the resource for sustainable development, growth and for the future prosperity of the DIFC and the UAE.

In closing, I would like to thank our team for their considerable efforts in shaping our Business Plan and look forward to working with them to implement it day by day. The resilience of our organisation has been remarkable through adversity and uncertainty in 2020, and this sets us up well for a bright future ahead. I also thank our Board and Chairman for their guidance and support in shaping our strategy.

BRYAN STIREWALT

Chief Executive



# STRATEGIC THEMES



FOUR STRATEGIC THEMES HAVE BEEN IDENTIFIED THAT WILL DRIVE OUR WORK OVER THE COURSE OF 2021/22.

The themes – Delivery, Engagement, Innovation and Sustainability – reflect the context in which we operate: the continuing evolution of the DIFC as a financial centre and the DFSA as a regulator, against the backdrop of a growing Dubai and UAE. The population of the Centre continues to grow, as does the depth and breadth of activities conducted. This continues to demand a finely tuned risk-based approach to regulation, to ensure appropriate use of our limited resources.

DFSA 2021/2022 BUSINESS PLAN SUMMARY		
VISION	<ul style="list-style-type: none"><li>• TO BE AN INTERNATIONALLY RESPECTED REGULATOR, LEADING THE DEVELOPMENT OF FINANCIAL SERVICES THROUGH STRONG AND FAIR REGULATION.</li><li>• TO DEVELOP, ADMINISTER AND ENFORCE WORLD-CLASS REGULATION OF FINANCIAL SERVICES WITHIN THE DIFC.</li><li>• TO BE RISK-BASED AND TO AVOID UNECESSARY REGULATORY BURDEN</li></ul>	
MISSION		
REGULATORY APPROACH		
STRATEGIC THEMES IN ACTION		
DELIVERY  EXECUTE CORE FUNCTIONS WITH PROFESSIONALISM AND EFFICIENCY	DELIVER WORLD-CLASS REGULATION AND EFFECTIVE ENFORCEMENT	
	MAINTAIN QUALITY AS DIFC SCALE INCREASES	
ENGAGEMENT  THOUGHTFUL & ACTIVE ENGAGEMENT WITH KEY STAKEHOLDERS	REGULATED FIRMS AND HOME REGULATORS	
	OTHER REGULATORS	
	DUBAI AND UAE AUTHORITIES	
	GLOBAL STANDARD-SETTERS	
INNOVATION  CREATIVE & FACILITATIVE APPROACH AS A REGULATOR & AS AN ORGANISATION	FACILITATE FINTECH DEVELOPMENT	
	BE PART OF ADVANCES IN REGTECH	
	WORKING SMARTER	
SUSTAINABILITY  POSITIVELY SHAPE OUR ENVIRONMENT & ORGANISATION FOR THE LONG-TERM	ENHANCE ORGANISATIONAL ROBUSTNESS AND RESILIENCE	
	SUPPORT DUBAI GOVERNMENT STRATEGY AND DIFC DEVELOPMENT	
	BUILD UAE NATIONAL CAPABILITY	
	JURISDICTIONAL UNCERTAINTY	
REGULATORY PRIORITIES		
FINANCIAL CRIME  BE VIGILANT IN ADDRESSING ALL FINANCIAL CRIME ISSUES.  STRENGTHEN EXISTING LINKS WITH RELEVANT LOCAL AND FEDERAL BODIES TO MITIGATE FINANCIAL CRIME RISKS.	CONDUCT  CONTINUE TO EMPHASISE CONDUCT RISK (GENERALLY MORE PROMINENT THAN PRUDENTIAL) WHILE PROVIDING APPROPRIATE PRUDENTIAL ATTENTION TO FIRMS EXPECTED TO HAVE RAPID BALANCE SHEET GROWTH.	STANDARDS ALIGNMENT  DEMONSTRATE EFFECTIVE IMPLEMENTATION OF INTERNATIONAL REGULATORY STANDARDS VIA THE FSAP & FATF PROCESS.  IN RELEVANT AREAS, CONTINUE TO ALIGN WITH EU STANDARDS.  UPHOLD COMMITMENT TO SIMPLIFY THE RULEBOOK.



# BANKING

Banks operating within the DIFC have demonstrated a remarkable degree of resilience, both financially and operationally, in responding to the unprecedented challenges posed by the pandemic. Despite such challenges, the DIFC banking sector managed to sustain growth through 2020 with total assets projected to reach USD 200 billion in the near future, supporting the economies in which they conduct their business and their clients in the process.

