Dubai Financial Services Authority

Annual Report | 2016

Contents

Article 11 of the Dubai International Financial Centre (DIFC) Regulatory Law, DIFC Law No 1 of 2004, requires the Dubai Financial Services Authority (DFSA) to provide His Highness Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum, the President of the DIFC, with a written report on the exercise of its powers, the performance of its functions, and its financial activities. The report is to be prepared as soon as reasonably practical in each financial year and to relate to the previous financial year. This is the DFSA's 12th Annual Report and covers the financial year ended 31st December 2016.

Visit www.dfsa.ae for more information about the DFSA.

H.H. Sheikh Mohammed bin Rashid Al Maktoum

VICE PRESIDENT AND PRIME MINISTER OF THE UAE AND RULER OF DUBAI

H.H. Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum

DEPUTY RULER OF DUBAI AND
PRESIDENT OF DUBAI INTERNATIONAL FINANCIAL CENTRE

2016 OVERVIEW

THE FOLLOWING INFORMATION SUMMARISES 2016 ACTIVITIES AND STATISTICS.

SUPERVISION

- 77 firms authorised in 2016
- 445 firms authorised in total, including 3 Credit Rating Agencies (CRAs)
- 683 individuals authorised in 2016
- 2064 individuals authorised in total
- 18 Designated Non-Financial Businesses or Professions (DNFBPs) registered in 2016
- 117 DNFBPs registered in total
- 16 auditors registered in total
- 174 risk assessments of Authorised Firms (AFs) conducted in 2016
- 17 risk assessments of Registered Auditors (RAs) conducted in 2016
- 41 licence variations granted in 2016
- 116 applications received in 2016 (100 AFs, 14 DNFBPs, 2 RAs)
- 66 days to decide applications on average in 2016 (AFs only)

POLICY AND STRATEGY

- 4 Consultation Papers published proposing changes to the DFSA's policy framework
- 3 outreach sessions to explain the DFSA's proposals for change to stakeholders
- 11 Consultation Papers issued by international standard-setters commented on
- 20 surveys and other questionnaires issued by international standard-setters replied to

LEGAL DIVISION AND GENERAL COUNSEL

- 4 Rulebook amendments made by the Board in 2016
- 5 Sourcebook amendments made by the Chief Executive
- 32 rule-making instruments made by the Board in 2016
- 68 waivers and modifications granted in 2016

Enforcement

- 105 complaints received in 2016
- 106 complaints finalised in 2016
- 8 enforcement actions taken in 2016
- 6 investigations carried over to 2016 from previous years
- 4 investigations commenced in 2016
- 4 investigations concluded in 2016
- 6 investigations carried through to 2017

Markets

- 10 recognised member applications reviewed in 2016
- 8 recognised member applications approved in 2016
- 1 recognised body application approved in 2016
- 64 recognised members in total
- 22 securities admitted to the Official List of Securities (Official List) in 2016

International Relations

- 3 memoranda of understanding (MoUs) entered into in 2016
- 99 bi-lateral MoUs entered into in total, in addition to 4 Multi-lateral Memoranda of Understanding (MMoUs)
- 82 regulatory requests made by the DFSA to fellow regulators in 2016
- 128 regulatory requests received by the DFSA from fellow regulators in 2016
- 22 regional and international delegations received by the DFSA in 2016

Human Resources

- 147 employees as at 31 December 2016
- 93 regulatory staff 33% of whom are UAE Nationals
- 7.9 days off-the-job training received per employee on average in 2016
- 45 employees undertook leadership development in 2016
- 32 UAE Nationals completed the Tomorrow's Regulatory Leaders (TRL) Programme since its inception in 2006

Operations

- 6 publications issued in 2016
- 4 consultation papers issued in 2016
- 7 consumer alerts issued in 2016
- 5 internal audits conducted, 2 by external parties and 3 conducted by Projects and Planning in 2016

Statement by the Chairman

Saeb Eigner

CHAIRMAN

I am pleased to present this, my fifth, Annual Report. 2016 was a year of solid achievement for the DFSA and considerable further growth for the Dubai International Financial Centre ("DIFC").

DUBAI'S STRATEGIC VISION

In 2016, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai, launched the 2030 Dubai Industrial Strategy, designed to advance Dubai's standing as a global platform for knowledge-based, innovative commercial and industrial activities, in pursuit of the strategic objective of growing the Dubai economy through a diversified base of economic activity. The Centre for Economic and Business Research recently ranked Dubai as the fourth most economically sustainable city globally, measuring factors such as infrastructure, GDP growth and business performance.

The Dubai Plan 2021 contains a number of initiatives to reinforce Dubai's position as a pivotal financial and commercial hub in the global economy and a leading centre for Islamic finance. These include the National Innovation Strategy, which is designed to create an innovation-friendly ecosystem via the launch of the Dubai Future Accelerators programme and the Dubai Blockchain Strategy. Both initiatives place technology firmly at the centre of social and economic development.

The DFSA continues to support the Dubai Government's strategies through our risk-based regulatory approach, which is designed to promote the sustainable development of the DIFC through the application of high international regulatory standards while facilitating innovation in financial services. We continue to work in collaboration with our colleagues in the other DIFC bodies, and with UAE authorities more widely, to support Dubai's and the UAE's strategic objectives.

Under the leadership of the DIFC's President, His Highness Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum, the Centre continues to develop in terms of the diversity of financial services being offered and also the operational scale of the firms now based here. This is due, to a substantial extent, to our unwavering commitment to providing a regulatory framework that matches the standards which apply in the world's leading international financial centres.

GROWTH IN DFSA-REGULATED COMMUNITY

There are now around 580 firms regulated by the DFSA, of which 445 are direct providers of financial services, coming from all corners of the world, and the remainder providers of ancillary services, including some of the world's leading legal and accountancy firms. The growth in bank assets during 2016 has been particularly notable. These now total around US$150 billion, with banks based in the UK, India, China and Japan predominating. We are very pleased that HSBC Middle East has transferred its place of incorporation and head office to the DIFC, making the DFSA its lead regulator for the region.

INTERNATIONAL ENGAGEMENT

This commitment is furthered by our active involvement with the international standard-setting bodies and engagement at executive and board level with international and regional fellow regulators. Over the course of 2016, I met with many of my counterparts in Europe and the United States, including the European Securities and Markets Authority, the Financial Conduct Authority, the Office of the Comptroller of the Currency, the Securities and Exchange Commission, the Federal Reserve and the US Treasury, as well as with the heads of various financial institutions that we regulate.

With trade between China and many Middle Eastern countries, as well as with much of Africa, now being financed through Dubai, it is important for us to maintain an active dialogue with our counterparts in China. As part of our continuing engagement with the regulatory authorities in Beijing and Hong Kong, I travelled to both of these centres in the course of 2016, as well as speaking at the annual Asia Financial Forum in Hong Kong.

We also maintain a close relationship with fellow regulators in India, which continues to be an important jurisdiction for us, with branches of nine of its largest banks engaged in a growing level of business in the DIFC.

I believe there is widespread recognition by our peers of the robustness of our regulatory framework. In 2016, the European Commission announced its recognition of our regulatory regime for central counterparties, as well as that for the oversight of audit firms, as equivalent to that of the European Union.

The DFSA's core regulatory relationships continue to be with our Federal counterparts – the Central Bank of the UAE, the Securities and Commodities Authority, and the Insurance Authority. These relationships, underpinned in each case by a memorandum of understanding, are sustained by regular meetings and dialogue at both senior and operational levels. Joint investigations and joint training initiatives are regular features of this interaction, all of which is directed towards the common national goal of ensuring that the UAE is a country where financial services regulation is held in high esteem.

SUPPORTING DUBAI'S ISLAMIC ECONOMY INITIATIVE

In alignment with the Islamic Economy Initiative of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the DFSA has developed an effective and efficient regulatory framework for all types of Islamic finance activity, including the listing of Sukuk on Nasdaq Dubai. The DFSA also continues to support the Dubai Islamic Economy Development Centre, the organisation that is leading the initiative, by participating in the Centre's meetings and workshops.

The total value of Sukuk on the Official List of the DFSA reached over USD44 billion in 2016, making the DIFC the world's leading centre for Sukuk listings.

FOSTERING DIVERSITY AND UAE TALENT

We attach importance to developing a diverse community of employees, in line with the UAE's Gender Balance initiative. We are proud to have 46% of our workforce made up of women, with a total of 24 nationalities represented.

The DFSA also contributes actively to the sustainable development of the workforce in the financial sector through our Tomorrow's Regulatory Leaders (TRL) Programme. The programme was launched in 2006 as a means to enable more UAE Nationals to build careers in financial regulation and the financial services industry. Our Emirati colleagues now comprise 33% of our regulatory staff. In 2016 we welcomed our tenth intake of high quality graduates coming from top UAE universities into the TRL Programme. These five new Associates are currently going through their initial two-year development programme.

DIFC SUCCESS FACTORS

Having now served on the Board of the DFSA since its inception, and as Chairman for the last five years, I would like to reflect briefly on some of the factors that have caused the DIFC to become the primary international financial centre of the region.

The concept of establishing a financial free zone in the UAE with its own legal and regulatory framework, based on full international standards, was bold and far-sighted. Wherever I travel, fellow regulators and policy makers, as well as the heads of financial institutions, comment on the remarkable vision of Dubai's leadership in creating this extraordinary financial centre.

The political stability of the UAE and Dubai's inherent strengths as a transport and communications hub were an essential foundation. The establishment of an independent and respected judiciary was of course a key element of the vision.

Dubai's attractiveness as a place to live and work is also an important factor underpinning its success as a financial centre. This is supplemented by the high standard of the DIFC's facilities and the eco-system which it has built up to enhance the quality of life, not only for its professional occupants but also for visitors and the wider public.

The commitment of the DFSA from the outset to the maintenance of high international regulatory standards has also, I believe, been an essential part of the DIFC's successful formula, founded on the firm commitment of His Highness to the full regulatory independence of the DFSA, which has been consistently upheld.

I believe our regulatory approach has also been important. The DFSA has always sought to combine high standards and regulatory rigour with a practical and user-friendly approach. We believe in engaging with our stakeholders, understanding their needs and taking their views into account through formal and informal interactions. International standards inevitably conflict occasionally with the short-term interests of some market participants. However, we believe that our professional, fair and practical approach is an important factor attracting financial institutions of quality to the DIFC.

We are not complacent. There remain strategic issues facing the DIFC, in addressing which the DFSA must play an important part. The very success of the DIFC creates new challenges. We see the future in dynamic terms and will not be slow to adapt where we recognise the need for changes to our operational model, while remaining committed to our core principles and standards.

APPRECIATION

We are enormously grateful for the continued unwavering support of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, and of His Highness Sheikh Maktoum Bin Mohammed Al Maktoum. We also appreciate highly the consistent support we have received from the DIFC's Governor, H.H. Essa Kazim, and the Higher Board.

I would like to thank my fellow Board Members for their continued and most valuable support and advice. I also thank and commend the DFSA Executive team and DFSA staff for their hard work, professionalism and esprit de corps, as well as for their continued commitment to making the DFSA the internationally respected regulator that it is today. Our Annual Board Effectiveness Review confirmed that the Board and all its Committees are operating effectively. I am most fortunate to be chairing such a high quality organisation.

We look forward to 2017 and beyond in a highly positive frame of mind, recognising the challenges ahead and aiming to continue playing our part in Dubai's remarkable success story.

SAEB EIGNER
Chairman

Statement by the Chief Executive

Ian Johnston
CHIEF EXECUTIVE

It was again a busy year for the DFSA. The scale of business in the DIFC and the supervisory and enforcement efforts undertaken here, are what we would expect to see in a mature financial centre. It is noteworthy that against the challenging macroeconomic backdrop and broader uncertainty in 2016, the DFSA experienced its busiest year for new applications since the financial crisis.

Today, there are some 451 firms being regulated by the DFSA, and a further 16 registered auditors and 117 Designated Non-Financial Businesses or Professions, receiving oversight under the Financial Action Task Force requirements for fighting financial crime.

Indeed, the DFSA continues to be an active contributor to the international standard-setting bodies, not only to maintain our own alignment with global standards, but to ensure that the specific needs of this jurisdiction are reflected. Our work in this area will be discussed in the chapters ahead but, it is pleasing to see that much of the post-crisis regulatory reform is nearing its end, and greater focus can now be placed on adherence to these standards rather than forming them.

We are also leading efforts to foster stronger working relationships with regional counterparts across the GCC and the Middle East, in order to work more closely together and share information. Maintaining a healthy level of engagement will only serve to increase regional cooperation and contribute to the sustainable development of our markets.

Closer to home, we are making real progress in our contribution to the Dubai Government's Islamic Economy Initiative. The DFSA not only serves as a full member on the Islamic Financial Services Board which develops international standards for Islamic capital markets, but our own regulatory framework has assisted Nasdaq Dubai to become a world leader in Sukuk issuance.

Last year, of the USD12.75 billion in new debt securities entered to the Official List of Securities, USD11.45 billion were Sukuk, bringing the total value of Sukuk listed on Nasdaq Dubai to USD44 billion. By issuer type, there was also more diversity, with listings coming in from Kuwait, Indonesia and supranational entities. These developments indicate the growing position of the DIFC as a hub for Islamic finance.

It is also worth noting that Nasdaq Dubai successfully re-launched its equity derivatives market in September 2016, making it the first exchange in the UAE to offer international and regional investors exposure to the UAE's most high-profile equity listings, through single stock futures contracts.

Our other regulated market, Dubai Mercantile Exchange (DME), also experienced impressive growth in 2016 with a 22% rise in physical delivery volumes over 2015. More than 260 million barrels of oil were shipped last year, signalling the increasing prominence of the DME in global energy markets.

In December, the DFSA received a strong vote of confidence from our peers with the European Commission granting regulatory equivalency to our regulatory regime for central counterparties (CCP). This, we hope, will build more confidence among European firms looking to trade in the DIFC markets.

Looking ahead, we are evaluating the implications of structural and technological developments on our regulated community. Financial technology, or FinTech, and Big Data are presenting new challenges that regulators globally need to respond to.

Here, the DFSA is very much 'open for business' and our approach is to encourage the sustainable development of this market by regulating where needed.

We have been encouraged by the number of firms wanting to discuss opportunities in the FinTech area. Some of these firms are considering activities that would, in the normal course of events, be regulated, while some are considering, or already carrying out, activities that do not need to be regulated by the DFSA.

Where we did begin work around amending our regulatory regime was in the field of crowdfunding. Specifically, we began our review over the viability of various types of crowdfunding platforms, such as loan-based and equity-based crowdfunding, and are developing the appropriate regulatory framework for such platforms. Consultation papers in respect of these and an Innovation Testing Licence for other FinTech ventures, were issued in the first quarter of 2017.

The above are just a few of the highlights from the past year which, to me, demonstrate that our model, which is built on a Common Law legal system and sound regulation, is coming some way to achieving our vision for the DFSA. Not only do we want to be an internationally respected regulator, but one which leads the development and innovation of financial services through strong and fair regulation.

We will also continue to align with key initiatives of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, most recently promoting 'Happiness' and 'Tolerance'. I am pleased to report that the results of our own Employee Engagement Survey for 2016 showed strong improvements across most categories and further gains against regional and international sector benchmarks, over our last survey carried out in 2013. The most significant improvements were in the areas of performance management and empowerment.

I would like to take this opportunity to thank the large number of DIFC stakeholders who have participated in our various consultation processes from roundtable to consultation papers. I also wish to thank my DFSA staff and Board colleagues for their tremendous work and support.

Ian Johnston
Chief Executive


DUBAI FINANCIAL SERVICES AUTHORITY

WHO WE ARE

The 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, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, an international equities exchange, and an international commodities derivatives exchange. 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. 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).

OUR VISION, MISSION, REGULATORY APPROACH AND VALUES

Our Vision

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

Our 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.

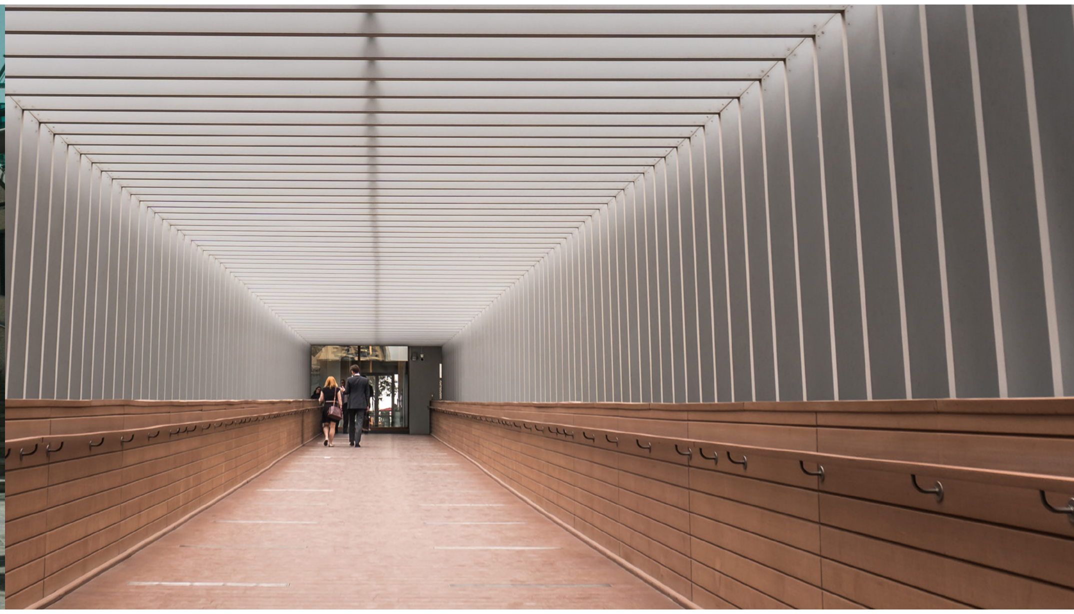
To ensure administrative fairness, consultative process, accessibility, impartiality and accountability in the performance of our functions.

DFSA Objectives

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

- Foster and maintain fairness, transparency and efficiency in the financial services and related activities carried on in the DIFC;
- Foster and maintain confidence in the financial services industry in the DIFC;
- Foster and maintain the financial stability of the financial services industry in the DIFC, including the reduction of systemic risk;
- 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;
- Protect direct and indirect users and prospective users of the financial services industry in the DIFC; and
- Promote public understanding of the regulation of the financial services industry in the DIFC.

Principles



IN AIMING TO ESTABLISH AND MAINTAIN AN ENVIRONMENT THAT SUPPORTS THE DIFC'S GUIDING PRINCIPLES OF INTEGRITY, TRANSPARENCY AND EFFICIENCY, THE DFSA HAS SET UNCOMPROMISINGLY HIGH STANDARDS IN BUILDING A CLEAR AND FLEXIBLE REGULATORY FRAMEWORK, BASED ON THE BEST PRACTICES AND LAWS OF THE WORLD'S LEADING FINANCIAL JURISDICTIONS.

The result is clear and succinct legislation that is relevant to a modern international financial centre.

The DFSA strives to meet the applicable standards of leading international organisations such as the Basel Committee on Banking Supervision (BCBS), the Financial Action Task Force (FATF), the International Association of Insurance Supervisors (IAIS), the Islamic Financial Services Board (IFSB) and the International Organisation of Securities Commissions (IOSCO).

The DFSA actively participates in international organisations and contributes to their dialogue in areas such as financial services regulation, AML, compliance and Islamic finance regulation. This enables the DFSA and its employees to stay abreast of, and contribute to implementing, international standards within the region.

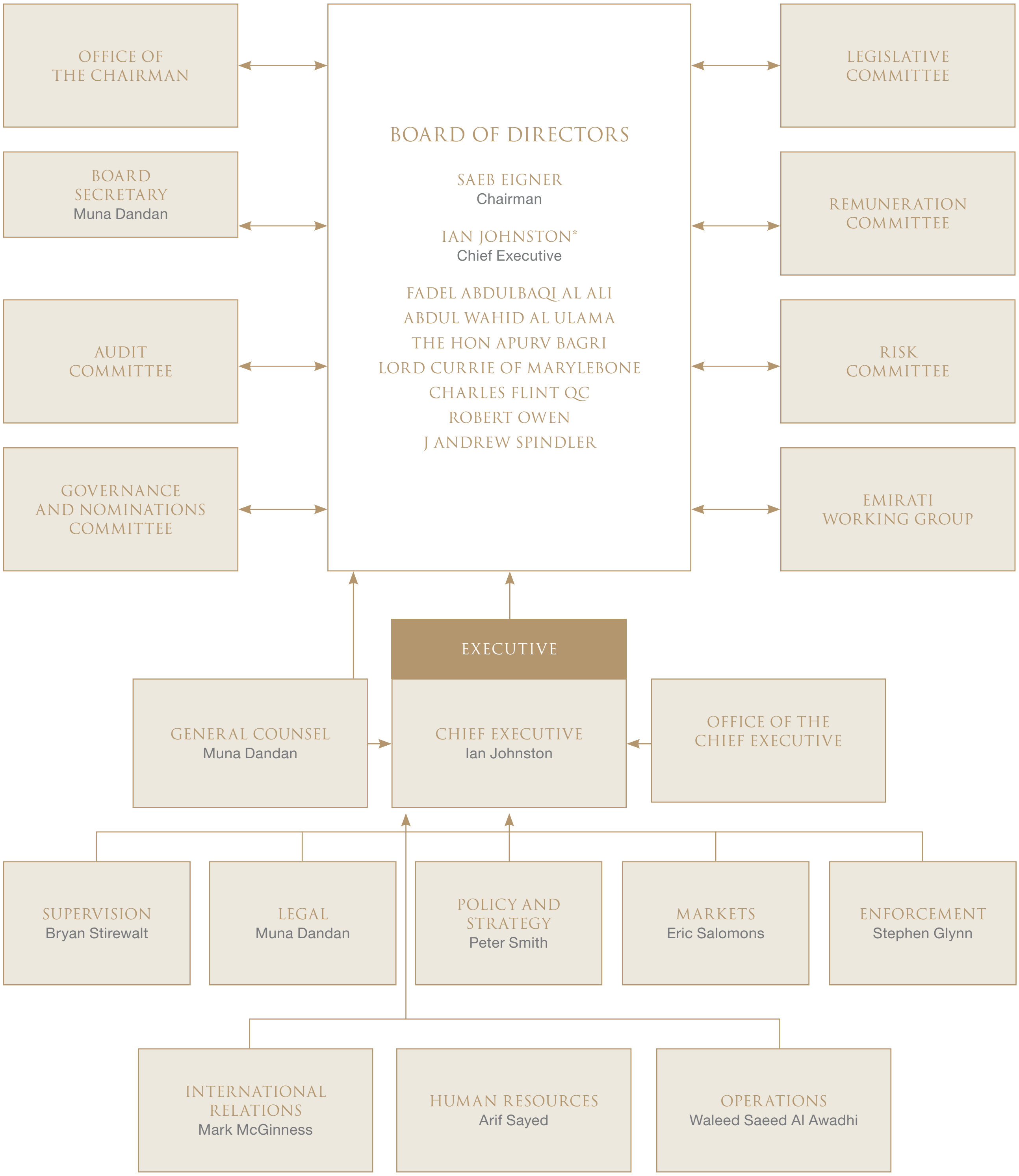
Values and Ethics

The DFSA Values Reflect The Core DIFC Operating Principles Of Integrity, Transparency, And Efficiency. These Are Firmly Embedded In The DFSA's Rules And Procedures And Incorporated In The DFSA Code Of Values And Ethics For Employees.

The Code sets appropriate international best practice standards in relation to the use of regulatory information, conflicts of interest, and the giving and receiving of gifts and benefits. It is designed to complement the conflicts of interest and confidentiality provisions in the Regulatory Law.

The DFSA has also implemented a similar Code of Values and Ethics (available on the DFSA website) appropriate for members of the Board, its committees and the Financial Markets Tribunal (FMT).

DFSA Governance Model



* Ex-officio
As at 31st December 2016

DFSA Board of Directors

AN INDEPENDENT BOARD OF DIRECTORS OVERSEES THE DFSA CHIEF EXECUTIVE AND HIS STAFF. THIS ENSURES A TRANSPARENT SEPARATION OF DAY-TO-DAY REGULATORY ACTIVITIES FROM THE OVERSIGHT OF THE DFSA'S REGULATORY PERFORMANCE.

THE POWERS AND FUNCTIONS OF THE BOARD UNDER THE REGULATORY LAW ARE TO:

- Exercise the legislative powers of the DFSA;
- Appoint members to the FMT;
- Ensure that the DFSA exercises its statutory powers and performs its statutory functions in accordance with its objectives;
- Make policies relating to the regulation of financial services and related activities;
- Make provision for the consideration of adjudication on and the application of penalties in relation to disciplinary and other matters;
- Review the performance of the Chief Executive;
- Give the Chief Executive directions;
- Arrange for the DFSA to enter into co-operation arrangements with other regulators;
- Review draft laws and recommend them to the President of the DIFC;
- Review and make rules;
- Review and issue standards and codes of practice; and
- Make submissions to the President in relation to legislative matters outside the scope of its own legislative powers.

IN EXERCISING ITS GENERAL OVERSIGHT OF THE DFSA'S OPERATIONS, THE BOARD'S ROLE INCLUDES:

- Making strategic decisions affecting the future operation of the DFSA;
- Setting appropriate policies to manage risks to the DFSA's operations and the achievement of its objectives and seeking regular assurance that risks are managed in accordance with these policies;
- Maintaining a sound system of financial controls; and
- Providing an accountability mechanism for decisions made by Board committees through periodic reporting.

MEMBERS OF THE DFSA BOARD ARE LEADING LEGAL, BUSINESS AND REGULATORY EXPERTS DRAWN FROM MAJOR INTERNATIONAL FINANCIAL JURISDICTIONS.

All Board Directors are appointed by the President of the DIFC for three-year terms.

As at 31 December 2016, the Board consists of nine members and all but the Chief Executive are independent non-Executive Directors. The Board is supported by the Secretary to the Board of Directors who is also the General Counsel.

The DFSA has comprehensive directors and officers liability insurance cover which the Board considers adequate and appropriate.

The Board, as required under the Regulatory Law, has appointed an FMT and five committees to assist in discharging its functions. These are the Legislative Committee, Governance and Nominations Committee, Audit Committee, Risk Committee and the Remuneration Committee. These committees form a solid foundation for good governance, efficiency and policy formation.

Some committees include members who are not members of the Board, but have particular expertise that is helpful in carrying out the work of the committees. The Chairman of the DFSA Board and the Chief Executive are ex-officio members of all Board committees except the Audit Committee.

The following schedule shows Board member attendance at meetings during the year, with attendance (either in person or by teleconference) shown as a proportion of the number of meetings individual Board members were eligible to attend.

DFSA BOARD MEMBER ATTENDANCE AT MEETINGS IN 2016

		Committees					
	BOARD	Remuneration Committee	Legislative Committee	Governance & Nominations Committee	Audit Committee	Risk Committee	EMIRATI WORKING GROUP
SAEB EIGNER	6/6	3/3	4/4	1/1	4/4	3/3	1/2
Ian Johnston	6/6	3/3	4/4	1/1	2/4	3/3	2/2
ABDUL WAHID AL ULAMA	6/6		4/4			3/3	2/2
FADEL ABDULBAQI AL ALI	6/6	3/3			4/4		2/2
J ANDREW SPINDLER	6/6			1/1	4/4	3/3	2/2
LORD CURRIE OF MARYLEBONE	6/6	3/3		1/1			2/2
CHARLES FLINT QC	6/6		4/4			3/3	
ROBERT OWEN	5/6		4/4			3/3	
THE HON APURV BAGRI	6/6	3/3		1/1	4/4		

DFSA BOARD MEMBER PROFILES
(AS AT 31ST DECEMBER 2016)

SAEB EIGNER

Saeb Eigner was appointed DFSA Chairman in August 2011. He has been a member of the Board since October 2004 and served as Deputy Chairman from 2007 until 2011.

Formerly a Senior Manager at ANZ Grindlays Bank PLC, in London, Mr Eigner headed the Middle East and Indian Subcontinent Division of the private bank, which he left to found Lonworld, a private investment group in the early 1990s.

Mr Eigner holds a Master's Degree in Management from London Business School. He is a former Governor of London Business School, Chairman of its Audit and Risk Committees and currently a member of its Estate Committee.

He is the co-author of the management books Sand to Silicon (2003) and Sand to Silicon - Going Global (2009) and author of Art of the Middle East (2010 and 2015).

He holds and/or has held a number of Board appointments in Banking, Strategy, Education, Regulation and Investment.

IAN JOHNSTON

Ian Johnston was appointed Chief Executive of the DFSA in June 2012, having joined the DFSA in November 2006 as a Managing Director heading the Policy and Legal Services Division.

Mr Johnston was admitted to practice law in Australia in the early 1980s and spent most of his career in the private sector. He held a number of senior positions within the financial sector and was the Chief Executive Officer (CEO) of one of Australia's major trustee companies.

In 1999, Mr Johnston joined the Australian Securities and Investments Commission (ASIC) where he became Executive Director, Financial Services Regulation, and spent several terms as an Acting Commissioner. In 2005, he took up a position as a Special Advisor with the Hong Kong Securities and Futures Commission (HKSFC).

Mr Johnston is a past Chairman of the Joint Forum, which comprises representatives of the major international regulatory standard-setters IOSCO, IAIS and BCBS. In November 2013, he was elected to the Steering Group of IOSCO's Growth and Emerging Markets (GEM) Committee. He is also a member of the Financial Stability and Technical Committee of the IAIS, the global standard-setting body for insurance regulation, and was a member of the Board of Directors of the Financial Planning Standards Board from 2011 to 2016.

Lord Currie of Marylebone

Lord Currie of Marylebone has wide-ranging experience in financial services, public administration and the education sector.

Since September 2012, he has been Chairman of the Competition and Markets Authority, the UK's competition body that replaced the Office of Fair Trading and the Competition Commission. As a result of this, he stepped down from his UK business and other interests, including the Chairmanship of Semperian Investment Partners and directorships of the Royal Mail, BDO UK, IG Group and the London Philharmonic Orchestra.

He was the founding Chairman of Ofcom, the converged UK regulator for electronic communications (2002 to 2009) and the Dean at Cass Business School (2001 to 2007). Formerly, he was Deputy Dean at London Business School, a non-Executive Director of Abbey National, and on the Board of Ofgem, the UK energy regulator, and a variety of other government bodies.

His academic research has been in regulation. He sits on the cross-benches in the House of Lords.

Lord Currie is Chairman of the Board's Remuneration Committee.

Charles Flint QC

Charles Flint QC is a commercial barrister, arbitrator and mediator specialising in banking and financial services in the UK.

He has advised and acted for regulators and firms in regulatory proceedings and investigations and has been involved in many of the major regulatory cases that have arisen in London in the last 25 years.

In 2009, he was appointed to the Investigatory Powers Tribunal, which investigates complaints against the intelligence agencies of the UK.

He is a Director and Deputy Chairman of the Bar Mutual Indemnity Fund Limited, which provides professional indemnity insurance to barristers. He is a member of the UEFA Club Financial Control Body which administers the financial fair play rules that apply to European football clubs. He is President of the National Anti-Doping Panel, the independent body which adjudicates on doping cases in sport in the UK.

Between 1991 and 1995, Mr Flint was a Junior Counsel to the Crown (Common Law). From 1998 to 2004 he was Joint Head of Blackstone Chambers, one of the leading commercial and public law chambers of barristers in London.

Charles Flint is Chairman of the Board's Legislative Committee.

Robert Owen

Robert Owen has wide-ranging experience as a regulator and a market practitioner, with particular exposure to the Asia Pacific region.

He established the HKSFC and was appointed its Executive Chairman in 1989. Before this, Mr Owen was Director, Investment Banking at Lloyds Bank Group and Chairman and Chief Executive at Lloyds Merchant Bank. Earlier, he was a Director of Morgan Grenfell & Co, and served in the UK Treasury and Foreign Office.

Since leaving the HKSFC, Mr Owen has been Deputy Chairman of Nomura Asia Holdings Limited, a member of the Council and Regulatory Board of Lloyd's of London, Chairman of Techpacific Capital Limited, Chairman of IB Daiwa Limited, a Director of Singapore Exchange Limited, Sunday Communications Limited, European Capital Co Limited and various other companies and investment funds.

Robert Owen is Chairman of the Board's Risk Committee.

The Hon Apurv Bagri

The Hon Apurv Bagri is the President and CEO of the Metdist Group of Companies. The Group is involved in international non-ferrous trade and industry.

He was appointed to the Board of the DFSA in September 2004 and has, since July 2012, chaired its Governance and Nominations Committee. He is a past Chairman and current Board member of the International Wrought Copper Council which represents the global copper fabricating industry. He is a Board member of Hong Kong Exchanges and Clearing Limited. He is Chairman of The Royal Parks Board, Chairman of the Governing Body of London Business School, a Board member of the Higher Education Funding Council for England, a Commissioner of the Crown Estate Paving Commission and a Trustee of Asia House.

He is a member of the Corporation of University College School. He is also the Honorary Rector and former Pro-Chancellor and Chair of Council of City University, London, and is a visiting Professor at Cass Business School. He is a past Chairman of TiE Inc, a global non-profit organisation that promotes entrepreneurship and wealth creation.

Mr Bagri is an Honours graduate in Business Administration from Cass Business School in London and has an Honorary Degree of Doctor of Science from City University, London, and an Honorary Fellowship from London Business School.

The Hon Apurv Bagri is Chairman of the Board's Governance and Nominations Committee.

Fadel Abdulbaqi Al Ali

Fadel Abdulbaqi Al Ali is an accomplished business figure recognised for his expertise in corporate governance and strategic commercial roles across a range of industries including real estate, hospitality, investment and banking.

Mr Al Ali served as CEO of Dubai Holding during 2016. Having been with the Group since 2005, he held the positions of Chief Financial Officer and Chief Operations Officer (COO).

Mr Al Ali played a key role in creating the new business model of Dubai Holding as a strategic investor. In his role as COO, Mr Al Ali was responsible for overseeing Dubai Holding's financial, legal and operational strategies. Mr Al Ali led the successful financial restructuring of Dubai Holding's investment groups.

Mr Al Ali sits on a number of boards of leading institutions including the Board of Emirates Integrated Telecommunications Company (du). He is currently Chairman of the Board of Dubai Properties Group, Dubai International Capital and Dubai Group.

Mr Al Ali has a depth of experience in the finance industry, having started his career at Citibank as a financial analyst moving through the ranks to head the UAE Consumer Credit business in 2001. Mr Al Ali was appointed UAE Head of Distribution in 2004, before he left for Dubai Holding.

Mr Al Ali holds a Bachelor of Science in Industrial and System Engineering from the University of Southern California.

J Andrew Spindler

J Andrew Spindler is the President and CEO of the Financial Services Volunteer Corps, a non-profit public-private partnership that helps build sound banking and financial systems in emerging market countries.

Before his appointment in 1993, Mr Spindler served as a Senior Vice-President at the Federal Reserve Bank of New York (NY Fed), where he headed the Banking Studies and Analysis Function and Payments System Studies. While at the NY Fed, he helped develop the risk-based capital framework that has been adopted by bank supervisory authorities in most of the world's financial centres. He represented the NY Fed on the BCBS from 1991 to 1993.

Before joining the NY Fed in 1985, Mr Spindler held several international lending and strategic planning positions at the Continental Illinois Bank. He served as a fellow at the Brookings Institution from 1980 to 1983.

Mr Spindler has a PhD and MPA from Princeton University's Woodrow Wilson School of Public and International Affairs and a Bachelor's Degree in International Politics from Harvard University. He is a member of the Council on Foreign Relations, the Bretton Woods Committee and the Foreign Policy Association.

J Andrew Spindler is Chairman of the Board's Audit Committee.

Abdul Wahid Al Ulama

Abdul Wahid Al Ulama is a partner with White and Case in their Global Merger and Acquisitions Practice.

He is a certified arbitrator operating in Dubai and registered with the Dubai International Arbitration Centre and the International Chamber of Commerce. He has been an independent non-Executive Director of the Dubai Gold and Commodities Exchange since August 2012 and the Emirates Post Group since 2016.

Mr Al Ulama was previously a partner with Al Tamimi & Company Advocates & Legal Consultants in Dubai and the Managing Partner of their associate office in Qatar. Thereafter, he was with Dubai World, initially as the Group Chief Legal Officer. He later assumed leading commercial roles within the Group, including Executive Vice-Chairman of Dubai Natural Resources, the natural resources investment arm of Dubai World and Executive Vice-Chairman of Retailcorp World, the retail arm of Dubai World. Before joining White and Case, he was a Senior Advisor, Originations, at Mubadala GE Capital, based in Abu Dhabi. During the period of 2012 to 2015 he was a Board member of the Commercial Bank of Dubai PJSC.

Mr Al Ulama graduated first in class with distinction for his LLB degree from UAE University. Thereafter, he completed his Master's Degree in International Trade Law at University College London.

Abdul Wahid Al Ulama is Chairman of the Board's Emirati Working Group.

DFSA BOARD COMMITTEES

LEGISLATIVE COMMITTEE

The Legislative Committee (LegCo) assists the Board in discharging its policy-making and legislative functions, including the development of legislation and rules on the regulation of financial services conducted in or from the DIFC. LegCo is responsible for the scrutiny of all proposed legislative and Rulebook changes, ensuring proper consultation on such changes and recommending to the Board the final form of legislative changes proposed. The Board has the power to make or amend rules, and will recommend primary legislation for enactment by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

During 2016 LegCo members were:
• Charles Flint QC (Chairman)
• Abdul Wahid Al Ulama
• Robert Owen
• Michael Blair QC *
• Peter Casey *
• Saeb Eigner **
• Ian Johnston **
• Muna Dandan ***
• Peter Smith ***

* External member
** Ex Officio
*** Executive member

Decisions on LegCo's workload are initially taken by the Executive in consultation with the Chairman of the committee. In many instances, agenda items are the result of the DFSA's commitment to create, and maintain, a regime that is in line with international standards.

In 2016, LegCo recommended to the Board final changes on the regulation of insurance activities in or from the DIFC. LegCo approved consultation, and then recommended final revisions, to the DFSA's regime for regulating arranging activities, representative offices and financial promotions, as well as to the DFSA's regime for AML and CTF supervision. In addition to these major projects, LegCo approved consultation, and later recommended final revisions, to enable the DFSA to carry out more regulatory business online, making it easier for the regulated community to deal with the DFSA, and on a range of miscellaneous matters where change was needed to improve the DFSA's policy framework. In all of these matters the DFSA Board subsequently made or amended rules, as appropriate.

Also in 2016, LegCo approved public consultation on the DFSA's approach to the use of financial technology (FinTech) to deliver innovation in the financial services industry, and on the regulation of loan-based crowdfunding.