At the DFSA, we will continue to adopt a proactive and forward-looking approach to supervision, in conjunction with the strengthening of an effective early intervention regime to help safeguard the DIFC’s banking sector. As a response to the risks posed by the pandemic, we have reassessed our own key risks and have subsequently refocused our supervisory strategy and reallocated our regulatory resources. In light of current circumstances, we will conduct further stress tests, analysing banks’ vulnerability to various hypothetical scenarios and shocks, the results of which will guide future supervisory focus and actions.

For the DFSA, effective supervision is key, with a continued focus on robust, well-established and effective governance and risk management frameworks. Our supervisory priorities have recently prioritised areas of credit and liquidity risk. To that end, we will continue to monitor developments closely in terms of asset quality and concentration. More specifically, we are exercising more scrutiny with respect to credit risk governance, credit appraisal and underwriting processes, and impairments and provisioning approaches. We will pay particular attention to liquidity and asset-liability management frameworks, systems to monitor and control liquidity mismatches and the availability of high quality liquid assets. Our supervisory approach will also continue to focus on a range of non-financial risks. This includes a focus on business continuity, management of third-party risk, cybersecurity and financial crime.

With the DFSA Early Intervention, Recovery and Resolution Regime coming into effect in early 2021, we will work with those entities considered systemically important on developing and strengthening their recovery planning and our approach to resolution. We will also work with the regulated community in ensuring a smooth transition away from certain interest rate benchmarks, such as LIBOR, to alternative reference rates.

We will continue to strengthen our banking supervisory regime and adjust our supervisory activities to adapt to a changing operational environment. We will focus on upgrading our capabilities to deal with emergent risks and to understand better the impact of new technologies on the banking sector.



# INSURANCE

The DIFC’s insurance sector has proven remarkably resilient in the face of a global pandemic, with financial soundness and business continuity being maintained. The economic recovery from the pandemic could see the insurance sector playing a critical role in better preparing the region for future risk events. Supporting the sector, the DFSA will continue to dedicate resources to foster an appropriate and stable regulatory environment for the DIFC insurance and reinsurance industry.

As the insurance sector looks to reassess risk dynamics, the DFSA will continue to emphasise the importance of a robust risk culture in managing their underwriting processes, reserving and in building contingency plans to remain operationally resilient in times of stress.

WE WILL MAINTAIN OUR PRAGMATIC APPROACH TO SUPERVISION TO FACILITATE INNOVATION AND THE INTRODUCTION OF NEW PRODUCTS OFFERING WIDER RISK MANAGEMENT SOLUTIONS TO CORPORATES AND INDIVIDUALS.

Consistent with our recent comprehensive review of capital adequacy for captive insurance, the DFSA expects to facilitate a streamlined licensing process and accommodate innovative structures to promote captive insurance as a viable risk management solution for corporates in the region.

We will continue our engagement with the DIFC Insurance Association and other stakeholders so that issues important to the regulated industry can be identified and, where appropriate, addressed in a timely manner. Our plan will continue to include IFRS 17 implementation and will address wider digitalisation initiatives in the industry. As a member of the Sustainable Insurance Forum, and as part of our commitment towards promoting sustainable finance, the DFSA will devote supervisory attention to reviewing the industry’s incorporation of environmental, social and corporate governance considerations when making strategic decisions, setting risk appetite and developing new products.



## WEALTH MANAGEMENT



THE DFSA WILL FACILITATE DEVELOPMENT OF THIS SECTOR BY REFINING THE LICENSING PROCESS AND INTRODUCING ONLINE FORMS FOR ALL PARTICIPANTS IN THE WEALTH MANAGEMENT SECTOR TO COMPLEMENT OUR FOCUS ON A SEAMLESS APPLICATION PROCESS.

In 2021/22, we will continue with developing our approach to monitor firms in cohorts according to business model, including the wealth management sector, which we commenced in 2020.

Thematic work will, therefore, become a key focus across the wide variety of business models comprising the wealth management sector. A key focus will be on conduct-related issues. We aim to review that firms are providing an appropriate level of protection for clients and counterparties given their knowledge, experience and understanding of financial products and related risks. We will continue to prioritise governance and assess onboarding processes, suitability of products, protection of client assets and ensuring communications and marketing materials are clear, fair and not misleading.