During the year, LegCo also considered the DFSA's approach to regulating the provision of money services such as money transmission and currency exchange businesses, and agreed a way forward. The committee also discussed the appropriate form for a resolution regime in the DIFC, and potential changes to the DIFC Companies Law.

Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities regarding the financial management of the DFSA, the adequacy of its systems of internal controls and the quality of its internal risk management process. The Chairman and Chief Executive are not members of the Audit Committee.

Audit Committee members were:
• J Andrew Spindler (Chairman)
• Fadel Abdulbaqi Al Ali
• The Hon Apurv Bagri
• Waleed Saeed Al Awadhi (Executive Member)
• Downey Keegan (Executive Member)

During 2016, the Audit Committee reviewed the results of the Financial Statements for 2015 with the Executive and external auditors. The DFSA received an unqualified audit opinion in respect of the financial statements and the system of internal controls for the year ended 31 December 2015.

The Committee engaged third parties to conduct an independent review of the DFSA Employee End of Service Gratuity Trust and oversaw an independent audit of the Information Technology, Security and Penetration programme conducted by third parties. In addition, the internal audit function conducted an audit of the implementation of the revised Statement of Risk Tolerance and reviews of Major Expenses and Business Continuity arrangements.

The Committee reviewed the Draft Budget for 2017 prepared by the Executive and recommended approval to the Board.

Risk Committee

The primary function of the Risk Committee remains to assist the Board in identifying and assessing external and internal risks that could affect the DFSA's ability to meet its regulatory objectives and/or could impact negatively on the DFSA's reputation. The Committee also assists the Board in considering risk mitigation measures and monitoring their implementation.

Risk Committee members are:
• Robert Owen (Chairman of the Risk Committee)
• Abdul Wahid Al Ulama
• Charles Flint QC
• J Andrew Spindler
• Saeb Eigner *
• Ian Johnston *

* Ex-officio

During the period from April 2016 to March 2017 the Risk Committee held three meetings, at which it:

- reviewed ongoing efforts by the DFSA to mitigate the main (non-firm-specific) risks that it faces, as set out in the DFSA's Risk Inventory, covering mitigating actions already in hand or planned, the level of residual risk the DFSA is exposed to, and whether supplemental measures should be adopted in relation to particular risks;
- reviewed a comprehensive update of the Risk Inventory, prepared by the DFSA Executive, to determine whether the correct (non-firm-specific) risks have been identified as the highest priority risks that the DFSA faces and whether proposed mitigation measures are appropriate;
- undertook, with support from the Executive, a comprehensive review of the Board's Risk Tolerance Statement, which is used to guide the Executive in their business planning and day-to-day decision-making. This involved canvassing the opinions of Board members concerning the extent of their concern about a variety of real or hypothetical scenarios; and
- updated the Board's summary of the top few broad risks facing the DFSA, also designed to guide decision making by the Executive.

The conclusions reached by the Committee on the above matters were later considered by the full Board and adopted as inputs to the DFSA's strategic planning process for 2017-18 and beyond.

GOVERNANCE AND NOMINATIONS COMMITTEE

The primary function of the Governance and Nominations Committee is to assist the Board in fulfilling its supervisory responsibilities in respect of the operations of the Board and its management, to make recommendations to the Board in terms of new Board members, to develop a succession programme and to develop and recommend a set of corporate governance principles to the Board.

Governance and Nominations Committee members were:
• The Hon Apurv Bagri (Chairman)
• Lord Currie of Marylebone
• J Andrew Spindler
• Saeb Eigner *
• Ian Johnston *

* Ex-officio

An internal review of the performance of the Board and its committees was conducted towards the end of 2016 and the Committee is working with the Board to implement the recommendations flowing from the review.

The Executive reported to the Committee on complaints received during 2016 and their resolution.

REMUNERATION COMMITTEE

The primary function of the Remuneration Committee is to make recommendations that will assist the Board to discharge its responsibilities relating to human resources.

The Committee's remit includes matters concerning remuneration and performance and policies applicable to the DFSA Board, Executive and staff.

Remuneration Committee members were:
• Lord Currie of Marylebone (Chairman)
• Fadel Abdulbaqi Al Ali
• The Hon Apurv Bagri
• Saeb Eigner *
• Ian Johnston *
• Arif Sayed (Executive Member)

* Ex-officio

During 2016, the Committee made recommendations to the Board on adjustments to the remuneration of the senior management team, and on the overall distribution of salary adjustments for 2016 following a detailed and comprehensive review of the DFSA's remuneration structure and remuneration positioning strategy.

The Committee also made recommendations to the Board on the level of bonuses for DFSA employees reflecting performance in 2015.

The Committee also approved a new grading structure after reviewing the results of a job evaluation exercise. This will be effective January 2017.

The Committee also considered the policy it had previously approved, enabling some employees to work flexible or reduced hours, provided that there was no adverse impact. The DFSA hoped that this flexibility would assist with recruitment and retention because it would better accommodate employees who had young children or other challenges that make it difficult to work longer hours. It was noted that since implementation of the policy, approval had been given allowing several employees to work flexible hours and there had been no negative impact on the operational efficiency of the organisation.

EMIRATI WORKING GROUP

The Emirati Working Group (previously known as the Nationals and Tomorrow's Regulatory Leaders Working Group) is a vehicle through which the Board seeks to promote the development of UAE National employees, and through which it oversees the TRL Programme, which has been designed to develop the capability of the DFSA's UAE National employees.

During 2016, membership of the Working Group included selected Board members and members of senior management as follows:
• Abdul Wahid Al Ulama (Chairman)
• J Andrew Spindler
• Fadel Abdulbaqi Al Ali
• Lord Currie of Marylebone
• Waleed Saeed Al Awadhi (Executive Member)
• Muna Dandan (Dean of the TRL Programme)
• Arif Sayed (Executive Member)

In 2016, UAE Nationals continued to make progress through the ranks of the DFSA with several individuals promoted to both the Senior Manager and Manager levels of the organisation.

The Working Group had earlier endorsed the Human Resources Strategy to remodel the TRL Programme to reflect the maturity of the DIFC and the changing knowledge requirements and needs of entry-level regulators. The project started in the last quarter of 2015 and is now in the final stage of completion. The Working Group will continue to oversee the planned outcomes.

The Working Group is now chaired by Mr Abdul Wahid Al Ulama, who has taken a proactive approach and regularly meets with the UAE Nationals to ensure that momentum is maintained in regards to their career development and in keeping with the Board's interest in the DFSA delivering various initiatives to meet the current and future aspirations of Nationals.

Nationals were also offered internal and external secondments to enhance their capabilities and gain further insights into operations of other departments and organisations both locally and overseas.

In the third quarter of 2016 the DFSA welcomed five UAE National graduates to the TRL Programme.

FINANCIAL MARKETS TRIBUNAL

The FMT is the independent financial services tribunal with jurisdiction to review regulatory decisions of the DFSA, and to conduct regulatory proceedings. Its members are appointed by the DFSA Board, but it is operationally independent of the Board and the Executive.

The jurisdiction and powers of the FMT are set out in the Regulatory Law. Any decision of the tribunal may be appealed with the permission of the FMT or the DIFC Court, to the Court, only on a point of law.

FMT members were:
• His Honour David Mackie CBE QC (President)**
• Ali Malek QC**
• Bankim Thanki QC**
• Jeremy Gauntlett SC**
• John L Douglas**
• Patrick Storey**
• Ali Al Aidarous**
• Ali Al Hashimi**

** Refer to the DFSA website for their corporate profiles

DFSA Executives

(As at 31st December 2016)

Ian Johnston

Chief Executive (Refer to page 23 for his photo and biography)

Bryan Stirewalt

Managing Director, Supervision, joined the DFSA in 2008 and has served as a Managing Director since 2010.

Mr Stirewalt's responsibilities include prudential and conduct-oriented oversight of financial service providers and overseeing the DFSA's role with Registered Auditors and CRAs. Mr Stirewalt also directs the DFSA's efforts in fighting methods of illicit finance within his primary areas of responsibilities, as well as with DNFBPs.

He has extensive experience in financial regulation in public and private sector roles. From 1985 to 1996, he worked for the US Treasury's Office of the Comptroller of the Currency as a National Bank Examiner, where he specialised in policy development and implementation, problem bank rehabilitation and banking fraud initiatives.

From 1996 to 2008, he worked for an international consulting and advisory firm, focusing on emerging markets development programmes in Poland, Ukraine, Cyprus and Kazakhstan.

Mr Stirewalt serves as the Co-Chair of the Basel Consultative Group (BCG) which provides a forum for deepening the BCBS's engagement with global supervisors on banking supervisory issues.

MUNA DANDAN

Managing Director, General Counsel and Secretary to the Board, Head of Legal Affairs, joined the DFSA in September 2015. She is the primary legal advisor to the Board of Directors and the Chief Executive and, as Board Secretary, she also manages the affairs of the Board and its Committees.

Ms Dandan also heads the Legal Division dealing with all regulatory and other legal affairs of the DFSA. Alongside these functions, Ms Dandan is the Dean of the two-year graduate development programme within the DFSA, the TRL Programme, designed to equip UAE National graduates with knowledge and skills in all aspects of financial services regulatory practice.

Prior to joining the DFSA, Ms Dandan spent several years as Head of Legal for the corporate and retail banking businesses of Barclays Bank PLC in the Middle East.

Ms Dandan obtained her law degree in the UK and is qualified to practice law in England and Wales as well as Hong Kong. Prior to returning to her Middle Eastern roots, Ms Dandan spent several years working as a commercial litigator for international law firms in both London and Hong Kong.

PETER SMITH

Managing Director, Head of Policy and Strategy, joined the DFSA in June 2012 as Head of Policy to lead further development of the DFSA's policy framework. He joined the Executive Committee in early 2015, and was appointed a Managing Director in early 2016.

Mr Smith is also responsible for overseeing the DFSA's strategic planning, including its annual business planning cycle, and the organisation's approach to setting its Risk Tolerance and managing non-firm specific risks. He is an alternate member of the IAIS Financial Stability and Technical Committee, and is also involved in IAIS working groups.

Mr Smith has over 25 years of regulatory experience. Prior to joining the DFSA, he was Head of the Investments Policy Department at the UK Financial Services Authority. Earlier roles in the UK included policy areas, supervision, bank resolution, internal audit and risk management. From 2003 to 2007, Mr Smith was seconded to the European Commission in Brussels, working on banking issues, supervision of financial groups, and the future of supervision within the European Union.

Mr Smith holds a Master's degree in finance from London Business School.

Waleed Saeed Al Awadhi

Chief Operating Officer (COO) joined the DFSA in March 2013.

He has over 15 years of international and local experience in leadership and strategy roles in financial services, Islamic banking, real estate, media and telecommunication industries.

Previously, Mr Al Awadhi led the Marketing and Communication division at Abu Dhabi Media, Priority Banking at Emirates Islamic Bank, and was Deputy Head of Retail Banking and Deputy Chief Marketing Officer at Dubai Bank, where he led Royal Banking and Wealth Management, Branding, Marketing and Communications.

He was also the Global Director of Marketing and Sales at Sama Dubai, a member of Dubai Holding, and was responsible for over 20 international markets. He also worked at the Emirates Telecommunication Company.

Mr Al Awadhi has a Master of Laws with a double major in Arbitration & Dispute Resolution and Financial Crimes & Money Laundering. Mr Al Awadhi has published his first book entitled 'The Sustainability of Family Businesses in the United Arab Emirates – A Legal and Operational Perspective For Best Practice.'

ARIF SAYED AL KAZIM

Director, Head of Human Resources, a UAE National, joined the DFSA in September 2015.

Mr Sayed has more than 27 years of experience in human resources in the financial services industry.

Prior to joining the DFSA, he held a number of senior positions including Manager Personnel and Administration at Emirates Bank International, International Human Resources Manager, MESA at ANZ Grindlays Bank and Head of Human Resources, UAE and MEA at ABN Amro/Royal Bank of Scotland.

Mr Sayed has also worked at Black & Decker and lately in Arabtec Construction as Director, Labor Welfare and Recruitment. He holds a Higher National Diploma in Business Studies, a CNAA Post Graduate Diploma in Management Studies (DMS) and a Master's Degree in Manpower studies, all from the UK.

ERIC SALOMONS

Director and Head of Markets, joined the DFSA in 2007 with a background in derivatives and securities markets. For 18 years, he has been involved in derivatives arbitrage, risk management and regulation.

Mr Salomons has gained wide-ranging experience of exchange operations, clearing houses and settlement systems as project manager for licensing and supervision of markets in Europe and the DIFC.

He is a member of the IOSCO Standing Committee for Commodity Derivatives Markets and the over-the-counter (OTC) Derivatives Task Force.

Before joining the DFSA, Mr Salomons worked at the Dutch financial services regulator, responsible for regulating market infrastructure, and was a member of the working parties to the NYSE Euronext College of Regulators.

Mr Salomons began his career as a derivatives market maker on the Euronext exchange floor and Eurex for Amsterdam Option Traders from 1996 to 2005. He is registered with the Dutch Securities Institute and is a member of the Global Association of Risk Managers.

STEPHEN GLYNN

Senior Director and Head of Enforcement, joined the DFSA in 2005 and was appointed into his current role in 2007.

Mr Glynn's responsibilities include leading the enforcement practice and contributing to the strategic direction and management of the DFSA.

Mr Glynn is a member of two IOSCO Committees: Committee 4, a technical committee that develops international policy for enforcement and the exchange of information by national securities regulators, and the Screening Group, which is responsible for screening IOSCO's member regulators for admission as a signatory to IOSCO's MMoU.

He previously held senior positions with ASIC, having responsibility for divisions including markets and investments, managed investments, financial services regulation, corporate investigations and financial analysis.

He is a forensic financial analyst and a former member of the Investigations Committee of the National Council of Certified Practicing Accountants Australia.

Before joining the DFSA, Mr Glynn was the founder and Managing Director of Financial Services Compliance, a consultancy providing compliance and risk management services to the Australian financial services industry.

Mark McGinness

Director, Head of International Relations joined the DFSA in 2005 to establish, co-ordinate, and lead the DFSA's international activity.

He has drafted and negotiated more than 90 MoUs, underlying the DFSA's commitment to cross-border co-operation. In December, he was also appointed the DFSA's Chief Decision Maker.

Mr McGinness has more than 30 years of regulatory experience. At ASIC, he was successively Principal Legal Officer in Enforcement; the inaugural Co-ordinator of International Enforcement; advisor to the Chairman; Director, International Relations and a member of the Senior Executive Service. Mr McGinness was ASIC's representative on IOSCO's Implementation and MMoU task forces and its Enforcement Standing Committee.

He is currently a member of IOSCO's Assessment Committee (the central policy group responsible for IOSCO's Principles and Methodology). He also acts as a lead validator for the IAIS MMoU. In 2004 and 2013, he was a member of the IMF's FSAP team.

Mr McGinness holds Bachelors of Arts and Law and is admitted as a barrister in Australia.


TRL
Tomorrow's
Regulatory Leaders

WHAT WE DO

DFSA Organisational Structure

THE POLICY AND STRATEGY DIVISION

The Division is responsible for the DFSA's policy framework, including its maintenance and development, as well as providing advice on the intent of the DFSA's policy framework to Divisions of the DFSA. The Division oversees the DFSA's approach to strategic planning, including its annual business planning cycle and its input to the strategic planning of the DIFC as a whole and the DFSA's approach to risk management, including setting a Risk Tolerance for the organisation and reviewing the mitigation of non-firm specific risks across the DFSA.

The Policy and Strategy Division is also responsible for producing economic and other environmental analysis for internal use and, where appropriate, external publication, together with similar analysis of developments in the regulatory community at global and regional levels.

THE LEGAL DIVISION – GENERAL COUNSEL BOARD SECRETARIAT

The Legal Division, headed by the General Counsel, carries out a broad range of functions including providing advice and legal opinions on matters affecting the DFSA and advising on the Laws and Rules administered by the DFSA as well as on the application of other legislation and associated jurisdiction issues.

The Division is responsible for drafting and maintaining the DIFC Laws and Rules administered by the DFSA and for consulting with the Dubai Government and the DIFC Authority (DIFCA) on DIFC, Dubai and Federal legislation.

The Division also advises on contractual issues and provides litigation management and advice to the DFSA on matters before the DIFC Courts or the FMT.

The Division also provides administrative support and legal counsel to the Decisions Steering Committee and Decision Making Committee as well as chairs and provides administrative support to the Rules and Waivers Committee.

The General Counsel manages and supervises the Legal Division and is also responsible for advising the DFSA Board of Directors and its committees on legal and governance issues and carries out the Board Secretariat role which manages and co-ordinates all corporate secretarial functions for the Board and each of its committees.

The General Counsel also oversees the DFSA's ethics and TRL Programme.

THE SUPERVISION DIVISION

The Division assesses new applicants that wish to carry out financial services activities in or from the DIFC to ensure that proper systems and controls are in place for the entity's operations, and that the applicant has appropriate governance arrangements, including fit and proper management teams.

Following the authorisation process, the Supervision Division is then responsible for assessing, monitoring and mitigating risk across the full range of AFs operating in or from the DIFC. The Supervision Division also monitors the work of RAs and CRAs.

In the DFSA's broader role of combating financial crime across the entire DIFC, the Division registers, and for AML purposes monitors, the activity of many other types of entities such as law and accounting firms, single family offices, high value goods dealers, and real estate agents. These entities are captured under DNFBPs.

The Supervision Division operates in a manner that is consistent with the requirements of the relevant financial sector standard-setters. Members of the Division are actively involved with these standard-setters through key groups, task forces and projects at an international level. Members also participate in several Supervisory Colleges of global systemically important financial institutions that also have significant operations in the DIFC. The role of Supervisory Colleges is increasingly critical to the role and function of a host supervisor. The Division co-operates and communicates closely with regulators in the UAE.

THE MARKETS DIVISION

The Division is responsible for the licensing and on-going supervision of the two Authorised Market Institutions (AMIs) in the DIFC, the Dubai Mercantile Exchange and Nasdaq Dubai. The Markets Division is also responsible for the recognition of remote participants, market operators and clearing houses located outside the DIFC.

The Markets Division operates the Listing Authority for companies proposing to offer and list securities in the DIFC. The Listing Authority is responsible for admitting companies to the DFSA's Official List and sets the minimum standards for offerings and listings, takeovers and mergers, in line with international market developments.

In addition, the Markets Division approves corporate actions such as share buybacks and is responsible for monitoring possible market abuse, as well as the on-going and periodic disclosure obligations of listed companies.

THE ENFORCEMENT DIVISION

The Division investigates breaches of DIFC Laws and Rules administered by the DFSA. The Division takes action in circumstances where suspected misconduct may cause damage to the financial services industry in the DIFC. Its over-arching objective is to prevent, detect and restrain conduct that causes (or may cause) damage to the reputation of the DIFC.

THE INTERNATIONAL RELATIONS DIVISION

The Division leads and co-ordinates the DFSA's role in all international matters and co-operative bi-lateral and multi-lateral efforts with regional and international counterparts, and its engagement with global financial standard-setters.

THE HUMAN RESOURCES DIVISION

The Division includes the functions of talent acquisition, development and reward management. Human Resources include all aspects of employee resources at the DFSA, particularly for on-going performance, skills development of employees and their retention. A principal developmental activity is the recruitment and training of UAE Nationals for regulatory careers through the TRL Programme.

THE OPERATIONS DIVISION

The Division comprises the Finance, Information Technology, Administration, Corporate Affairs, Projects and Planning, as well as Business Excellence and Stakeholder Management departments. The Division provides the operational and technological backbone and infrastructure for the smooth running of the DFSA, and applies principles of excellence and knowledge management to position the DFSA as a world-class organisation contributing to the local economy and facilitating international partnerships.

KEY DFSA-WIDE INITIATIVES

THIS SECTION HIGHLIGHTS TWO KEY INITIATIVES IN WHICH THE DFSA HAS CO-OPERATED INTERNALLY, ACROSS DIVISIONS, SO AS TO FOCUS TIME AND RESOURCES IN CONTRIBUTING TO THE WORK OF THE INTERNATIONAL STANDARD-SETTERS AND FURTHERING THE DEVELOPMENT OF THE TRL PROGRAMME. THESE INITIATIVES HAVE PERMEATED THE ORGANISATION AND HELPED TO DETERMINE KEY DFSA-WIDE ACTIVITIES FOR 2016.

STANDARD-SETTERS

DFSA's Involvement

The DFSA operates a regulatory regime that embraces international standards and provides a business-friendly regime in the DIFC, as firms have a stable, predictable and globally-recognised framework in which to establish and develop their businesses.

As in previous years, a key aspect of the DFSA's work in 2016 was not just to adopt evolving international standards, but to help shape their development and to ensure that they reflect the needs of jurisdictions such as the DIFC. Our involvement with the main international standard-setters included our direct participation in their work, as set out below, in addition to completing 20 surveys, responding to eight public consultations, and a number of informal consultations, from these bodies.

Banking

The DFSA's Managing Director, Supervision, co-chairs the Basel Consultative Group (BCG) and, in this role, he is also an observer on the Basel Committee. The BCG provides a forum for deepening the Basel Committee's engagement with supervisors globally, facilitating dialogue with non-member countries on new Committee initiatives early in the process. During 2016, the Basel Committee made further progress towards finalisation of its post-crisis regulatory reforms. This has included work on several fronts, including the standardised approach for operational risk, revisions to the leverage ratio framework, Pillar III disclosures, and prudential treatment of problem assets, among others. In 2016, the Basel Committee also developed, jointly with the Financial Stability Board (FSB), standards on total loss absorbing capacity for global systemically important banks with a view to facilitating resolution without the need to use public funds. Among these items, most relevant to the DFSA were consultations on the revised standardised approaches for credit risk and operational risk, as well as final standards on interest risk rate in the banking book and minimum capital requirements for market risk.

Insurance

In the insurance sector, the Chief Executive represents the DFSA on the Financial Stability and Technical Committee of the IAIS. As a consequnce, the DFSA continued to influence the IAIS's efforts to increase policyholder protection and maintain financial stability in four important areas of work:

- developing and revising existing standards, including the Insurance Core Principles and incorporating into that the Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs);
- developing standards on recovery and resolution of insurers, including strengthening their loss absorbing capacity;
- improving the assessment methodology for identification of global systemically important insurers (G-SIIs); and
- developing the Insurance Capital Standard, which should be applicable to a broader range of insurers, with this first version to be adopted, as part of the Common Framework, by 2020.

The DFSA's Managing Director, Policy and Strategy, is a member of the IAIS Supervisory Material Review Task Force, which began its work in 2015, with a mandate to review several of the Insurance Core Principles and oversee the consistency of the IAIS's supervisory publications. Lastly, the DFSA's Director, International Relations, is a member of the IAIS MMoU Signatories Working Group, which assesses applications to become a signatory to the IAIS MMoU, another important IAIS initiative, adopted by the DFSA in 2010.

Securities And Markets

In the securities sector, the DFSA's Chief Executive was re-elected as a member of IOSCO's GEM Steering Committee – the only Associate Member of IOSCO to sit on the Committee. The Committee identifies issues, highlights concerns, and shapes responses for developing securities markets, which represent two-thirds of IOSCO's membership. The key issues explored by the GEM Committee in 2016 were risks relating to FinTech in emerging markets, and the relationship between corporate governance and financial regulation in capital markets.

The DFSA also participates in four other IOSCO committees:

- The DFSA's Head of Enforcement is a member of the Committee on Enforcement and Cooperation (Committee 4) and the Screening Group. In 2016, Committee 4 was involved in preparing a report on the impact of Cloud Technology on enforcement practices. In addition to assessing jurisdictions seeking to become signatories to the IOSCO MMoU, the Screening Group has been working on the development of an Enhanced MMoU. The Enhanced MMoU was unanimously adopted in 2016 by the IOSCO membership and will set new standards for increased regulatory co-operation globally;
- The DFSA's Head of Markets is a member of the Commodity Futures Markets Committee (Committee 7). In 2016, Committee 7 published a report on the impact of commodity storage facilities on the price formation of derivatives contracts listed on exchanges, and continued monitoring the implementation of the IOSCO Principles for price reporting agencies;
- In September, the DFSA's Head of Markets also joined Committee 2 on Secondary Markets, which is tasked with assessing liquidity in bond markets as well as transparency in corporate bond markets; and
- The DFSA's Director, International Relations, is a member of the Assessment Committee and principles and Implementation Task Force Sub-Committee, which reviews and updates the IOSCO Principles & Methodology to ensure it reflects IOSCO standards and is appropriate for effective securities regulation. A two-year review of both the Principles and Methodology was substantially completed at the end of 2016, after consultation with the relevant expert policy groups within IOSCO.

Islamic Finance

The DFSA actively contributes to the development of the Islamic finance industry, in general, and more specifically to the development and implementation of global standards for Islamic finance.

The most important avenue for the DFSA's contribution has been our participation in the efforts of the IFSB where the DFSA is a member of the IFSB's Working Group on Disclosure Requirements for Islamic Capital Market Products, created in 2015, and contributed to the Exposure Draft of Guiding Principles on Disclosure Requirements for Islamic Capital Markets. With an increased regulatory focus on investor protection, robust disclosure and transparency standards, the Guiding Principles aim to strengthen the overall regulatory framework and promote greater cross-border activity.

In addition, the DFSA is a member of the Consultative Group for Shari'a-Compliant Instruments and Transactions of the International Accounting Standards Board (IASB). The DFSA also closely follows developments in the field of accounting for example, the implementation of IFRS 9, relevant for many DIFC firms.

Other Standard-Setters

Although the DFSA's main efforts in the area of international engagement in 2016 were devoted to participation in the activities of the four international standard-setters discussed earlier, the DFSA has also contributed to the work of other standard-setters, particularly in the field of audit, through our representation on the International Forum of Independent Audit Regulators (IFIAR) where the DFSA chairs the Smaller Regulators Task Force. The IFIAR Secretariat confirmed in late December that the DFSA had qualified as among the first Members to sign the MMoU (which will be signed in early April 2017).

Tomorrow's Regulatory Leaders Programme

In the third quarter of 2016, the DFSA once again welcomed five UAE National graduates to its Tomorrow's Regulatory Leaders (TRL) Programme. In addition, we were able to welcome an intern from the DIFC Authority to participate in the Programme. The Programme has recently been remodelled to redevelop the curriculum and provide a variety of learning experiences for our TRL Associates including traditional classroom-based training alongside digital, mobile and "on job" coaching. To reflect the requirements of entry-level regulators, the revised TRL Programme has a stronger focus on leadership and soft skills through the addition of The Young Professionals Programme.

The interest of the Board in our National development efforts is reflected in the oversight and guidance given by the Emirati Working Group to the HR team in delivering the various initiatives.

In 2016, the Chair of the Emirati Working Group engaged actively with UAE National employees and the HR team to support our approach to Nationals development. The DFSA continues to build capability amongst this section of our workforce and offer development opportunities such as technical qualifications, leadership certifications, job rotations and external secondments to further this goal. The year 2016 saw the participation of 17 employees, including nine UAE Nationals, in the Chartered Management Institute (CMI) Diploma in Management and Leadership. In 2017 the DFSA will continue its focus on leadership capability and turn its attention to the younger talent in the organisation.

2016 DIVISIONAL INITIATIVES

THE LEGAL DIVISION – GENERAL COUNSEL / BOARD SECRETARIAT

During 2016, members of the Legal Department were responsible for drafting the legislation required to implement all of the policy initiatives set out under the Policy and Strategy divisional initiatives following public consultation.

The team advised the operational Divisions on the supervision and enforcement of the Laws and Rules administered by the DFSA, and on the application of legislation and associated jurisdiction issues. The team also managed the review of draft Federal and Dubai legislation and assisted the Supreme Legislation Committee in such matters. The team also provided advice and counsel in relation to complex authorisation queries involving international group structures.

The Department processed a number of waiver applications through the Rules and Waivers Committee and provided support and advice to the Decisions Steering Committee and the Decision Making Committee in respect of a large number of matters in 2016. During 2016, there were no legal matters that arose under the Companies Law, in respect of which the DFSA has delegated power of enforcement. There were also no matters or referrals from DFSA decisions towards which the Legal team had to provide representation for the DFSA before the FMT.

The General Counsel provided advice to the Board of Directors and its committees, as well as the Executive, in respect of governance and legal issues in 2016. The General Counsel also managed the review and renewal of various contracts, permits and insurance policies and served on the DIFC Courts' Users Committee and DIFC Legal Group.

Finally, the General Counsel performed the role of Board Secretary in managing the business of the Board and its Committees, including preparing meeting agendas and meeting minutes and maintaining registers of Board members' affiliations and other disclosures.

POLICY AND STRATEGY

During 2016, the Policy and Strategy Division completed a number of policy projects, including:

- Completing the work started in 2015, with the publication of Consultation Paper (CP) 103 on Insurance activities, with final rules coming into effect on 1 August 2016. The rules clarified the boundaries between Insurance Managers and the different types of Insurance Intermediaries, such as agents and brokers;
- Introducing changes that enable the DFSA to carry out more regulatory business online (consulted on in Consultation Paper 105 in February). This is part of an initiative to allow more online submission of forms and other information, including applications, to the DFSA;
- Working to clarify rules for the financial service of Arranging, that reinforce the existing regime covering the permissible activities of Representative Offices, and to provide greater clarity on allowable financial promotions. The rules were consulted on in Consultation Paper 106), and are due to take effect on

1 February 2017.

- Making changes to the DFSA AML Regime to ensure that it is in line with the requirements of UAE Federal AML legislation and international standards set by the FATF. The changes were consulted on in Consultation Paper 107 and are due to take effect on 1 February 2017.

The Division also worked with colleagues to publish a Consultation Paper (CP 108) on miscellaneous matters during 2016. CP108 was published in September with the relevant rule changes made by the DFSA Board in December, and due to take effect in February 2017. Also in February, the DFSA Board made rules arising from the miscellaneous Consultation Paper 104, published in December 2015.

Lastly in the area of policy consultation, and as mentioned in the previous year's annual report, we carried out work to consider how the DFSA should respond to the increasing use of technology in financial services. The business models being introduced by financial technology (FinTech) operators, means that the DFSA has to consider how it should respond to, and where required regulate, developments such as crowdfunding and blockchain technology.

A number of other projects are underway and are at varying stages of the policy development process. Firstly, we continue to implement the standards for banking regulation emerging from the work of the Basel Committee on Banking Supervision. We have undertaken preliminary work to make changes to our regime in the areas of liquidity (the Net Stable Funding Ratio), capital requirements, and the Leverage Ratio, and expect to consult on these topics in 2017. Secondly, we have continued our work to introduce a resolution regime that is appropriate and workable for the DIFC. This is a complex and difficult piece of work, where we expect to issue a first public consultation document during 2017. Lastly, we have started to look at our rules for suitability of advice, against the background of court cases, and other developments, that have suggested that clients do not always receive the service from firms that our rules require. Also in this area, an increasing number of firms are marketing products and services to retail clients, which has led us to review our regime to ensure that it provides adequate protection to this client type.

The Division has continued to support DIFCA in its review of the DIFC Companies Law (DIFC Law No. 2 of 2009). The aim of the review, expected to be completed in 2017, is to update the law to ensure that it is more effective and user-friendly.

The Division contributed to the development of international standards for financial services regulation in 2016, with staff involved in the activities of various committees of the IAIS. In addition, we have:

- strengthened our relationships with other regulators, particularly within the region, by sharing expertise;
- monitored consultations issued by international standard-setters and submitted comments on behalf of the DFSA;
- participated in surveys, including peer review exercises, carried out by international organisations; and
- participated in the FSB Working Group carrying out a review of the implementation of the Organisation for Economic Co-operation and Development's (OECD) Corporate Governance principles.

RISK FRAMEWORK

The Policy and Strategy Division manages and develops the DFSA's framework for assessing regulatory risks, conducting exercises to establish the organisation's Risk Tolerance for firm-specific risks and to review the Risk Inventory of significant (non-firm specific) risks.

For the Risk Inventory, a mitigation plan is put in place for each risk identified. Progress with this mitigation is reported twice a year to the Division. This is discussed and challenged internally, with regular reporting to Board Committees on particular risks, as noted under the report of the Risk Committee.

In regards to the DFSA's Risk Tolerance, this is communicated to staff and guides decision making, including prioritisation of issues, in the day-to-day supervisory and regulatory activities of the DFSA.

STRATEGY AND BUSINESS PLANNING

The Policy and Strategy Division is responsible for analysis in a number of areas that contribute to the DFSA's strategic thinking. One output is the DFSA's Business Plan which the team produces and publishes biennially, to outline the strategy for the coming two-year period. In the intervening year, an internal version of the Business Plan is prepared, but not published. During 2016, we worked on the Business Plan for 2017/18, which will be published early in 2017.

In 2016, the team continued to analyse, and report on, economic, political and other developments relevant to the DFSA's operations, as well as reporting on developments in the work of the international standard-setters (see section on standard-setters on page 44).

OUTREACH ACTIVITIES CONDUCTED DURING THE YEAR

During the year, Policy and Strategy staff led outreach sessions on insurance activities in the Centre and on our proposals to amend the rules on Arranging, Representative Offices and Financial Promotions, as well as participating in an outreach session organised by the Supervision Division in the summer, where we reminded stakeholders of current consultations and what to expect in the period ahead. Policy and Strategy staff also spoke at a number of seminars and training courses during the year as part of the DFSA's broader engagement with stakeholders.

Supervision

AUTHORISATION ACTIVITY AND TRENDS

Overall, 2016 was our most active year for new applications since 2008. The DFSA licensed 77 AFs in 2016 versus 73 in 2015. In addition, we accepted 117 applications in 2016, compared with 105 in the previous year. The DFSA now regulates a total of 445 AFs. In addition, we have regulatory oversight for 16 RAs and 117 DNFBPs. The population of DNFBPs includes law firms, single family offices and high-value goods dealers, which are regulated in an effort to fight financial crime as per requirements from the FATF.

Interest in both banking and insurance remains strong, with a wide regional and global geographic spread. We have seen a renewed interest in Islamic finance institutions as well, following Dubai's Islamic Economy initiative. We also continued to see a growth of activity in the funds and asset management area, with particularly strong interest in establishing QIFs.

Financial innovation was a key focus in 2016 including consideration for the development of a crowdfunding (peer-to-peer lending) regime. We have already seen keen interest from a number of firms in this area. We expect to devote more time and effort to the licensing of FinTech firms in 2017.

SUPERVISION ISSUES

In 2016, our supervisory approach continued to focus on the efficient allocation of supervisory resources with more intensive oversight directed to Firms with high or medium risk profiles. During our Annual Supervision Outreach, we highlighted several emerging trends in global, regional and local financial sectors. Over the year, we continued our emphasis on risk-based supervision in the following areas:

- Cybersecurity: The DFSA partnered with legal and professional companies to organise an outreach session for regulated entities covering cybersecurity risks. Supervisors around the globe have identified the increasing digitalisation of finance as a significant risk, which needs to be addressed through both public and private sector initiatives. We will continue our efforts in this particular risk area in 2017;
- FinTech: With the increasing interest in this area, we focused on a broader regulatory framework for entities engaged in activities that touch on FinTech overall;
- Corporate Governance: We emphasised good corporate governance practices, quality of senior management, and watched closely any remuneration-based incentives that might cause bad behaviour, including unfair or misleading treatment of clients;
- Financial Crime: We remediated continued deficiencies in risk acceptance and compliance functions, particularly in light of identified weaknesses in documentation of source of wealth and unexplained complex legal structures;
- Prudential Risks: We closely monitored trends in credit and liquidity risks against the backdrop of challenging macroeconomic conditions and political developments around the globe and in the region;
- Suitability of Products and Services: We continued to challenge the governance and the suitability of products and services to all types of clients, and the adequacy of arrangements for properly safeguarding client assets. As part of our commitment to improving market conduct practices, the DFSA hosted the 2016 Financial Industry Regulatory Authority Business Conduct Roundtable. In total, the event brought together representatives from 11 regulators/self-regulatory authorities. The agenda covered the following topics: Best Interest Duty for Advisers and Firms; Automated Advice; Innovation and FinTech; Assessment of Culture; Product Intervention; Behavioural Economics; and Innovative Approaches to Supervision;
- Outsourced Functions: We looked closely at reliance on group structures, specifically including the effectiveness of the outsourced functions, providing guidance and requiring remediation where necessary; and
- Perimeter Legislation: We focused on ensuring that all DFSA licensed Firms are conducting their business within the bounds of applicable UAE and DIFC Laws, and within the scope of the DFSA licence.

Each of these areas will continue to receive attention in 2017. In addition, one area of increased regulatory scrutiny in 2017 will be online trading platforms. We have reviewed our regulatory policy and supervisory approach to address risks related to the offering of foreign exchange, contracts-for-difference, and binary options, particularly with respect to retail clients. The sale of highly speculative products to retail clients, which might be sold under aggressive sales approaches, deserves heightened regulatory attention. Given the additional regulatory attention required, we are reviewing our supervisory fees that we impose for firms that require a retail endorsement.

THEMATIC REVIEWS

TRADE FINANCE

During 2016, the DFSA completed a review of trade finance activities in the DIFC. The findings were discussed in the Annual Supervision Outreach session. The review assessed the quality of systems and controls in the critical business model, particularly in mitigating Trade Based Money Laundering risks. Among the most significant findings of the review were that many Firms pay attention to credit risks but not money laundering risks, and that compliance officers need specialised training to understand the complexities of trade finance transactions and documentation. The final report was published in October 2016.

TRADING CONTROLS

During 2016, the DFSA completed a review of firms conducting trading activities in the DIFC. The review focused on the specific Firms that deal in investments as principal and focused on systems and controls around limits, market risk, error accounts, cancels and amends, and transaction surveillance. The review highlighted that, some Firms do not appreciate the full spectrum of risks associated with principal dealing activity. The findings were also discussed at the Annual Supervision Outreach session and remediation work undertaken with relevant Firms.

CLIENT CLASSIFICATIONS/SUITABILITY

The DFSA commenced a thematic review during 2016 with client classification and suitability as the primary focus. The review focuses on how Firms classify clients and what types of products are suitable for each individual client once they are on-boarded. We expect to finalise this review in the first half of 2017.

FINANCIAL CRIME

The DFSA commenced a financial crime thematic review during the fourth quarter of 2016 with a specific focus on three areas: business risk assessment; on-going client due diligence; and, suspicious activity reporting. We expect this review will also be finalised in the first half of 2017.