A particular supervisory focus over the business planning period will be those entities carrying out financial services activities in or from the DIFC in substance but who lack the specific regulatory authorisation to do so. Therefore, over the business planning period, we will pay particular attention to the substance of activity taking place in the DIFC and whether this should be regulated by the DFSA, regardless of legal structure. Similarly, supervisory and enforcement action against entities operating financial services in the DIFC without authorisation to do so will be prioritised.

## MARKETS

THE DFSA WILL CONTINUE TO FOSTER THE GROWTH OF DIFC CAPITAL MARKETS IN SUPPORT OF THE DUBAI ECONOMY.

We specifically aim to do this by enabling capital raising by small and medium enterprises (SMEs) through equity and debt listings in the DIFC. With the introduction of the SME regulatory framework in 2020, we will focus on further implementation of the compliance adviser and prospectus approval process in 2021.

The ongoing success of the DIFC as the world's leading Sukuk listing venue will continue to be supported by the DFSA in its operation as the listing authority. We will continue to work with the industry by maintaining high standards to facilitate Sukuk listings in the Centre and to ensure that the DIFC remains a world-leading Sukuk listing venue, a key aspect of our contribution to the Dubai Islamic Economy Initiative. With the arrival of innovative solutions to capital raising, we will also introduce further enhancements to the DFSA's regulation of digital asset issuers and the platforms on and through which they trade.

The DFSA has no tolerance for any abuse of DIFC financial markets, including any instances of market manipulation, insider trading or any other activity that seeks to undermine the credibility of DIFC financial markets. The DFSA will continue to promote fair, transparent and efficient markets through ongoing monitoring of trading activity for any irregularities, and to take enforcement action where needed. We will prioritise investigations and enforcement activity where there is credible suspicion of market abuse. In addition, we will continue to raise awareness of, and promote, the Code of Market Conduct to industry participants. A specific focus will be the focus on receiving timely and complete suspicious transaction and order reporting (STOR) from authorised firms in the centre. We have started this work in 2020 and will continue by issuing guidance on the DFSA's rules.

## SUPERVISORY COOPERATION

Given the cross-border nature of the financial sector in the DIFC, and keeping in mind the comprehensive reforms adopted by standard setting bodies, we will maintain our participation in supervisory colleges of internationally active financial groups. Cooperation with other regulators is key to effective supervision and we will continue our active engagement with our peers, including through standard setting bodies, bilateral engagement and participation in supervisory colleges. Further, we look to enhance our relationships with regional regulators further so as to foster a cooperative approach when dealing with regional issues. As always, we will cooperate with each of our regulatory counterparts in other jurisdictions.



# ANTI-MONEY LAUNDERING/ FINANCIAL CRIME (AML/CTF)

IN APRIL 2020, THE FATF PUBLISHED ITS FOURTH ROUND MUTUAL EVALUATION REPORT OF THE UAE, FOLLOWING AN ONSITE ASSESSMENT OF THE UAE IN 2019.

The report highlighted a number of positive statements about the UAE’s efforts to combat money laundering and terrorism financing while also containing a number of recommendations for the UAE to enhance its approach. The DFSA will continue to prioritise working with other UAE authorities in addressing these recommendations.

As part of the DFSA’s approach to applying a risk-based approach to supervision, we will continue to assess the adequacy of Relevant Persons’ AML/CFT systems and controls. This includes the continued adoption and application of a risk-based approach so that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified. In addition, we will review financial crime risk in private banking and the insurance sectors in the DIFC. Furthermore, we will review the Sanctions Compliance measures adopted by Relevant Persons to assess compliance with Federal AML Legislation.

In line with the DFSA’s business priorities to facilitate money services and other innovative sectors in the DIFC, we will assess the financial crime risk within these evolving sectors to apply proportionate measures in relation to our risk-based approach to financial crime.

# INNOVATION

THE DFSA RECOGNISES THE IMPORTANCE OF INNOVATION AND TECHNOLOGY IN ENHANCING THE ABILITY OF THE FINANCIAL SERVICES SECTOR TO SERVE THE BROADER ECONOMY.