CHANGES TO THE FUNDS REGIME

The Collective Investment Rules (CIR) of the DFSA Rulebook was amended in February 2016 to address property funds and Money Market Funds (MMFs). Regarding property funds, these revisions reduced inconsistencies in our existing funds regime and, where possible, aligned our regime further with international standards and practices while still catering to factors specific to the UAE property market. The key elements of the revisions addressed requirements covering self-custody, borrowing, valuation, affected person transactions, and property-related assets. We also introduced an explicit framework for the regulation of MMFs, also following international standards and practices. The new rules introduced a definition of MMF and allow only variable net asset value MMFs to be established in the DIFC while setting out specific requirements for liquidity, credit quality and other features of allowable investments for MMFs. Importantly, we have also changed the reporting format of the CIR Form and moved the notification requirement for the marketing and selling of funds from financial year-end to end of the calendar-year for all Firms.

The DFSA also continues to work with the DIFCA to support an environment that permits fund managers to establish private equity Domestic Funds using GP/LP structures and/or intermediate special purpose vehicles structures.

AUDIT RECOGNITION AND AUDIT MONITORING REPORT FINDINGS

Following a lengthy and rigorous assessment of the supervisory regime for auditors in the DIFC, the European Commission announced its recognition of the adequacy of the DFSA's oversight of RAs. The European Commission had already recognised the DFSA's audit regulation as having "equivalent status", which allows DFSA RAs to conduct their audit activity in the EU Member States, without going through a full registration process.

In August 2016, the DFSA issued its fourth Public Report on its Audit Monitoring Programme summarising the results of the DFSA's oversight visits to RAs of Public Listed Companies, Domestic Authorised Firms, AMIs and Domestic Funds conducted over a twelve month period. The DFSA has made a number of changes in the design of this report, including quantitative results of file reviews, in addition to providing more information on Audit Principals, their involvement in an audit and their relevant training. This is the first year we have released individual file grades to the RAs. All audit files that were reviewed by the DFSA were either satisfactory or generally acceptable, which is considered a good result.

FORMS ONLINE, SUPERVISION PORTAL FOR ALL FIRMS, ELECTRONIC PRUDENTIAL REPORTING SYSTEM CHANGES

The DFSA is undertaking several efficiency initiatives aimed to enhance our interactions with regulated entities. First, we will consider expanding the use of the supervision portal for all request types, to a wider group of regulated entities. Currently, this web-based portal is only used by entities managed by the Thematic Supervision Team. We have had success with this interface over time, allowing us to have better management information and improved response times.

Second, we intend to roll-out online applications introduced by Consultation Paper 105. Accordingly, we expect to implement several online processes to replace the existing paper-based submissions with the enhanced online versions. This is the first phase of a project that will ultimately see the majority of the DFSA paper-based forms replaced by electronic alternatives.

Finally, we plan to upgrade the Electronic Prudential Returns System to improve both the functionality and user-friendliness for end-users.

MARKETS

SUPERVISING MARKET INFRASTRUCTURE

In 2016, the DFSA continued its efforts to ensure that market operators and clearing houses operated in accordance with the highest international standards and in compliance with the Authorised Market Institutions (AMI) and AML, CTF and Sanctions modules that were overhauled in 2013. In the course of supervising and monitoring AMIs in the DIFC, the Markets Division:

- reviewed and monitored the relaunch of Nasdaq Dubai's derivatives market which has shown strong growth month to month since it was launched in early September;
- reviewed and analysed market quality reports in addition to adding enhancements to the reports as a result of the developments and changes to the AMIs' business activities;
- reviewed and approved significant changes, such as one liquidity incentive scheme, one material change request, and six rule change requests;
- conducted reviews of new business initiatives, financial soundness and capital adequacy of the AMIs. Changes related to AMI management and controller changes were also reviewed;
- conducted an on-site visit to Nasdaq Dubai to ensure its central-counterparty clearing house is operating in accordance with the relevant DFSA rules and regulations;
- received confirmation that the DIFC's regime has been positively assessed as equivalent for clearing houses by the European Commission under its European Market Infrastructure Regulation;
- reviewed and monitored the central securities depository and Murabaha platform; and
- reviewed the AMIs' efforts to monitor their members' compliance with the applicable AMI Rules, which included completing the membership risk assessment review that was conducted on Nasdaq Dubai.

RECOGNITION OF REMOTE PARTICIPANTS IN THE DIFC MARKETS

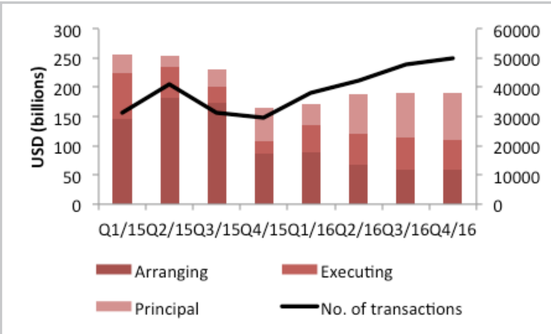
In 2016, recognition status was granted to one exchange and five brokerages or clearing firms and was revoked for two firms. Recognition is required for platforms or clearing members which do not have a physical presence in the DIFC. As part of the recognition review process, the Division strengthened its working relationships with the Emirates Securities and Commodities Authority (ESCA) and collaborated on common issues and concerns including conducting a joint field inspection of a Recognised Member.

The Division also enhanced its monitoring tools and efforts to monitor its Recognised Members and Bodies, to ensure continued compliance with the requirements of the Recognition module. Overall, interest in recognition continues to increase for trading and clearing platforms while non-DIFC membership to exchanges remained stable. We anticipate more interest from UAE-based firms seeking recognition status in order to become members of Nasdaq Dubai as a result of the DIFC's growing equity derivatives market.

OTC FIXED INCOME PROJECT

The fixed income securities market in the UAE has experienced considerable growth over recent years. The continued healthy development of this market is important to the economic success of the DIFC and to key initiatives like the Dubai Government's Islamic Economy Initiative.

For this reason the Division completed a project to explore OTC fixed income securities activity taking place in or from the DIFC. The purpose of this project was to gather information on (1) the nature, size and complexity of such activity (2) aspects of price transparency and liquidity, and (3) the ways in which transactions are effected. The project involved interviews with selected markets participants and an online survey. Based on regulatory data received for the two years ended 2016 (see figure below), DIFC AFs processed a total of 288,728 fixed income transactions representing a total transaction value of USD1.568 trillion.

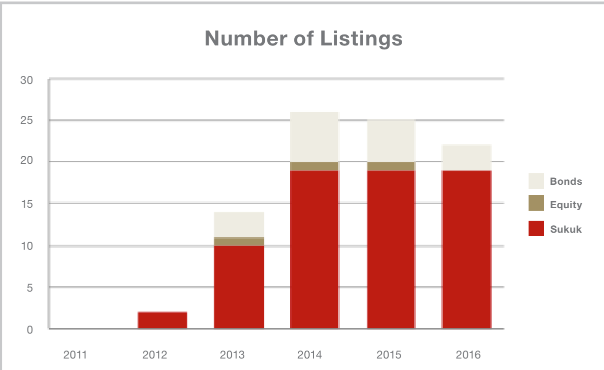


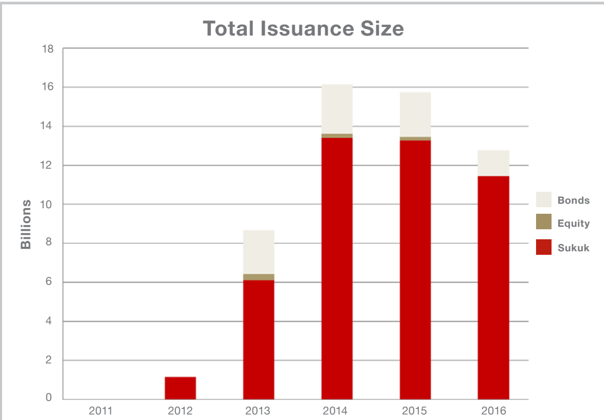
(DIFC OTC fixed income transaction activity)

OPERATING THE LISTING AUTHORITY

The Listing Authority has the responsibility of admitting companies to the DFSA's Official List, setting minimum standards for offerings and listings, company disclosures and takeovers and mergers, enforcing these standards and ensuring that they keep pace with international market developments. The Division, as operator of the Listing Authority, applies a risk-based approach to the review and approval prospectus documentation and to determine whether applicant companies are eligible for listing. The Listing Authority conducts a thorough analysis of each new applicant to ensure compliance with key eligibility and prospectus disclosure requirements. It also actively monitors issuers' periodic and ad-hoc disclosures, and engages with issuers when appropriate, to ensure adequate and timely disclosure is complied with. In addition the Listing Authority monitors price and volume development in an effort to detect any market abuse by market participants.

Market conditions for security offerings and listings were generally favourable in 2016. This is evidenced by a continued interest in the offering of Sukuk in the DIFC. In parallel with the greater UAE and beyond, the environment for initial public offerings of equity continued to be challenging, resulting in no new equity listings in 2016. However, the Listing Authority was approached by a significant number of potential applicants for listing in the DIFC over the course of the year, indicating a potential pipeline for the near future. As at the end of 2016, the Listing Authority had processed 24 debt submissions for review and approval, and admitted 22 debt securities to the Official List with an aggregate market capitalisation of USD12.75 billion. Of the number of securities listed, 19 were Sukuk with market capitalisation of USD11.45 billion and the balance represented conventional debt securities.

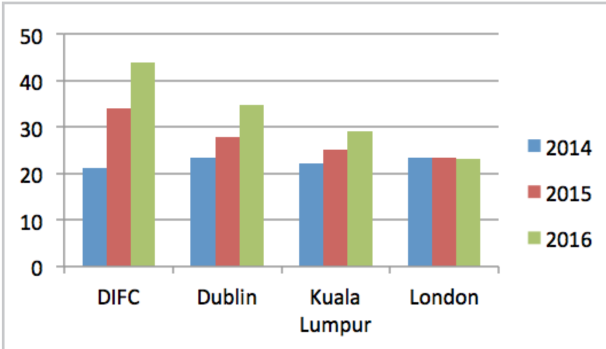




A total of USD12.75 billion was raised during 2016, compared to USD15.5 billion in 2015. Please refer to Appendix 6 for securities listed in 2016. The approved transactions show a broadening in the type of issuers including institutions from China, Indonesia and Kuwait, although UAE issuer made up the majority. During the year, the Listing Authority processed 4 delistings upon maturity and full redemption of the debt securities.

ISLAMIC FINANCE

A key driver to the continued interest in Sukuk listings is His Highness Sheikh Mohammed Bin Rashid Al Maktoum's Islamic economy initiatives. As noted in the above chart, the Listing Authority approved the admission of USD11.45 billion of Sukuk to the Official List in 2016. According to advisers and lead arrangers, the international regulatory framework and the efficiency of processes, are among the key factors taken into consideration when choosing to list in the DIFC. The DFSA continues to benchmark itself against leading international financial markets, such as the UK and Ireland, when enhancing processes and procedures for prospectus approval and admission to the Official List. In this regard, the DFSA's review and approval timelines for prospectus reviews in 2016 indicated that the DFSA is comparable to international best practice of peer regulators. This enhancement has been achieved with no compromise to the quality of the review process. The DIFC is now the leading jurisdiction for the issuance of listed Sukuk in terms of market capitalisation (see chart below).



(Total market capitalisation of Sukuk listed in relevant jurisdictions)

The Division continues to contribute as a member to the work of the Disclosure Requirements For Islamic Capital Market Products Working Group of the IFSB. The DFSA's contributions include sharing experiences and expertise on the development of the Islamic Capital Market in the DIFC, the approach to regulation, benchmarking to international best practice, issues affecting the Sukuk market, continuing obligations, and stakeholders of the industry.

INITIATIVES AND PROJECTS

In 2016, the Division processed applications to determine equivalency with foreign jurisdiction's in respect of shares and foreign funds. The DFSA developed frameworks, templates and questionnaires for these assessments and provided feedback to subsequent applications which were made.

A key channel for investor education and issuer guidance are the Markets Briefs which are published on the DFSA website. In 2016, The DFSA published a Markets Brief that provided guidance around the applications process to list on the DIFC. It is aimed at potential applicants for listing shares in the DIFC and sets out key regulatory and commercial considerations and questions to take into account before launching the process of listing.

LOCAL AND REGIONAL COLLABORATION

The Markets Division continues to engage the DIFC capital markets industry in an on-going dialogue around evolving best practices and standards.

The Division continued its efforts to strengthen the DFSA's relationship with regional regulators and industry bodies such as the UASA, hosted or contributed towards a number of thought-leadership roundtable discussions on market developments for commodities and regional exchanges. The Division jointly hosted a session on corporate governance and investor relations, in conjunction with Hawkamah, the Institute for Corporate Governance, and other DIFC entities. It also hosted an event around the developments in the OTC and on-exchange traded derivatives markets of Dubai.

The Markets Division continued to seek feedback from law firms and arrangers in relation to the process of handling conventional and debenture transactions, while continuing its investor education through outreach and collaborative efforts with stakeholders - the public at large, peer regulators, industry bodies and standard-setters. This resulted in thirteen presentations in public forums and publications across the UAE and the GCC, as well as relevant Islamic finance jurisdictions, on a variety of capital markets-related topics. In particular, the Division in collaboration with Nasdaq Dubai organised two outreach sessions in 2016 to familiarise the membership base of Nasdaq Dubai with the Code. The DFSA's Code of Market Conduct provides further guidance on the market abuse provisions in the DIFC Markets Law.

ENFORCEMENT

Investigations

The Enforcement Division undertook 10 investigations in 2016, six of which were carried over from 2015. The Division completed four investigations with six ongoing at the end of 2016, including a number of complex investigations.

The investigations conducted by the Enforcement Division concern a range of suspected misconduct by firms and individuals, including:

- Corporate governance failures;
- Systems and controls failures;
- AML control failures;
- Unlicensed financial service activities;
- Client take-on control failures;
- Provision of false and misleading information to the DFSA;
- Obstruction of the DFSA's investigation;
- Fraudulent conduct; and
- Breaches of DFSA Principles for Authorised Firms and Authorised Individuals.

The Investigations resulted in:

- Decisions made by the Decision Making Committee;
- Enforceable Undertaking;
- Private warning letters; and
- One concluded investigation resulted in a "no further action" recommendation.

DFSA ENFORCEMENT DECISIONS

As a consequence of its investigations, the DFSA issued sanctions against two firms and three individuals, and restricted one of those individuals from performing functions relating to the provision of financial services in the DIFC.

In these matters, the Decision Making Committee decided to:

- Fine two individuals USD56,000 each for failing to act with due skill, care and diligence, which caused an Authorised Firm to breach the DFSA's AML Rules. This matter concerned the conduct of two Board members, who were responsible for providing oversight to the operations of the firm;
- Fine a firm USD85,191 for engaging in prohibited insurance activities in breach of DFSA administered rules; and
- Impose a restriction on a former trader at an Authorised Firm from performing any functions in connection with the provision of Financial Services in or from the DIFC. The DFSA determined that the trader was not fit and proper to perform such functions because he inflated the value of his trading book by around USD11,000,000 to cover up losses.

The Decision Making Committee determined to take no further action in respect of an allegation that a firm and a person promoted financial products to investors without properly treating the investors as clients of the firm.

The Decision Making Committee's decision is also pending in respect of whether or not two individuals provided false and misleading information to the DFSA, and obstructed the DFSA during an investigation.

Three further enforcement actions are being considered by the DFSA's Decision Making Committee for which determinations will be made in 2017.

ENFORCEABLE UNDERTAKINGS

The DFSA entered into an Enforceable Undertaking with a firm regarding concerns relating to the firm's AML systems and controls, and whether or not it had carried out the Financial Service of Providing Custody to its clients without being licensed to do so. The firm undertook to rectify its deficiencies and enhance its systems and controls, as well as to pay a financial penalty of USD60,000 to the DFSA (of which USD30,000 was suspended, but becomes payable if the firm fails to comply with the conditions of the Enforceable Undertaking).

PRIVATE WARNINGS

The Enforcement Division issued three private warnings to persons and/or firms, who the DFSA suspected of engaging in misconduct. The purpose of a warning is to inform the person or firm that their participation in such conduct has the potential to contravene DFSA administered laws, and may result in regulatory action, including the imposition of sanctions.

TRENDS

The actions referred to above, and the failure of firms to adequately implement AML and CTF systems and controls, continue to pose fundamental risks to the integrity of the DIFC. Consequently, the investigation and enforcement of DFSA AML requirements continued to be a key focus of DFSA enforcement activities in 2016.

FinTech and big data are the new challenges for the DFSA in the years ahead. Effective enforcement requires access to electronic information sources in order to carry out its investigations.

The DFSA is responding to the technological challenges in two ways: firstly, by utilising the skills and expertise of market practitioners and, secondly, by developing the skills and infrastructure required to adequately respond to the challenges of technological innovation.

The Enforcement Division of the DFSA has initiated two projects in response to the challenges that lie ahead. The first is the development of a forensic laboratory to assist it in the management of big data. The Division have engineered a special purpose facility with contemporary IT hardware and analytical software for the efficient and timely processing of big data.

The second initiative is to develop an understanding of how, and to what extent, financial services firms in the DIFC are using Cloud Technology and Cloud storage facilities. The DFSA is presently surveying all of its financial services firms in the DIFC to better understand their use of cloud based technologies. The findings of this study will enable the DFSA to reconsider its policies on the electronic storage of information, including big data, and how we may better regulate it.

COLLABORATION WITH OTHER REGULATORS

Enforcement continues to collaborate with both regional and international regulators on investigations. Regionally, the DFSA collaborates with the Emirates Securities and Commodities Authority, the Insurance Authority of the UAE, the Central Bank of the UAE and other UAE law enforcement authorities. Internationally, the DFSA continues to share information about investigations and regulatory concerns with European, North American and Asian regulators, and to co-ordinate regulatory actions which may arise from joint investigations including ensuring that respective actions are proportionate and consistent.

COMPLAINTS MANAGEMENT

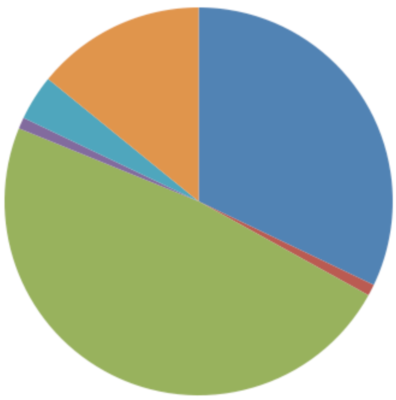
Complaints are important sources of intelligence for the DFSA, and the DFSA encourages the public to make complaints when they believe DFSA legislation has been contravened.

The DFSA received 105 complaints in 2016. This was a marked reduction from previous years as a result of the enhancements applied to the filtering mechanisms on the DFSA's Complaints Portal on the DFSA website. The main effect of the introduction of these enhancements was a reduction in the number of complaints received by the DFSA that fall outside of the DFSA's jurisdiction.

The DFSA assessed and finalised 92% of all complaints within 28 days of receipt. Within the remaining 8%, further enquiries and assessment were required to finalise the complaint.

A large proportion of complaints continue to be about the promotion of scams.

TYPE OF COMPLAINTS RECEIVED



- 3 Financial Promotion
- 75 Financial Service/Product Distribution
- 1 Market Conduct
- 9 Governance
- 74 Scam
- 13 Other

SCAMS

The DFSA strives to educate consumers about scams, as this is the best way to protect consumers. The DFSA received 34 complaints about scams, and issued seven consumer alerts in 2016. The types of scams that came to the attention of the DFSA included advance fee scams, cloning scams and scams in which the identities of the DFSA, DIFC, and firms within the DIFC and/or their employees were stolen or misused. The DFSA only issues alerts about scams where the fraudulent conduct affects the integrity of the DIFC.

ENFORCEMENT APPROACH

The DFSA's enforcement approach has evolved over the past several years. Enforcement strategy has traditionally been responsive, i.e. misconduct has historically been investigated after it has occurred.

The DFSA is now taking a more proactive approach to identifying misconduct before it becomes more serious. The DFSA does this by enhancing its prevention and detection programmes, and by working more closely with the financial supervision teams to detect and remediate misconduct before it becomes a serious risk to the DIFC.

This approach provides dividends for both the regulator and the regulated, as concerns can be resolved on a more timely and facilitative basis with less cost to both parties. Furthermore the DFSA can reward co-operative behaviour through its decision making processes.

INTERNATIONAL RELATIONS

REGULATORY CO-OPERATION

Information sharing and mutual co-operation with other regulators is essential for effective oversight of international firms and any firm engaged in cross-border activity. The DIFC Regulatory Law allows the DFSA to obtain information on behalf of other supervisory and enforcement agencies, and this is enhanced by the MoUs that have been put in place. Since 2005, the DFSA has established a network of multi-lateral and bi-lateral MoUs and by the end of 2016, it had signed 99 bi-lateral MoUs and 4 multi-lateral MoUs. During the year, the DFSA commenced discussions on formal mechanisms with a number of other central banks and securities regulators. These are ongoing and are likely to be concluded early in 2017.

Supervisory Colleges have become an integral part of the supervisory regime at the DFSA as the number and complexity of the international firms now based in the DIFC continues to grow. Over the course of 2016, the DFSA participated in 13 Supervisory Colleges hosted by home regulators.

During the year, some 82 responses were provided by the DFSA to requests for regulatory information and assistance from fellow regulators. During the same period, the DFSA made some 128 requests to fellow regulators for information. This was a significant increase from 2015 and reflects growing reliance between the DFSA and its fellow supervisors in oversight of a global financial market.

Capacity Building

The DFSA collaborates with other regulators to strengthen financial supervision and regulation by developing technical and analytical capacity. In April, the DFSA received a delegation from the Astana International Financial Centre to share our experience of establishing and sustaining the regulatory regime of the DIFC. In May, the DFSA hosted a delegation from the Financial Services Commission of Mauritius to discuss our approach to Islamic Finance, risk-based supervision and derivatives. Similarly, in September, the Central Bank and Treasury Department of Malawi received presentations covering conduct of business, thematic and risk-based supervision, in addition to the DFSA's approach to Islamic Finance.

Regulatory Co-operation

Early in 2016, the Head of International Relations drew up a Forward Plan to ensure greater engagement by the DFSA with key jurisdictions and throughout the year, the Division instigated, briefed and accompanied the Chairman to meetings with fellow Chairs of: the China Banking Regulatory Commission, the UK Financial Conduct Authority, the Autorité des marchés financiers of France, and the US Securities and Exchange Commission. Meetings were also held with the Executive President of the Central Bank of Oman; the US Comptroller of the Currency, the Superintendent of the New State Department of Financial Services; as well as some of the Group Chairs of the global banks that have branches in the DIFC. Similarly, the Chief Executive met with his counterpart at the UK Prudential Regulatory Authority, the Chair of IOSCO's Growth and Emerging Markets Committee, the Hong Kong Commissioner of Insurance, the Vice Chair of the China Insurance Regulatory Commission, among others. The Chief Executive's participation of the IFSB Council has also provided him with the opportunity to meet Central Bank Governors from the region and the greater Arab World.

Regional Relations

Close collaboration with the DFSA's counterparts in the GCC and the Middle East remains a key priority. The Chief Executive continues to meet regularly with his federal counterparts, the Governor of the UAE Central Bank and the Chief Executive of the UAE Securities and Commodities Authority. Periodic and case-specific meetings at an operational officer level also take place with all three regulators and will intensify in 2017. For example, the Enforcement team worked closely with the UAE Insurance Authority in relation to a matter of mutual interest.

The DFSA has continued with its regular engagement with the UAE Anti-Money Laundering Suspicious Cases Unit (AMLSCU). In addition to liaising on matter specific issues, the DFSA has also worked with the AMLSCU to improve the standard of Suspicious Activity Reports (SAR) lodged by DFSA regulated firms. The DFSA also engages with the AMLSCU to obtain and share information from the National Anti-Money Laundering and Combating Terrorist Financing Committee (NAMLCFTC).

Formal arrangements were put in place with two regional counterparts: the Financial Services Regulatory Authority of the Abu Dhabi Global Markets, the second Financial Free Zone to be established in the UAE and closely modelled on the DIFC; and the Securities Commission of Jordan. The DFSA now has MoUs in place with all three of the Kingdom's financial services regulators.

Although it remains an Observer at the Arab Union of Securities Authorities (UASA), the DFSA continues to actively contribute to the Union's work on common issues in addition to training seminars to build capacity in the Arab markets.

AMERC (IOSCO's Africa and Middle East Regional Committee) is one of the four regional committees established by IOSCO. It has 19 members and it is through this forum that critical issues are canvassed and discussed before adoption by the full membership and implementation by the Board. At the 36th AMERC meeting, the proposed Enhanced MMoU was discussed and at the subsequent meeting in Lima in May, AMERC's proposal to adopt Arabic as the fifth official language of IOSCO received unanimous support.

Europe

Other than our own region, relations with Europe are also of great importance. The DFSA has formal bi-lateral relations with some 27 supervisory authorities in individual EU Member States. However, with expanding pan-European oversight of firms and financial activity, EU bodies such as the European Central Bank and European Securities and Markets Authority (ESMA), have assumed responsibility in certain areas for regulation and supervision across the Member States.

The DFSA has already signed (in February 2013) an MoU with ESMA concerning oversight of CRAs. In July 2016, the Commission concluded that the DFSA has competence in oversight, external quality assurance and investigation of auditors and audit firms. The effect of this decision was that the DFSA became the first audit regulator in the region to meet European standards for information sharing and confidentiality. In December 2016, the Commission also determined that the DFSA's regime for regulatory central-counterparties in the DIFC was equivalent to that in the European Union

Human Resources

Human Resources undertook a number of valuable initiatives in 2016. The focus on employee learning and development continued across three key areas: Emiratisation, leadership and regulation. Over the course of the year, 97% of our employees participated in "off-the-job" training. Average learning days rose to seven per employee in 2016, along with increased participation in online learning.

In line with the DFSA Leadership Development Strategy, team leaders across the DFSA engaged in a one day workshop on Talent Leadership and the DFSA launched an initiative called 'Strategy Talks' to engage employees at different levels of the organisation in dialogue about areas of strategic concern. In 2016, Senior Management also led a number of team building days to enhance team dynamics, discuss strategy, build technical knowledge and celebrate team achievements.

Across the board, HR has revisited its policies and processes to provide better services to its employees, better support to line managers and continually improve its effectiveness in the organisation. In line with this ethos, process automation continues to be at the core of the HR system upgrades this year.

In terms of recruitment, the DFSA on-boarded a 16 new employees in 2016 from various jurisdictions, including the UAE, KSA, the UK, Ireland, Philippines, Russia and Finland. Five UAE National Graduates were engaged for the DFSA's flagship TRL Programme. Employee turnover remained low at 7.59% and average employee tenure remained stable at 5.97 years.

Throughout the year, other HR led programmes have included 360 Feedback to determine leadership effectiveness, an Employee Engagement Survey and a Job Evaluation exercise. All these initiatives underline the DFSA's efforts to be an employer of choice.

Operations

Finance

The DFSA controlled its expenditure within the approved budget in 2016. In the course of the year, the DFSA maintained its accounting records and prepared its annual financial statements in accordance with International Public Sector Accounting Standards. The DFSA received an unqualified audit opinion in respect of the 2016 financial statements.

A review of the Operational Authority Matrix was conducted in 2016 and changes were approved by the Audit Committee. The Finance Department continued to review and strengthen the internal financial control framework within the DFSA in the course of the year.

INFORMATION TECHNOLOGY

In 2016, the IT Department further developed the DFSA's capabilities in the effective use of technology and innovation, while further building on the security and robustness of the corporate network, systems and infrastructure.

Numerous projects were successfully implemented, including further enhancements to the core regulatory system; increased integration of key internal systems and work-flows; improved data analytics; and real-time reporting through Business Intelligence dashboards. The introduction of a paperless, fully electronic authorisation system for future applications was also developed and will be available in 2017.

Cyber-security continued to be of high importance and various enhancements were introduced to further strengthen controls. A MoU was also signed with the UAE Cyber-Security Emergency Response Team, aeCERT.

CORPORATE AFFAIRS

Over the course of 2016, effective management of key stakeholders, internally and externally, continued to be a priority for the department, ensuring that the DFSA delivered on its values of transparency and accessibility. The department's efforts focused on engagement and co-operation with local and international media outlets in English and Arabic, as well as responding to media enquiries in a professional and timely manner.

The DFSA gained visibility in local and international media by profiling senior executives and contributing towards key publications on a regular basis.

In 2016, the department focused on:

- Aligning its activities with the Vision of the UAE Vice President, Prime Minister and Ruler of Dubai, His Highness Sheikh Mohammed bin Rashid Al Maktoum;
- The revamp of the DFSA's intranet which was launched at the end of 2016;
- Collaboration with the Dubai Government Excellence Program; and
- Fostering and strengthening relationships with key government entities.

The team issued 30 media releases, seven consumer alerts, four notices of consultation paper release and three notices of amendments to legislation. There were 24 publications produced in 2016, including:

- Code of Values and Ethics for Employees and Consultants in English;
- Code of Values and Ethics for the Board, Committees and Tribunals in English;
- DFSA's Audit Monitoring Report 2015, a bi-lingual publication;
- The DFSA in Action, Volume 13, a bi-lingual publication;
- DFSA's Annual Report 2015, a bi-lingual publication;
- Trade Finance Report 2016, in English;
- Markets Brief on Getting Ready to List in the DIFC, a bi-lingual publication;
- CONNECT – DFSA staff newsletter: "Happiness Edition" in English;
- CONNECT – DFSA staff newsletter: "Tolerance Edition" in English; and
- Funds in the DIFC in English

The department also aligned some of its internal activities with key initiatives of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai. The department focused on promoting 'Happiness' and 'Tolerance' through its internal activities, including campaigns channelled through its internal newsletter, employee events and competitions, as well as rewarding and promoting employee contributions and participation.

In December 2016, the DFSA hosted a Speaker Session for government stakeholders and the DFSA's regulated community. Delegates heard from Andrew Scott, Professor of Economics at London Business School and a Fellow of All Souls at Oxford University and the Centre of Economic Policy Research. The interactive session addressed the urgent need for government organisations, politicians and individuals to understand the consequences of increasing life expectancy on financial planning, education, careers and relationships.

PROJECTS AND PLANNING

Projects and Planning have been engaged in the monitoring of the DFSA's 2016 Business Plan and the development of the 2017/2018 Business Plan. The team continues to deliver a variety of projects across the organisation, as well as the planning and delivery of international events hosted by the DFSA.

Process improvement work with many of the divisions continues, with increasing demand for support and administration of surveys which engage both internal and external stakeholders.

Looking Forward

WHEN OUTLINING THE DFSA'S BUSINESS PLAN FOR 2017/2018, THE THREE STRATEGIC THEMES IDENTIFIED IN THE PREVIOUS PERIOD REMAINED RELEVANT TO THE DEVELOPMENT OF THE DFSA

As part of our business planning process, we set out three strategic themes to guide our work: Delivery, Sustainability and Engagement. These themes were outlined in our 2015/2016 Business Plan and continue to form the main pillars of the DFSA's activities going forward.

Delivery relates to the DFSA executing our core function with professionalism and efficiency.

In 2016, we made significant investment in, and are realising substantial benefits from, our Business Intelligence tool which helps manage raw data from our Regulatory Information System and Electronic Prudential Returns System databases. This software allows us to automate risk identification that would otherwise require extensive manual effort. These are the first steps in the DFSA's use of regulatory technology, but we anticipate devoting more resources to this area given the benefits that can be delivered.

As part of the DFSA's preparation for the next FATF review, we have also updated our AML and CTF regime so that it continues to be in line with the FATF Principles, and with the requirements of Federal AML legislation. We continue to emphasise the importance of AML work, while enabling the regulated community to take a risk-based approach to their activities.

In 2016, there was also good progress made towards enabling stakeholders to do far more business online with the DFSA, making things easier and less costly for them, while also helping us in the automation of our business processes.

Sustainability is about positively shaping our environment and our organisation for the long-term.

Most of the items mentioned under the Delivery theme also contribute to Sustainability. The aims of getting better at what we do today and building a resilient

organisation for the long-run, often lead to the same path to deliver change. We will continue to build supervisory, as well as other systems and processes that are scalable, which can be leveraged as the DIFC, and the DFSA with it, grows in the coming years.

In 2016, we welcomed our next group of TRL associates, who will benefit from the significant revisions to the programme. We anticipate that this will lead to an even better learning and development experience for them.

Lastly, in 2016 we tested the security of our systems against cyber-attack. While these tests were successful, the environment today means that all organisations, including the DFSA, need to remain vigilant to cyber threats. With this in mind, the signing of an MoU with aeCert, the Federal Government's cyber-awareness organisation, was an important step forward for the DFSA.

Engagement relates to thoughtfully and actively engaging with our key stakeholders.

We have continued to engage with regulators across the region, building our relationship with the Union of Arab Securities Authorities. We have also met more frequently with regulators in other GCC and MENA countries, which will continue to be important as more regional firms look to establish a presence in the DIFC in the coming years.

We worked closely on a range of supervisory and policy issues with the Federal regulators – with CBUAE, ESCA and the IA – and we will continue this co-operation. We have signed an MoU with the FSRA of ADGM, the most recent financial free-zone to be established in the UAE. The FSRA is the part of the unitary ADGM organisation tasked with the regulation of financial services.

Involvement in more Supervisory Colleges and Crisis Management Groups has been a feature of 2016, reflecting the success of the Centre in attracting global, systemically-important financial institutions. In addition, we have maintained our involvement in the work of international standard-setters. The DFSA has built its credibility in these groups through active involvement over what is now more than a decade of operation.

DFSA 2017/2018 Business Plan Summary

DFSA 2017/2018 BUSINESS PLAN SUMMARY		
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.	
Strategic Themes in Action		
Delivery Execute core functions with professionalism and efficiency	Deliver world-class regulation and effective enforcement	• Undertake thorough preparations for, and follow-up to, the FSAP and FATF assessments and provide any requested support to other UAE authorities.
		• Focus on proportionate, DIFC-appropriate implementation of international standards. • Pursue Rulebook simplification, where possible. • Take relevant and appropriate enforcement action.
	Be more agile through early warning systems and innovation	• Refine existing warning systems to ensure responsiveness to emerging risks. • Explore indicators for identifying system-wide misconduct.
	Maintain quality as DIFC scale increases	• Pursue efficiencies without comprising on quality (e.g. refinements to risk-based regulation).
		• Deliver creative process and IT solutions as part of maintaining operating excellence.
Sustainability Positively shape our environment and organisation for the long-term	Enhance organisational robustness and resilience	• Build clear, efficient and scalable regulatory and non-regulatory processes. • develop better knowledge management systems, match recruitment and development to manpower needs.
	Support Dubai Government strategy and DIFC development	• Continue alignment with DIFC and Dubai government strategy (including Islamic economy initiative). • Continue dialogue with DIFC bodies to support sustainable growth of the Centre.
	Build UAE National capability	• Continue to build regulatory capacity via the TRL Programme and other initiatives (e.g. international secondments). • Strive to improve UAE National representation throughout the DFSA.
	Progress Resolving Jurisdictional Uncertainty	• Maintain efforts to resolve on-going boundary issues so that the Centre can continue to grow.

ENGAGEMENT Thoughtful and active engagement with key stakeholders	REGULATED FIRMS AND KEY HOME REGULATORS	• Undertake regulation in a consistent, transparent and risk-based manner. • Continue outreach activities to promote understanding of the regulatory regime. • Maintain sound relationships with regulators in key jurisdictions and develop relationships in jurisdictions anticipated to have increased importance.
	OTHER REGULATORS	• Continue emphasis on MENA/GCC regulators and representation on regional fora. Engage more actively with regulators in Africa.
	DUBAI AND UAE AUTHORITIES	• Continue building relations with Dubai and UAE bodies.
	GLOBAL STANDARD-SETTERS	• Retain our standing among key global standard-setters.

REGULATORY PRIORITIES

FINANCIAL CRIME	CONDUCT	STANDARDS ALIGNMENT	FINTECH
• BE VIGILANT IN ADDRESSING ALL FINANCIAL CRIME ISSUES. • STRENGTHEN EXISTING LINKS WITH RELEVANT LOCAL AND FEDERAL BODIES TO MITIGATE FINANCIAL CRIME RISKS.	• CONTINUE TO EMPHASISE CONDUCT RISK (GENERALLY MORE PROMINENT THAN PRUDENTIAL) WHILE PROVIDING APPROPRIATE PRUDENTIAL ATTENTION TO FIRMS EXPECTED TO HAVE RAPID BALANCE SHEET GROWTH.	• DEMONSTRATE EFFECTIVE IMPLEMENTATION OF INTERNATIONAL REGULATORY STANDARDS VIA THE FSAP AND FATF PROCESS. • IN RELEVANT AREAS, CONTINUE TO ALIGN WITH EU STANDARDS. UPHOLD COMMITMENT TO SIMPLIFY THE RULEBOOK.	• TAKE STEPS TO UNDERSTAND THE RISKS AND OPPORTUNITIES POSED BY FINTECH. • DEVELOP AN APPROPRIATE REGULATORY RESPONSE.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APPENDICES

Dubai Financial Services Authority

Independent auditor's report to the Board of Dubai Financial Services Authority

Our opinion

In our opinion, Dubai Financial Services Authority's ("DFSA") financial statements on pages 68 to 88 present fairly, in all material respects the financial position of the DFSA as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

WHAT WE HAVE AUDITED

The DFSA's financial statements on pages 68 to 88 comprise:

- the statement of financial position as at 31 December 2016;
- the statement of financial performance for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the DFSA in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other information

Management is responsible for the other information. The other information includes the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Other information

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the DFSA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the DFSA or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the DFSA's financial reporting process.

Independent auditor's report to the Board of Dubai Financial Services Authority (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DFSA's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the DFSA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the DFSA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
Dubai, United Arab Emirates
Date: 8 February 2017

Dubai Financial Services Authority
Statement of financial position
(As At 31st December)

	Notes	2016 AED'000	2015 AED'000
Assets			
Non-current assets			
Property and equipment	5	4,535	4,237
Intangible assets	6	5,005	5,594
		9,540	9,831
Current assets			
Other receivables	7	20,252	18,507
Cash and cash equivalents	8	138,676	127,759
		158,928	146,266
Total assets		168,468	156,097
Equity			
Contributed capital and reserves			
Contributed capital		5,755	5,755
Regulatory Reserve	2.11	92,677	87,466
Litigation Reserve	2.12, 12	11,011	11,011
Employees' end of service benefit scheme cumulative actuarial loss	9	(1,546)	(4,026)
Total equity		107,897	100,206
Liabilities			
Current liabilities			
Fee income received in advance	2.10	40,093	34,196
Creditors, accruals and other liabilities	10	19,469	17,728
Defined benefit plan net liabilities	9	1,009	3,967
		60,571	55,891
Total liabilities		60,571	55,891
Total equity and liabilities		168,468	156,097

These financial statements were approved for issue by the Board of Directors on 8 February 2017.