We will increase our efforts to facilitate the development of new technology within the DIFC. This includes through our close working relationship with FinTech Hive at DIFC, active support of accelerator programmes, meeting with start-up firms wishing to obtain a financial services licence, and providing informal assistance where necessary, as well as working with the DIFC Authority and other Dubai Government entities, such as Smart Dubai and the Dubai Future Foundation.

We will also continue our engagement with regional and international regulators with respect to innovation and technology and build on the agreements we already have in place, including through our involvement in the Global Financial Innovation Network (GFIN).

A positive development has been the increasing use of technology by many market participants in helping them meet regulatory obligations and helping regulators monitor market activity. Referred to as RegTech, such technology has been useful in increasing operational efficiency and developing new risk insights. The DFSA continues actively to embrace RegTech both internally through digitalisation and externally, through our engagement with firms offering such solutions.



# CYBER-RESILIENCE

WHILE INCREASED USE OF TECHNOLOGY BRINGS MANY EFFICIENCIES AND NEW OPPORTUNITIES, WE REMAIN COGNISANT OF THE CHANGING NATURE OF RISKS THIS POSES TO THE REGULATED COMMUNITY AND OURSELVES.

Specifically, cyber-attacks in the financial services sector are occurring with greater frequency, necessitating the need for heightened cyber-resilience of the regulated community. In addressing this shifting risk profile, the DFSA implemented an automated cyber incident response mechanism, launched the DFSA Cyber Threat Intelligence Platform, published a cyber-risk thematic review and hosted numerous outreach sessions, roundtable discussions and workshops with firms. We will build on these foundations during the Business Plan period

Over the business planning period, cyber-resilience of the regulated community will receive a greater degree of supervisory focus. We expect the firms we regulate to have sufficient safeguards in place to shield against the risk of a cyber-attack, as well as being sufficiently prepared to respond to a successful attack. This includes appropriate governing body oversight of cyber-risk management, effective hygiene practices and firms having in place appropriate response and recovery plans. Our priorities for 2021/22 include improving cyber-security awareness in the DIFC, promoting the sharing of cyber-threat intelligence among DIFC firms and supporting continued development of cyber resilience within the regulated community. We will implement these priorities during routine risk assessments, as well as developing industry level guidance on such risks and conducting an additional thematic review as a follow up to our 2019 review. Finally, we will maintain ongoing engagement with the regulated community on cyber-risks through further roundtable discussions and outreach sessions.



# AUDIT

THE DFSA WILL CONTINUE ITS INSPECTION PROGRAMME FOR AUDITORS OF REGULATED FIRMS.

We will monitor developments in the global audit regulatory landscape and will consider implications for audits carried out in the DIFC. As in previous years, we will be an active participant in the work of the International Forum of Independent Audit Regulators (IFIAR) and provide our support to global organisations such as the Public Interest Oversight Board (PIOB). In addition, we will continue to work with the relevant regulators and organisations in the UAE to enhance the overall audit quality assurance framework.



# POLICY FRAMEWORK

THE DFSA IS COMITTED TO REMAIN ‘OPEN FOR BUSINESS’ WITH RESPECT TO INNOVATION IN THE FINANCIAL SERVICES SECTOR AND WE CONTINUE TO EXPLORE HOW OUR REGULATORY REGIME CAN ACCOMMODATE NEW AND INNOVATIVE BUSINESS MODELS.

We will build upon recent achievements in this space over the business planning period through developing a regulatory regime for **digital assets** (such as tokenised securities and crypto-currencies), having already implemented regulations supporting various innovative business models. In doing so, we intend to take a regulatory approach that facilitates innovation while requiring strict adherence to the DFSA’s licensing, prudential and conduct requirements.

The processes and powers available to deal with failed or failing firms has been a key focus among standard-setters and regulators in the post-crisis period. The DFSA will continue work on implementing its resolution regime having made the relevant amendments to its rulebook in 2020. To further maintain trust in the DIFC financial services sector, we will update our regime for **Client Assets** in the business planning period. This will include identifying gaps and loopholes in our regime and amending the Rulebook accordingly. In addition, we will review our regimes against the requirements of global standard setters to ensure we are consistent with best practice.

Preparation for a potential **Financial Sector Assessment Program (FSAP)** assessment of the UAE will form a core part of our priorities with respect to Rulebook changes. As with the FATF Mutual Evaluation in 2019, the international reputation of the financial sector of the DIFC and UAE more broadly can be impacted by such an assessment. To that end, we aim to continue to align our regulatory regime to international standards, work with other regulators in preparation and prepare an independent assessment of our own regulatory regimes against international standards.