Signed on behalf of the Board

The notes on pages 72 to 84 form an integral part of these financial statements

DUBAI FINANCIAL SERVICES AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE
(FOR THE YEAR ENDED 31ST DECEMBER)

		2016	2015
	NOTES	AED'000	AED'000
Appropriations from Government	2.10	117,420	117,420
Fee income	2.10	50,514	46,496
Other income	2.12, 13	2,834	34,209
Total income		170,768	198,125
General and administration costs	14	(154,162)	(143,377)
Board of Directors' costs	16	(11,214)	(11,961)
Financial Markets Tribunal costs		(181)	(363)
Total expenses		(165,557)	(155,701)
Surplus for the year		5,211	42,424

The notes on pages 72 to 84 form an integral part of these financial statements

Dubai Financial Services Authority
Statement of Changes in Equity

	Contributed Capital	Regulatory Reserve	Litigation Reserve	Employees' End of Service Benefit Scheme Cumulative Actuarial Loss	Accumulated Surplus	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1st January 2015	5,755	54,760	1,293	(3,984)	-	57,824
Surplus for the year	-	-	-	-	42,424	42,424
Transfer to litigation reserve (Notes 2.11,12)	-	-	9,718	-	(9,718)	-
Transfer to regulatory reserve (Note 2.11)	-	32,706	-	-	(32,706)	-
Remeasurement of employee's end of service benefit obligation (Note 9)	-	-	-	(42)	-	(42)
At 31st December 2015	5,755	87,466	11,011	(4,026)	-	100,206
Surplus for the year	-	-	-	-	5,211	5,211
Transfer to litigation reserve (Notes 2.11,12)	-	-	-	-	-	-
Transfer to regulatory reserve (Note 2.11)	-	5,211	-	-	(5,211)	-
Remeasurement of employee's end of service benefit obligation (Note 9)	-	-	-	2,480	-	2,480
At 31st December 2016	5,755	92,677	11,011	(1,546)	-	107,897

The notes on pages 72 to 84 form an integral part of these financial statements

Dubai Financial Services Authority
Statement of Cash Flows
(for the year ended 31st December)

	Notes	2016 AED'000	2015 AED'000
Operating activities			
Surplus for the year		5,211	42,424
Adjustments for the following items:	-	-	-
Depreciation	5	2,640	2,214
Amortisation	6	3,252	3,062
Provision for end of service benefits		4,691	5,108
Interest income	13	(2,000)	(460)
Operating cash flows before payment of amount payable to Government from fines collected and changes in working capital		13,794	52,348
Changes in working capital:			
Contributions made for the end of service benefits	9	(5,169)	(5,167)
Prepayments and receivables, net of interest receivable	7	(1,745)	1,030
Fee income received in advance		5,897	3,081
Creditors, accruals and other liabilities	10	1,741	562
Net cash generated from operating activities		14,518	51,854
Investing activities			
Purchase of property and equipment	5	(2,938)	(2,598)
Purchase of intangible assets	6	(2,663)	(1,885)
Interest received		2,000	232
Net cash used in investing activities		(3,601)	(4,251)
Net increase in cash and cash equivalents		10,917	47,603
Cash and cash equivalents, beginning of the year	8	127,759	80,156
Cash and cash equivalents, end of the year	8	138,676	127,759

The notes on pages 72 to 84 form an integral part of these financial statements

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2016)

1 Legal status and activities

The Dubai Financial Services Authority ("DFSA"), was established by Dubai Law No (9) of 2004 as an independent regulatory authority responsible for the regulation of financial and related activities at the Dubai International Financial Centre ("DIFC"). In accordance with Dubai Law No. (9) of 2004, the DFSA is and will continue to be independently funded by the Government of Dubai ("Government") to enable it to exercise its powers and perform its functions.

2 Significant accounting policies

2.1 Basis of preparation

Effective 1 January 2014, the DFSA adopted International Public Sector Accounting Standards ('IPSAS') accordingly, the financial statements have been prepared in accordance with IPSAS. Where an IPSAS does not address a particular issue, the relevant International Financial Reporting Standard ('IFRS') has been applied.

The financial statements have been prepared under the historical cost convention. The cash flow statements are prepared using the indirect method. The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period. While the DFSA has adopted IPSAS as its reporting framework, it operates as an independent regulatory authority and its budgets are not made publicly available. Therefore the Directors do not consider it appropriate to publish budget information (IPSAS 24).

The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2 Changes in accounting policies and disclosures

There are no IPSASs that were effective for the first time for the financial year beginning January 1, 2016, that had a material impact on the DFSA's financial statements.

Future changes in Accounting policies- International Public Sector Accounting Standards (IPSAS) Issued but not applied:

Following are the standards effective for the financial year beginning on 1 January 2017 and not material to the DFSA:

- IPSAS 34, Separate Financial Statements (effective 1 January 2017);
- IPSAS 35, Consolidated Financial Statements (effective 1 January 2017);
- IPSAS 36, Investments in Associates and Joint Ventures (effective 1 January 2017);
- IPSAS 37, Joint Arrangements (effective 1 January 2017);
- IPSAS 38, Disclosure of Interests in Other Entities (effective 1 January 2017) and
- IPSAS 39, Employee benefits (effective 1 January 2018).

2.3 Foreign currency translation

Functional and presentation currency

The functional currency of the DFSA, being the currency in which the majority of its transactions are denominated, is the Arab Emirates Dirham (AED).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

For presentation purposes only, these financial statements have also been translated into US Dollars at the fixed rate of exchange of US Dollar 1 = AED 3.67. The translated primary financial statements are unaudited.

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2016 – continued)

2.4 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The historical cost consists of expenses related directly to the acquisition of the asset.

Depreciation is computed using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives as follows:

	Years
Leasehold improvements	5
Fixtures and fittings	3
Office equipment	3
Computer equipment	3
Motor vehicles	3

Capital work-in-progress, comprising both leasehold improvements and computer equipment, is stated at cost and transferred to the appropriate asset category when it is brought into use.

Subsequent costs incurred are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the asset will flow to the DFSA.

Gains and losses on disposal of property and equipment are determined by comparing the sales proceeds to the carrying amount of the assets disposed of and are taken into account in determining the surplus/deficit for the year. Repairs and renewals are charged to the statement of financial performance when the expense is incurred.

The assets' residual lives are reviewed, and adjusted if appropriate, at each reporting date. The gain or loss on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of performance. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

2.5 Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis over an estimated useful life of 3 years. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis. Capital work-in-progress relates to computer software, is stated at cost and transferred to the appropriate and asset category when it is brought into use.

2.6 Impairment

At the end of each reporting period, the DFSA reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of the fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised immediately in the statement of financial performance, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimation of the recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset in the prior years. A reversal of an impairment loss is recognised immediately in the statement of financial performance, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2016 – Continued)

2.7 Fees, fines and litigation costs receivable

Fees, fines and litigation costs receivables are carried at anticipated realisable value. Specific provision is made for fees, fines and litigation costs receivable that are considered doubtful for recovery. Bad debts are written off during the period in which they are identified.

2.8 Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances in current and call accounts with bank, and fixed deposit accounts with original maturity equal to three months.

2.10 Revenue Recognition

Revenue from non-exchange transactions

Funds received from and remitted to the Government

The DFSA receives grants from the Government for general purposes, to enable the DFSA to carry on its operations. The DFSA recognises revenues from grants when the right to receive the grant is established and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognised instead of revenue. Where such grants have no stipulations attached to them, and no performance obligations imposed by Government, the DFSA recognises an asset (cash or an appropriate asset) and revenue in the financial statements.

Funds received in advance from the Government for meeting budgeted operational expenditure for the following year are treated as funds received in advance under current liabilities and are appropriated in the financial statements of the following year.

Funds remitted to Government are recognised as an appropriation from accumulated surplus or as a reduction in contributed capital, as appropriate, in the year in which the appropriation is approved by the Board of Directors of the DFSA (Note 4).

Fines levied

Please refer to Note 2.12 Litigation reserve, with respect to fines levied.

Fee income

Application fees are recognised as income when invoiced. Annual fees are recognised as income over the period to which they relate. Fee income received in respect of the following year is treated as fee income received in advance and reflected under current liabilities.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable. Interest income is classified as unrestricted other income as it is generated in most from the DFSA's unrestricted term deposits.

2.11 Regulatory Reserve

The Regulatory Reserve meets contingencies arising from the discharge of the DFSA's regulatory responsibilities. The amount in the reserve is determined by the Board of Directors ("the Directors") and is subject to change as deemed appropriate by the Directors. These reserves could be called upon to cover exceptional levels of expenditure in excess of revenues in a particular financial year. The amounts distributed to and from this reserve are at the discretion of the Directors.

2.12 Litigation Reserve

Fines levied by the DFSA in connection with breaches of regulations in the DIFC together with litigation cost recoveries are recognised on an accrual basis. Income from fines and litigation cost recoveries are credited to the statement of financial performance in the year in which they are

Dubai Financial Services Authority Notes to the Financial Statements (for the year ended 31st December 2016 – Continued)

2.12 Litigation Reserve (continued)

levied (Note 13) and transferred to the accumulated surplus or deficit. The Directors have set an amount of USD 3 million (AED 11.01 million) to be maintained in the Litigation Reserve to provide for unforeseen litigation costs. Appropriations from fines are made to the Litigation Reserve to maintain the balance of the Litigation Reserve at the level set. This amount may be reviewed and is subject to change as deemed appropriate by the Directors.

The Directors do not consider the Litigation Reserve to be distributable. Transfers from the Litigation Reserve to the accumulated surplus or deficit are made to match unforeseen litigation costs, not covered by fines and litigation cost recoveries, in the year in which they arise.

2.13 Employee benefits and post-employment benefits

The cost of providing benefits under defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in the statement of financial performance.

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of the plan assets out of which the obligations are to be settled. The value of any plan asset is restricted to the sum of the past service costs not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

U.A.E National employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme. As per federal Labour Law No.7 of 1999, the DFSA has contributed and recognised a liability of 15% of the “contribution calculation salary” of U.A.E payroll costs to the retirement benefit scheme to fund the benefits for the U.A.E. National employees. Pension contributions in respect of UAE Nationals under a defined benefit contribution scheme are recognised as an expense in the period to which they relate.

2.14 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets of the arrangement conveys a right to use the asset, even if that right is not explicitly in an arrangement. Operating lease payments are recognised as an expense in the statement of financial performance on a straight line basis over the term of the lease.

2.15 Financial Instruments

Financial assets, including cash and cash equivalents (Note 8) and other receivables (Note 7) and financial liabilities including creditors, and other liabilities (Note 10) and defined benefit plan net liabilities (Note 9) are recognised when the DFSA becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, and the difference between the fair value and consideration given or received is recognised in the statement of financial performance.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of financial performance.

3 Financial Risk Management

3.1 Financial risk factors

The DFSA's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow and fair value interest risks), credit risk and liquidity risk. The DFSA's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of these risks on the DFSA's financial performance.

a) Currency risk

The DFSA is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities in the financial statements. Transactions in US Dollars have limited foreign exchange risk as the UAE Dirham is pegged to the US Dollar and accordingly the DFSA's foreign exchange risk with respect to such transactions is insignificant.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect the net finance cost or income of the DFSA. The DFSA does not have assets and liabilities that are materially dependent on interest rate levels therefore, management believes that the DFSA has no significant exposure to interest rate risk.

c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the DFSA. The DFSA is exposed to credit risk on its debtor accounts. The DFSA seeks to reduce the credit risk by monitoring existing outstanding debtor's balances.

3.2 Fair value estimation

The carrying values of financial assets and financial liabilities of the DFSA approximate their fair values.

4 Key judgment and source of estimation and uncertainty

In the application of the DFSA's accounting policies, which are described in Note 2, Management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimating uncertainty at the end of the reporting period, that have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Judgment in respect of contribution without stipulation (Revenue recognition)

The management at the DFSA determines that the received contributions from the Department of Finance in Dubai are unrestricted as no set conditions or stipulations by rules or regulations are imposed nor are there any requirements for the DFSA to return any excess funding received and any returns will be considered as distribution to the sole owner of the DFSA "the Dubai Government".

Employee benefits and post-employment benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2016 – Continued)

4 Key judgment and source of estimation and uncertainty (continued)

Employee benefits and post-employment benefits (continued)

The appropriate discount rate is determined at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rate of corporate bonds.

Useful lives and residual values of office furniture and equipment

The DFSA's management determines the estimated useful lives of its tangible assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates. The net carrying amount of tangible assets as at 31 December 2016 was AED 4.5 million (2015: AED 4.2 million).

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2016 – continued)

5 Property and Equipment	Leasehold improvement	Fixtures and fittings	Office equipment	Computer equipment	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost						
At 1 January 2016	14,798	4,473	710	15,408	6	35,395
Additions	494	288	-	2,156	-	2,938
Transfer from capital work in progress	-	-	-	6	(6)	-
Disposals	-	-	(16)	(717)	-	(733)
At 31 December 2016	15,292	4,761	694	16,853	-	37,600
Accumulated depreciation						
At 1 January 2016	14,277	4,333	638	11,910	-	31,158
Charge for the year (note 14)	303	183	36	2,118	-	2,640
Disposals	-	-	(16)	(717)	-	(733)
At 31 December 2016	14,580	4,516	658	13,311	-	33,065
Net book amounts						
At 31st December 2016	712	245	36	3,542	-	4,535
At 1 January 2015	14,746	4,393	738	14,317	72	34,266
Additions	25	14	10	2,487	62	2,598
Transfer from capital work in progress	27	101	-	-	(128)	-
Disposals	-	(35)	(38)	(1,396)	-	(1,469)
At 31 December 2015	14,798	4,473	710	15,408	6	35,395
Accumulated depreciation						
At 1st January 2015	14,063	4,218	603	11,529	-	30,413
Charge for the year (note 14)	214	149	75	1,776	-	2,214
Disposals	-	(34)	(40)	(1,395)	-	(1,469)
At 31 December 2015	14,277	4,333	638	11,910	-	31,158
Net book amounts						
At 31st December 2015	521	140	72	3,498	6	4,237

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2016 – Continued)

6 Intangible Assets

	Software	Capital work in Progress	Total
	AED'000	AED'000	AED'000
Cost			
At 1 January 2016	20,530	781	21,311
Additions	672	1,991	2,663
Transfer from capital work in progress	1,484	(1,484)	-
At 31 December 2016	22,686	1,288	23,974
Accumulated depreciation			
At 1 January 2016	15,717	-	15,717
Charge for the year (note 14)	3,252	-	3,252
At 31 December 2016	18,969	-	18,969
Net book amounts			
At 31 December 2016	3,717	1,288	5,005
Cost			
At 1 January 2015	17,913	1,514	19,427
Additions	155	1,729	1,884
Transfer from capital work in progress	2,462	(2,462)	-
At 31 December 2015	20,530	781	21,311
Accumulated depreciation			
At 1 January 2015	12,655	-	12,655
Charge for the year (note 14)	3,062	-	3,062
At 31 December 2015	15,717	-	15,717
Net book amounts			
At 31 December 2015	4,813	781	5,594

7 Other receivables

	2016	2015
	AED'000	AED'000
Prepayments	18,502	17,864
Staff advances	183	189
Other receivables	1,567	454
Total	20,252	18,507

8 Cash and cash equivalents

	2016	2015
	AED'000	AED'000
Cash in hand	34	23
Current accounts	63,307	42,155
Fixed deposit accounts	75,335	85,581
Cash and cash equivalents	138,676	127,759

All bank balances are held with a bank licensed in the United Arab Emirates. The interest rate on fixed deposit accounts was in the range of 0.85 % to 2.750% per annum for the year ended 31 December 2016 (2015: 0.035 % to 2.50%).

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2016 – Continued)

9 Employees' end of service benefits

The following summarises the components of net defined benefit expense recognised in the statement of financial performance:

	2016	2015
	AED'000	AED'000
Current service cost	4,018	4,303
Net defined benefit expense	4,018	4,303
Defined benefit obligation	29,287	28,137
Fair value of plan assets	28,278	24,170
Defined benefit liability	1,009	3,967

Changes in the present value of the defined benefit obligation are as follows:

	2016	2015
	AED'000	AED'000
Obligation at beginning of the year	28,137	26,287
Current service cost	4,018	4,303
Interest cost	882	995
Actuarial (gains) on obligation	(2,405)	(94)
Benefits paid from plan	(1,345)	(3,354)
Obligation at end of the year	29,287	28,137

Changes in the fair value of plan assets are as follows:

	2016	2016
	AED'000	AED'000
Fair value of plan assets at the beginning of the year	24,170	22,303
Employer contribution	5,169	5,167
Expected return on plan assets	209	190
Actuarial gains/(losses)	75	(136)
Benefits paid from plan	(1,345)	(3,354)
Fair value of plan assets at end of the year	28,278	24,170

Plan assets comprise of cash at bank for 100% (2015: 100%).

The significant actuarial assumptions in calculating the defined benefit obligation are estimates of the long-term salary growth rate of 2% for 2017 and 3% thereafter (2015: 3% for 2016 and 2017 and 5% thereafter), the discount rate representing the time value of money of 3.5 % (2015: 3.25%) and the rate of withdrawal of employees from the scheme of 6% (2015: 10%). The sensitivity of the defined benefit obligation to changes in these assumptions (on the basis that the other assumptions remain the same) is:

	Estimate	Change in assumption	Increase / (Decrease) in defined benefit obligation AED '000
Salary growth rate	2% for 2017 and 3% thereafter	+1% / -1%	2,012/(1,799)
Discount rate	3.50%	+1% / -1%	(1,771)/2,018
Withdrawal rate	6%	+5% / -5%	62/(43)

10 Creditors, accruals and other liabilities

	2016	2015
Trade creditors	3,677	3,091
Employee related accruals	14,069	12,572
Other accruals	1,723	2,065
Total	19,469	17,728

11 Related party transactions and balances

Related parties comprise the Government of Dubai, key management, and entities that operate together to achieve the policies of the Government in Dubai. The DFSA is responsible for the regulation of financial and related activities at the DIFC and operates to achieve the goals and the policies set by the Government.

Balances with related parties arise generally from commercial transactions in the normal course of business on an arm's length basis. Balances with related parties at the statement of financial position date comprise:

Related Party Transaction:	2016	2015
	AED'000	AED'000
Cash received from the Government	117,420	117,420
Revenue recognised during the year	117,420	117,420

Key management compensation

Key management are those nine (2015: ten) individuals having authority and responsibility for planning, directing and controlling the activities of the DFSA. Their compensation during the year is:

	2016	2015
	AED'000	AED'000
Salaries and performance bonus	17,319	17,769
Other emoluments and benefits	4,829	5,004
Total	22,148	22,773

Refer to note 16 for details of the Board of Directors' costs

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2016 – Continued)

12 Appropriation of fine income to reserves		
	2016	2015
	AED'000	AED'000
Fines levied (Note 13)	834	33,749
Less: Amount appropriated to Litigation Reserve	-	(9,718)
Amount appropriated to Regulatory Reserve	834	24,031
AED 834K (2015: AED 24 million) has been appropriated to the Regulatory Reserve, in accordance with the DFSA's accounting policy (Note 2.12).		

13 Other income		
	2016	2015
	AED'000	AED'000
Fines levied	834	33,749
Interest on fixed deposits	2,000	460
Total	2,834	34,209

In 2016 the DFSA imposed fines of AED 834K on Authorised entities as compared to AED 33.749 million in 2015. The fines resulted from contraventions of the DFSA's rules. These fines were imposed following the conclusion of investigations conducted by DFSA staff. Fines are accounted for an accrual basis (Note 2.12).

14 General and administration costs		
	2016	2015
	AED'000	AED'000
Staff costs (Note 15)	122,111	113,674
Office rent	7,096	6,566
Regulatory travel, conferences, seminars and training	3,196	3,271
Communication and IT systems and equipment maintenance	4,470	4,090
Legal, consultancy and professional fees	1,815	1,812
Amortisation	3,252	3,062
Depreciation	2,640	2,214
Recruitment costs	1,230	1,890
Marketing expenses	579	965
Vehicle lease and maintenance	155	144
Software licensing and maintenance	4,612	3,162
Other expenses	3,006	2,527
Total	154,162	143,377

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2016 – Continued)

15 Staff Costs

	2016	2015
	AED'000	AED'000
Salaries	66,102	62,654
Other benefits	51,318	45,912
Employees' end of service benefits (Note 9)	4,691	5,108
Total	122,111	113,674

16 Board of Directors' Costs

	2016	2015
	AED'000	AED'000
Retainer fees	4,813	5,075
Attendance fees	2,092	2,277
Travel	1,900	2,527
Other	2,409	2,082
Total	11,214	11,961

17 Operating lease commitments

The aggregate lease commitments under non-cancellable operating leases are as follows:

	2016	2015
	AED'000	AED'000
Expiring		
Within one year	7,336	7,097
Later than one year and no later than five years	15,437	14,922
Total	22,773	22,019

Dubai Financial Services Authority

The primary statements on pages 85 to 88 have been presented in US Dollars (USD) for information purposes only.

Statement of Financial Position (presented in USD) unaudited (as at 31st December)

	2016	2015
	USD'000	USD'000
ASSETS		
Non-current assets		
Property and equipment	1,236	1,154
Intangible assets	1,364	1,525
	2,600	2,679
Current assets		
Other receivables	5,518	5,043
Cash and cash equivalents	37,786	34,812
	43,304	39,855
Total assets	45,904	42,534
EQUITY		
Contributed capital and reserves		
Contributed capital	1,570	1,570
Regulatory Reserve	25,253	23,834
Litigation Reserve	3,000	3,000
Employees' end of service benefit scheme cumulative actuarial loss	(421)	(1,097)
Total equity	29,402	27,307
LIABILITIES		
Current liabilities		
Fee income received in advance	10,922	9,317
Creditors, accruals and other liabilities	5,305	4,829
Defined benefit plan net liabilities	275	1,081
	16,502	15,227
Total liabilities	16,502	15,227
Total equity and liabilities	45,904	42,534

Dubai Financial Services Authority
Statement of financial performance (presented in USD) unaudited (for the year ended 31st December)

	2016	2015
	USD'000	USD'000
Appropriations from Government	31,995	31,995
Fee income	13,764	12,669
Other income	772	9,321
Total income	46,531	53,985
General and administration costs	(42,006)	(39,067)
Board of Directors' costs	(3,056)	(3,259)
Financial Markets Tribunal costs	(49)	(99)
Total expenses	(45,111)	(42,425)
Surplus for the year	1,420	11,560

Dubai Financial Services Authority
Statement of changes in equity (presented in USD) unaudited (for the year ended 31st December)

	Contributed capital	Regulatory reserve	Litigation reserve	Employees' end of service benefit scheme cumulative actuarial loss	Accumulated surplus	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 January 2015	1,570	14,921	352	(1,086)	-	15,757
Surplus for the year	-	-	-	-	11,560	11,560
Transfer to litigation reserve (Notes 2.12,13)	-	-	2,648	-	(2,648)	-
Transfer to regulatory reserve (Note 2.11)		8,912	-	-	(8,912)	-
Remeasurement of employees' end of service benefit obligation (Note 9)	-	-	-	(11)	-	(11)
At 31 December 2015	1,570	23,833	3,000	(1,097)	-	27,306
Surplus for the year	-	-	-	-	1,420	1,420
Transfer to litigation reserve (Notes 2.12,13)	-	-	-	-	-	-
Transfer to regulatory reserve (Note 2.11)		1,420	-	-	(1,420)	-
Remeasurement of employee's end of service benefit obligation (Note 9)	-	-	-	676	-	676
At 31 December 2016	1,570	25,253	3,000	(421)	-	29,402

Dubai Financial Services Authority

Statement of cash flow (presented in USD) unaudited (for the year ended 31st December)

	2016	2015
	USD'000	USD'000
Operating activities		
Surplus for the year	1,420	11,560
Adjustments for the following items:		
Depreciation	719	603
Amortisation	886	834
Provision for end of service benefits	1,279	1,392
Interest income	(545)	(125)
Operating cash flows before payment of employees' end of service benefits, payment of amount payable to Government and movements in working capital	3,759	14,264
Changes in working capital:		
Contributions made to the end of service benefits	(1,408)	(1,408)
Prepayments and receivables, net of interest receivable	(475)	281
Fee income received in advance	1,605	840
Creditors, accruals and other liabilities	476	153
Net cash generated from operating activities	3,957	14,130
Investing activities		
Purchase of property and equipment	(801)	(708)
Purchase of intangible assets	(726)	(513)
Interest received	545	62
Net cash used in investing activities	(982)	(1,159)
Net increase in cash and cash equivalents	2,975	12,971
Cash and cash equivalents, beginning of the year	34,811	21,841
Cash and cash equivalents, end of the year	37,786	34,811

BOARD AND SENIOR OFFICERS REMUNERTION DISCLOSURE.

DISCLOSURE OF REMUNERATION:

The following table sets forth the total remuneration received or due and receivable for the fiscal years ended 31 December 2016 and 31 December 2015 by the Board and Senior Officers of the DFSA.

Remuneration of the Chairman and Non-Executive Board Members:

REMUNERATION BANDS	2016 BOARD MEMBERS	2015 BOARD MEMBERS
$50,001 to $100,000	-	-
$100,001 to $200,000	4	5
$200,001 to $250,000	3	3
>$250,001	1	1
	8	9
	2016 (USD)	2015 (USD)
The aggregate amount of remuneration of non-executive members of the Board shown above.	2,093,126	2,233,509

Notes:

(1) Remuneration is pro-rated based on actual duration of service during the year.

(2) Remuneration of non-Executive Board members is comprised primarily of an annual retainer plus meeting attendance fees (for meetings of the full Board and its committees). Travel allowances are also paid. Board retainer fees during 2016 were USD 1,158,982 (Chairman's retainer fee was USD 466,796 per annum). Board meeting attendance fees were USD 7,192 per meeting (Chairman's meeting attendance fee was USD 15,913 per meeting).

(3) Committee membership fees during 2016 were USD 599 monthly per member (committee Chairman fee was USD 1,199 monthly). Committee attendance fees were USD 2,877 per meeting.

(4) The Chairman of the DFSA does not receive fees for membership of committees or for attendance at committee meetings. The Chief Executive of the DFSA does not receive fees for membership of the Board or its committees or for attendance at Board meetings or committee meetings.

(5) Other members of the Executive who serve as members of Board committees or attend Board meetings also do not receive fees for such membership or attendance.

REMUNERATION OF THE CHIEF EXECUTIVE AND SENIOR OFFICERS:

REMUNERATION BANDS	2016 EXECUTIVES	2015 EXECUTIVES
Up to $300,000	-	2
$300,001 to $500,000	2	3
$500,001 to $900,000	6	5
>$900,000	1	1
	9	11
	2016 (USD)	2015 (USD)
The aggregate amount of remuneration of Executives shown above:	6,034,897	6,205,177

EXECUTIVE REMUNERATION INCLUDED IN THE ABOVE COMPRISED:

	2016 (USD)	2015 (USD)
Salaries and performance bonuses	4,719,074	4,841,689
Other emoluments and benefits	1,315.823	1,363,488

Notes;

(1) Salaries and bonuses are pro-rated based on actual duration of service during the year.

(2) Other emoluments and benefits include housing allowance, flight allowance, education allowance, premium paid for medical and life and end of service accrual/pension contribution for the year 2016.

AUTHORISED FIRMS LICENSED IN 2016

FIRM NAME
514 Capital Partners (DIFC) Limited
A
ACE Insurance Brokers W.L.L.
ActivTrades Plc
AES Financial Services Ltd
Ahli United Bank Limited
Alcazar Energy Limited
Amalabh Capital Limited
Amana Financial Services (Dubai) Limited
Amwal Capital Partners Limited
Apex Limited
Argentex LLP
ASPIRE Underwriting Agency Limited
B
Badwa Capital Limited
Bank of Singapore Limited
Bastion Capital London Limited (DIFC Branch)
Beechwood Bermuda International (Middle East) Ltd
Besso Re (Middle East) Limited
Blue Target Advisors Limited
Burgan Wealth Limited
C
Canaccord Genuity (Dubai) Ltd.
Canara Bank (DIFC Branch)
Candriam Luxembourg
Capital Resources Limited
Coface Credit Insurance GCC Ltd.
Columbia Threadneedle Investments (ME) Limited
Currency Matters Limited
D
DeaconCapital Asset Management LLP
Deloitte Corporate Finance Advisory Limited
E
ENTO Capital Management Limited
EOF Services (Asia) Pte Ltd (DIFC Representative Office)
Eureeca Ltd
F
Faber Capital (DIFC) Limited
Falcon Private Wealth Limited
Five Capital Advisors (DIFC) Limited
G
Gemini Corporate Finance Limited
GWP Management Limited
H
Habib Capital Limited
Harbour Wealth Management Limited
HDFC International Life and Re Company Limited
Himmah Capital Limited
HSBC Bank Middle East Limited
Huna Capital Limited
I
Indigo FX Limited
Inverewe Capital Advisors Ltd
J
Jabre Capital Partners (DIFC) Limited
Jardine Lloyd Thompson PCS (Dubai) Limited
K
KAMCO Investment Company (DIFC) Limited
Kay International AMEA Limited
Key Capital Management Limited
L
L&T Capital Markets Limited
Lakson Investments Limited
Leo Capital (DIFC) Limited
M
Mabledon Capital Limited
Mitsubishi UFJ Trust and Banking Corporation
Mizuho Gulf Capital Partners Ltd

Authorised Firms Licensed In 2016

FIRM NAME
N
Neuberger Berman Europe Limited
Northstar Financial Services (Bermuda) Ltd
Novus Capital Advisors Limited
P
Patria Investments UK Limited
Pictet Asset Management Limited
Plurimi Wealth (Dubai) Limited
Q
Quilter Cheviot Limited
R
Risk Exchange (DIFC) Limited
S
Samsung Fire & Marine Insurance Management Middle East Limited
Sarwa Investment Management Limited
Square Capital Limited
Starr Underwriting Agents (Dubai) Limited
StormHarbour Securities LLP
T
TAKAUD Savings and Pensions (DIFC) Limited
Taurus Wealth Advisors Limited
Tavira Securities Limited
The Access Bank UK Limited
The National Investor PJSC
TriSpan Asset Management Limited
Trucial Investment Partners Limited
U
Universal Capital Bank AD Podgorica
W
Wealth Plus Asset Management Limited

Refer to the DFSA website for the full public register of all AFs.

DNFBPs Registered in 2016

Firm Name
Berkeley Capital Ltd.
Bird & Bird (MEA) LLP
Blu Stone Management Limited
Consulco (UAE) Limited
Covington & Burling LLP
Crescent House Limited
Links Group Corporate Services LLC
LPA Middle East LLC
Lutfi & Co. Advocates & Legal Consultants
Maples and Calder (Dubai) LLP
Mayer Brown LLP
Mayfield Group LLP
Pillsbury Winthrop Shaw Pittman (Middle East) LLP
Sanne Group (Dubai) Limited (DNFBP)
TAM Capital LLC
Trustmoore (Dubai) Ltd.
Uni Asia Group Consultancy Services Limited
White & Case LLP

Please refer to the DFSA website for the full public register of all DNFBPs.

Memoranda Of Understanding Signed In 2016

Bi-Lateral	
UAE	Telecommunications Regulatory Authority – aeCERT
UAE	Financial Services Regulatory Authority of Abu Dhabi Global Markets
JORDAN	Jordan Securities Commission

Refer to the DFSA website for the full list of MoUs.

MEMBERS OF AUTHORISED MARKET INSTITUTIONS RECOGNISED IN 2016

MEMBERS OF AUTHORISED MARKET INSTITUTIONS RECOGNISED IN 2016
Al Ramz Capital PJSC
Al Safwa Mubasher Financial Services PJSC
ED&F Man Capital Markets, Inc.
Integrated Securities LLC
Naeem Shares & Bonds LLC
NBAD Securities LLC
Pioneer Waseet Securities LLC

New Listings in 2016

ISSUER	SECURITY	LISTING VENUE	AMOUNT RAISED
Ahli United Sukuk Limited	Sukuk	NASDAQ Dubai & Irish Stock Exchange	USD 200,000
APICORP Sukuk Limited	Sukuk	NASDAQ Dubai & Irish Stock Exchange	USD 500,000,000
Boubyan Tier 1 Capital SPC Limited	Fixed Rate Note	NASDAQ Dubai & Irish Stock Exchange	USD 250,000,000
China Construction Bank Corporation Hong Kong Branch	Sukuk	NASDAQ Dubai & Hong Kong Stock Exchange & Singapore Exchange Securities Trading Limited	USD 600,000,000
DIB Sukuk Limited	Sukuk	NASDAQ Dubai & Irish Stock Exchange	USD 500,000,000
DP World Crescent Limited	Sukuk	NASDAQ Dubai & London Stock Exchange	USD 1,166,942,000
DP World Crescent Limited	Sukuk	NASDAQ Dubai & London Stock Exchange	USD 33,058,000
EI Sukuk Company Ltd	Sukuk	NASDAQ Dubai & Irish Stock Exchange	USD 250,000,000
EI Sukuk Company Ltd	Sukuk	NASDAQ Dubai & Irish Stock Exchange	USD 750,000,000
Emaar Sukuk Limited	Sukuk	NASDAQ Dubai (Primary)	USD 750,000,000
Hilal Services Ltd	Sukuk	NASDAQ Dubai & London Stock Exchange	USD 300,000,000
IDB Trust Services Limited	Sukuk	NASDAQ Dubai & London Stock Exchange & Bursa Malaysia	USD 1,250,000,000
IDB Trust Services Limited	Sukuk	NASDAQ Dubai & London Stock Exchange & Bursa Malaysia	USD 1,500,000,000
Industrial and Commercial Bank of China Limited	Notes	NASDAQ Dubai & Irish Stock Exchange	USD 400,000,000
MAF Global Securities Limited	Notes	NASDAQ Dubai & Irish Stock Exchange	USD 300,000,000
Noor Tier 1 Sukuk Limited	Sukuk	NASDAQ Dubai (Primary)	USD 500,000,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	NASDAQ Dubai & Singapore Exchange Securities Limited	USD 732,600,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	NASDAQ Dubai & Singapore Exchange Securities Limited	USD 17,400,000
Perusahaan Penerbit SBSN Indonesia III		NASDAQ Dubai & Singapore Exchange Securities Limited	USD 1,623,543,000
Perusahaan Penerbit SBSN Indonesia III		Perusahaan Penerbit SBSN Indonesia III	USD 126,457,000
Sharjah Sukuk (2) Limited	Sukuk	NASDAQ Dubai & Irish Stock Exchange	USD 500,000,000
SIB Sukuk Company III Limited	Sukuk	NASDAQ Dubai & Irish Stock Exchange	USD 500,000,000
Total			USD 12,750,000,000

Refer to the DFSA website for all Listings.

DFSA ADMINISTERED LAWS AND RULES IN 2016

DFSA RULES

The Board of Directors made amendments to the DFSA Rulebook as follows:

- Notice of Amendments dated 10 February 2016 and 15 February 2016 and rulemaking instruments 165 – 175, which made a number of miscellaneous amendments to the modules of the DFSA Rulebook;

- Notice of Amendments dated 26 June 2016 and rulemaking instruments 176 – 183, which made amendments to the DFSA Rulebook to support the DFSA conducting more of its regulatory business online, and made various changes to the DFSA's insurance regime; and

- Notice of Amendments dated 12 December 2016 and rulemaking instruments 184 – 196 and guidance instrument 10, which made amendments to the DFSA's AML regime, the DFSA's regime relating to Arranging, Representative Offices and Financial Promotions and a number of miscellaneous amendments to the modules of the DFSA Rulebook and the Code of Market Conduct.

MODULES OF THE DFSA SOURCEBOOK:

The Chief Executive made amendments to the DFSA Sourcebook as follows:

- The AFN module was updated on four separate occasions in 2016.

- Notice of update dated 28 January 2016, which introduced the February 2016 edition of the Regulatory Policy and Process (RPP) module.

Glossary

Glossary	
A	
ADGM	Abu Dhabi Global Market
AF	Authorised Firm
AMERC	IOSCO's Africa and Middle East Regional Committee
AMI	Authorised Market Institution
AML	Anti-Money Laundering
AMLSCU	Anti-Money Laundering Suspicious Cases Unit
ASIC	Australian Securities and Investments Commission
B	
BCBS	Basel Committee on Banking Supervision
BCG	Basel Consultative Group
C	
CBUAE	Central Bank of the United Arab Emirates
CCP	Central counterparty clearing
CEO	Chief Executive Officer
CIR	Collective Investment Rules
COO	Chief Operating Officer
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
CP	Consultation Paper
CRA	Credit Rating Agency
CTF	Counter-terrorist financing
D	
DFSA	Dubai Financial Services Authority
DIFC	Dubai International Financial Centre
DIFCA	Dubai International Financial Centre Authority
DNFBP	Designated Non-Financial Business or Profession
E	
ESCA	United Arab Emirates Securities and Commodities Authority
ESMA	European Securities and Markets Authority
EU	European Union
F	
FATF	Financial Action Task Force
FinTech	Financial Technology
FMT	Financial Markets Tribunal
FSAP	Financial Sector Assessment Programme
FSB	Financial Stability Board
FSRA	Financial Services Regulatory Authority
G	
GCC	Gulf Co-operation Council
H	
HKSFC	Hong Kong Securities and Futures Commission
HR	Human Resources

I	
IA	Insurance Authority of the UAE
IAIG	Internationally Active Insurance Group
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
ICPs	Insurance Core Principles
IFIAR	International Forum of Independent Audit Regulators
IFSB	Islamic Financial Services Board
IOSCO	International Organisation of Securities Commissions
K	
KSA	Kingdom of Saudi Arabia
L	
LegCo	Legislative Committee
	List Official List of Securities
M	
MENA	Middle East and North Africa
MESA	Middle East Studies Association
MMF	Money Market Fund
MoU	Memorandum of Understanding
MMoU	Multi-lateral Memorandum of Understanding
N	
NAMLCFTC	National Anti-Money Laundering and Combatting Terrorist Financing Committee
NY Fed	Federal Reserve Bank of New York
O	
OECD	Organisation for Economic Co-operation and Development
OTC	Over-the-counter
P	
PRA	Prudential Regulation Authority
Q	
QIF	Qualified Investor Fund
R	
RA	Registered Auditor
RoC	Registrar of Companies
S	
SAR	Suspicious Activity Report
T	
TRL	Tomorrow's Regulatory Leaders
U	
UAE	United Arab Emirates
UASA	Union of Arab Securities Authorities
UK	United Kingdom
US	United States

Dubai Financial
Services Authority

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