# ENFORCEMENT

AS A RISK-BASED REGULATOR, OUR ENFORCEMENT PRIORITIES ARE ALIGNED WITH OUR REGULATORY RISK TOLERANCE. WE WILL PRIORITISE INVESTIGATIONS AND ENFORCEMENT ACTIONS TOWARDS CERTAIN ACTIVITIES.

- Financial crime, such as money laundering, terrorism financing, deliberate breaches of United Nations sanctions or any breaches of Federal Law prohibitions;
- Any instance of market abuse in trading, such as market manipulation and insider trading;
- Misappropriation and mismanagement of client assets;
- Misleading or deceiving the DFSA or obstructing a DFSA-wide investigation; and
- Unauthorised financial services in or from the DIFC.

To encourage integrity of DIFC financial markets and maintain confidence in the DIFC financial services industry, we will seek to apply substantial financial penalties for significant violations of our regulations. This will enhance the deterrent effect of our enforcement actions and enable us to demonstrate that we are firm but fair in our dealings with authorised firms. We will also seek to improve the timeliness and transparency of our enforcement process and outcomes, so as to provide certainty to the market place and so that procedures are perceived as fair by our stakeholders.



# INNOVATION AND DIGITALISATION

Over the business planning period, the DFSA will continue on its digital transformation as a means of driving efficiencies across organisational processes, increasing our analytical capacity in many regulatory areas, and making it easier to do business with us. As part of this, we will review cloud and other advanced technologies to enhance our infrastructure and application pool. We will look to utilising Application Programming Interfaces (APIs) and Robotic Process Automation (RPA), in conjunction with advanced analytics to help supplement and assist our internal processes and provide new insights. RPA and automation, in general, will become embedded across the organisation to minimise repetitive and functional processes that will require little or no human involvement.

A key theme in our digital efforts relates to data and appropriately obtaining, managing, using, tracking and monitoring the data we need.

## ENHANCING OUR ANALYTICAL CAPABILITY WILL CONTINUE TO BE A PRIORITY OVER THE BUSINESS PLANNING PERIOD.

This includes enhancing our own data platforms and capabilities of our own staff so as to make the most of new advances in data analytics. This will include the delivery of our own Digital Data Strategy. This core piece of work will seek to improve our digital engagement with our stakeholders, improve our approach to data management and analysis and enhance DFSA operations.

# DEVELOPING UAE NATIONAL CAPABILITY

The DFSA maintains a strong commitment to the development of UAE national capability. UAE nationals have, for some time, been the largest single group of all nationals among DFSA staff and amongst our regulatory staff.

## TRL PROGRAMME

OUR TWO-YEAR TRL PROGRAMME, IN PLACE SINCE 2006, CONTINUES TO MAKE A SIGNIFICANT CONTRIBUTION AND REMAINS A CORNERSTONE OF DEVELOPING THE CAPABILITY OF OUR UAE NATIONALS.

Graduates from our TRL Programme are taking on greater responsibilities within the organisation and across the UAE more broadly. In support of the more senior roles being undertaken, and to facilitate career progression among more recent graduates, we will continue to focus on developing capacity among our Emirati staff.

Another cornerstone of our approach to developing UAE national capability is our Taqadum Programme. This provides our national staff with the opportunity to engage in further career development through seminars, courses and conferences, as well as secondments with other organisations both locally and internationally. The DFSA aims to continue building upon its Taqadum Programme over the coming years.



## PROGRESS AGAINST THE BUSINESS PLAN



Each year, the DFSA publishes an Annual Report, which highlights the DFSA's activities and achievements over the past year. The Annual Report is, in essence, a progress report against the Business Plan.

In addition to the Annual Report, 'The DFSA in Action' – an annual publication – reports on regulatory and non-regulatory developments and other DFSA activities.

The DFSA publishes updates, notifications and media releases on its website on an ongoing basis. DFSA publications are ordinarily available in both English and Arabic.

We are constantly searching for better ways to communicate with our stakeholders, including through social media channels. Frequent and open communication and outreach to our regulated community will remain a hallmark of the DFSA.

To subscribe to DFSA updates, visit [www.dfsa.ae](http://www.dfsa.ae)



